Registered number: 3899612

GOOD ENERGY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2005

GOOD ENERGY LIMITED

COMPANY INFORMATION

DIRECTORS	Juliet Davenport John Sellers Martin Edwards Jon Fairchild
SECRETARY	Ovalsec Limited
COMPANY NUMBER	3899612
REGISTERED OFFICE	2 Temple Back East Temple Quay Bristol BS1 6EG
AUDITORS	Calder & Co Chartered Accountants and Registered Auditor 1 Regent Street London SW1Y 4NW

GOOD ENERGY LIMITED

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DIRECTORS' REPORT
For the year ended 31 December 2005

The directors present their report and the financial statements for the year ended 31 December 2005.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

In determining how amounts are presented within items in the profit and loss account and balance sheet, the directors have had regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The company's principal activity during the year was the supply of electricity from renewable energy sources.

The results for the year and financial position of the company are as shown in the following financial statements.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £223,842 *(2004 - Loss £184,786)*.

The directors do not recommend the payment of a dividend.

DIRECTORS

The directors who served during the year were:

Juliet Davenport
John Sellers
Martin Edwards
Jon Fairchild
Richard Hussey (resigned 31/7/05)

DIRECTORS' REPORT
For the year ended 31 December 2005

ADDITIONAL INFORMATION REGARDING DIRECTORS

The directors holding office at the balance sheet date did not hold any beneficial interest in the issued share capital of the company at 1 January 2005 or 31 December 2005.

The directors Juliet Davenport, John Sellers and Martin Edwards are also directors of the ultimate holding company Monkton Group PLC and details of their interests in the shares and options of group companies are disclosed in the accounts of that company.

AUDITORS

The auditors, Calder & Co, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 21 April 2006 and signed on its behalf.

John Sellers
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GOOD ENERGY LIMITED

We have audited the financial statements of Good Energy Limited for the year ended 31 December 2005 set out on pages 4 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 AUDITORS

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

Calder & Co
Chartered Accountants and Registered Auditor
1 Regent Street
London
SW1Y 4NW

21 April 2006

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2005

	Note	2005 £	*2004 £*
TURNOVER	1, 2	**6,844,900**	*4,063,405*
Cost of sales		**(6,127,932)**	*(3,430,952)*
GROSS PROFIT		**716,968**	*632,453*
Administrative expenses		**(881,347)**	*(802,559)*
OPERATING LOSS	3	**(164,379)**	*(170,106)*
Interest receivable		**4,827**	*1,498*
Interest payable	6	**(64,290)**	*(17,357)*
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		**(223,842)**	*(185,965)*
TAX ON LOSS ON ORDINARY ACTIVITIES	7	**-**	*1,179*
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		**(223,842)**	*(184,786)*
(LOSS)/RETAINED PROFIT BROUGHT FORWARD		**(132,772)**	*52,014*
LOSS CARRIED FORWARD		**£ (356,614)**	*£ (132,772)*

All amounts relate to continuing operations.

There were no recognised gains and losses for 2005 or 2004 other than those included in the profit and loss account.

The notes on pages 6 to 13 form part of these financial statements.

BALANCE SHEET
As at 31 December 2005

	Note	2005 £	2005 £	2004 £	2004 £
FIXED ASSETS					
Intangible fixed assets	8		**524,787**		*563,774*
Tangible fixed assets	9		**24,871**		*25,589*
Investments	10		**1**		*1*
			549,659		*589,364*
CURRENT ASSETS					
Stocks	11	**1,067,558**		*1,126,223*	
Debtors	12	**2,822,380**		*1,364,993*	
Cash at bank		**-**		*7,917*	
		3,889,938		*2,499,133*	
CREDITORS: amounts falling due within one year	13	**(3,204,230)**		*(2,018,445)*	
NET CURRENT ASSETS			**685,708**		*480,688*
TOTAL ASSETS LESS CURRENT LIABILITIES			**1,235,367**		*1,070,052*
CREDITORS: amounts falling due after more than one year	14		**145,979**		*6,822*
CAPITAL AND RESERVES					
Called up share capital	15	**996,002**		*946,002*	
Share premium account	16	**450,000**		*250,000*	
Profit and loss account		**(356,614)**		*(132,772)*	
SHAREHOLDERS' FUNDS - All Equity			**1,089,388**		*1,063,230*
			£ 1,235,367		*£ 1,070,052*

The financial statements were approved by the board on 21 April 2006 and signed on its behalf.

Juliet Davenport

Juliet Davenport
Director

The notes on pages 6 to 13 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2005

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS1.

1.3 Turnover

Turnover comprises the invoiced value of energy and services supplied by the company, exclusive of Value Added Tax and trade discounts. Turnover includes a proportion of energy that has been supplied but not yet invoiced.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on a straight line basis as follows:

Furniture, fittings and equipment - 3 to 5 years

1.5 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on the straight line basis over the lease term.

1.6 Stocks

Under the provisions of the Utilities Act 2000, all electricity suppliers are required to procure a set percentage of their supplies from accredited renewable electricity generators. This obligation can be fulfilled by the purchase and surrender of Renewable Obligation Certificates (ROCs) originally issued to generators, or by making payments to OFGEM who then recycle the payments to purchasers of ROCs. Notwithstanding that Good Energy Limited supplies electricity sourced entirely from renewable generation, its percentage obligation has been set by OFGEM at 10% as a quid pro quo for the company's entitlement to profess its renewable credentials in the market place.

A market for the trading of ROCs has developed and from time to time the company purchases and sells ROCs taking a view of its overall medium term obligations and market trends: it may also decide to carry forward ROCs as a stock to meet obligations in future periods.

The accounting policy distinguishes between the cost of the company's obligations within the regulatory regime, and the tactical disposition towards purchasing and holding ROCs.

The cost obligation is recognised as it arises and charged to the profit and loss account for the period to which the charge relates as a direct reduction of gross margin. Gains or losses on disposal of ROCs are included in the profit and loss account as and when they crystallise. The stock of ROCs carried forward is valued at the lower of cost and estimated realisable value.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2005

1. ACCOUNTING POLICIES (continued)

1.7 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

1.8 Intangible fixed assets and amortisation

Intangible fixed assets which represents the aquisition of brand rights and customer development costs are capitalised and amortised to the profit and loss account over twenty years.

Investments in licences are capitalised and amortised to the profit and loss account over five years.

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to profit and loss account over its estimated economic life.

1.9 Customer registration fees

Customer registration fees are included in prepayments and expensed over 3 years.

2. TURNOVER

The whole of the turnover is attributable to the company's principal activity being the supply of electricity from renewable sources.

All turnover arose within the United Kingdom.

3. OPERATING LOSS

The operating loss is stated after charging:

	2005	*2004*
	£	*£*
Amortisation - intangible fixed assets	**51,363**	*69,066*
Depreciation of tangible fixed assets:		
- owned by the company	**16,449**	*15,061*
Auditors' remuneration	**5,250**	*5,250*
Accountancy fees	**2,325**	*5,375*
Operating lease rentals:		
- other operating leases	**26,475**	*26,475*

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2005 £	*2004 £*
Wages and salaries	334,046	*246,355*
Social security costs	33,014	*28,038*
Other pension costs	15,800	*13,736*
Compensation for loss of office	20,000	-
	£ 402,860	*£ 288,129*

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

	2005	*2004*
	11	*8*

5. DIRECTORS' REMUNERATION

	2005 £	*2004 £*
Emoluments	£ 157,581	*£ 143,112*
Company pension contributions to money purchase pension schemes	£ 7,390	*£ 7,442*
Compensation for loss of office	£ 20,000	*£ -*

During the year retirement benefits were accruing to 3 directors *(2004 - 3)* in respect of money purchase pension schemes.

6. INTEREST PAYABLE

	2005 £	*2004 £*
Bank overdraft interest payable	26,706	*4,431*
Other interest paid	14,904	*500*
Group interest payable	22,680	*12,426*
	£ 64,290	*£ 17,357*

7. TAXATION

	2005 £	*2004 £*
Adjustments in respect of prior periods	£ -	*£ (1,179)*

7. TAXATION (continued)

Factors affecting tax charge for year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK applicable to the company (0 %). The differences are explained below:

	2005	*2004*
	£	£
Loss on ordinary activities before tax	(223,842)	*(185,965)*
Loss on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 0 % *(2004 - 0 %)*	-	-
Effects of:		
Adjustments to tax charge in respect of prior periods	-	*(1,179)*
Current tax charge/(credit) for year (see note above)	£ -	*£ (1,179)*

The taxable losses within the company have been utilised under group relief tax provisions by a fellow group undertaking.

There were no factors that may affect future tax charges.

8. INTANGIBLE FIXED ASSETS

	Licence investment	Customer development costs	Establisment cost of brand	Total
	£	£	£	£
Cost				
At 1 January 2005	195,700	515,000	85,000	795,700
Additions	12,376	-	-	12,376
At 31 December 2005	208,076	515,000	85,000	808,076
Amortisation				
At 1 January 2005	81,926	128,750	21,250	231,926
Charge for the year	21,363	25,750	4,250	51,363
At 31 December 2005	103,289	154,500	25,500	283,289
Net book value				
At 31 December 2005	£ 104,787	£ 360,500	£ 59,500	£ 524,787
At 31 December 2004	*£ 113,774*	*£ 386,250*	*£ 63,750*	*£ 563,774*

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2005

9. TANGIBLE FIXED ASSETS

		Furniture, fittings and equipment
		£
Cost		
At 1 January 2005		54,406
Additions		15,731
At 31 December 2005		70,137
Depreciation		
At 1 January 2005		28,817
Charge for the year		16,449
At 31 December 2005		45,266
Net book value		
At 31 December 2005	£	24,871
At 31 December 2004	*£*	*25,589*

10. FIXED ASSET INVESTMENTS

		Unlisted invest-ments
		£
Cost		
At 1 January 2005 and 31 December 2005	£	1

11. STOCKS

	2005	*2004*
	£	*£*
Renewable Obligation Certificates	£ 1,067,558	*£ 1,126,223*

As at 31 December 2005 there were Renewable Obligation Certificates (ROCs) of £728,538 (2004 - £946,835) included in the above amount that were unissued for generation that had already taken place and therefore these ROCs were not able to be sold before the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2005

12. DEBTORS

	2005	2004
	£	£
Trade debtors	1,918,900	1,012,593
Other debtors	903,480	352,400
	£ 2,822,380	£ 1,364,993

13. CREDITORS:
Amounts falling due within one year

	2005	2004
	£	£
Bank loans and overdrafts	678,924	333,203
Trade creditors	639,682	206,435
Amounts owed to group companies	45,023	178,927
Social security and other taxes	11,896	7,709
Other creditors	330,263	216,483
Accruals and deferred income	1,498,442	1,075,688
	£ 3,204,230	£ 2,018,445

The bank overdraft is secured by an unscheduled mortgage debenture dated 24 October 2000 incorporating a fixed and floating charge over all current and future assets of the company.

14. CREDITORS:
Amounts falling due after more than one year

	2005	2004
	£	£
Amounts owed to parent company	£ 145,979	£ 6,822

Interest is charged on the outstanding balance to the parent company at 2.5% above base rate.

15. SHARE CAPITAL

	2005	2004
	£	£
Authorised		
1,520,000 Ordinary shares of £1 each	£ 1,520,000	£ 1,520,000
Allotted, called up and fully paid		
996,002 Ordinary shares of £1 each	£ 996,002	£ 946,002

During the year 50,000 Ordinary Shares of £1 each were alloted at a premium of £4 each.

16. RESERVES

Share premium account	£
At 1 January 2005	250,000
Premium on shares issued during the year	200,000
At 31 December 2005	£ 450,000

17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2005	*2004*
	£	*£*
Loss for the year	(223,842)	*(184,786)*
Shares issued during the year	50,000	*100,000*
Share premium on shares issued (net of expenses)	200,000	*150,000*
	26,158	*65,214*
Opening shareholders' funds	1,063,230	*998,016*
Closing shareholders' funds	£ 1,089,388	*£ 1,063,230*

18. PENSION COMMITMENTS

The company is committed to contribute to the personal pension plans of all staff. The annual charge for the year was £15,800 (2004 - £13,736). At the the year end, pension contributions of £2,242 (2004 - £1,419) were outstanding.

19. OPERATING LEASE COMMITMENTS

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2005	*2004*
	£	*£*
Expiry date:		
Within 1 year	26,475	-
Between 2 and 5 years	-	*26,475*

20. RELATED PARTY TRANSACTIONS

The Directors consider Monkton Group PLC to be a related party under the meaning of FRS 8 by virtue of it controlling 100% of the issued share capital.

The inter-company loan from Monkton Group PLC is shown in note 14 above

The directors consider Windelectric Ltd to be a related party under the meaning of FRS 8 by virtue of common control.

During the year Windelectric Ltd sold the company £602,776 (2004 - £657,048) of electricity generation. As at 31 December 2005 the sum of £31,118 (2004 - £25,961) is due to Windelectric Ltd.

During the year the company sold Windelectric Ltd £4,767 (2004 - £4,895) of eletricity supply. As at 31 December 2005 the sum of £nil is due from Windelectric Ltd (2004 - £500).

21. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's ultimate holding company is Monkton Group PLC.