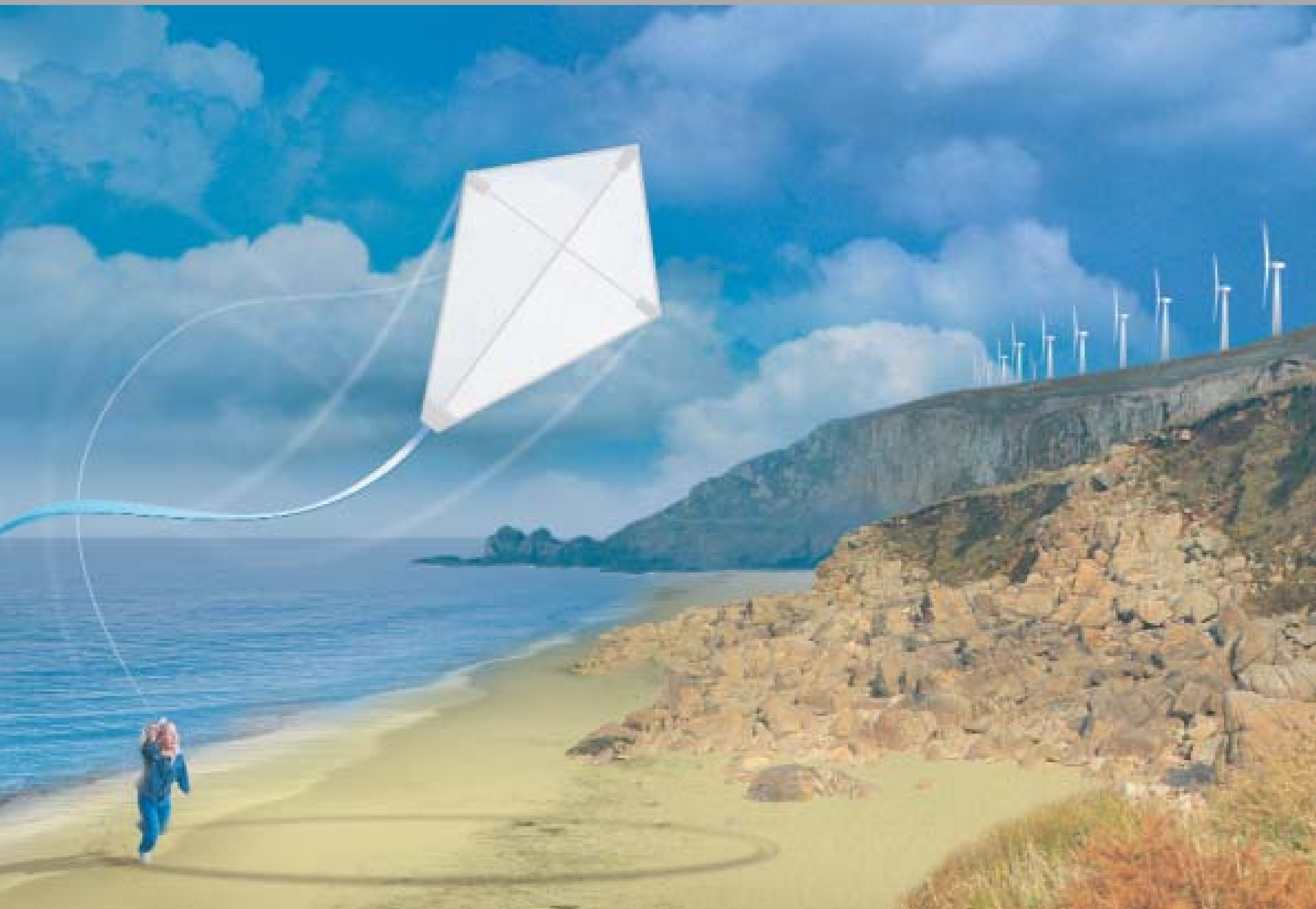
MONKTON GROUP PLC

Annual Report & Financial Statements



YEAR ENDED 31 DECEMBER 2002

Through unit[e] and WindElectric powering a cleaner world...

Monkton Group PLC

Monkton Park Offices
Monkton Park, Chippenham
Wiltshire SN15 1ER

Dear Shareholder

This is your copy of the Directors' Annual Report and Accounts, a document which we are required by law to produce each year.

It does not require any action by you; it is to inform you about the operating and financial results of your company for the year ending 31 December 2002, our financial position as at 31 December 2002, and to offer some comments about current trends and prospects.

The contents of the report are prescribed largely by statutory requirement and best practice in accounting and corporate governance. If all this data is not particularly interesting to you, I suggest you at least read my Chairman's Statement on page 4 and Juliet Davenport's review on page 5. We also have an up-date on the position regarding the establishment of a market for Monkton Group PLC shares (on page 29).

You should also note that we are holding our AGM (Annual General Meeting) of shareholders on 22 May in Bristol. The details of this are set out in the Notice on page 2; you are not obliged to come to this but we are always keen to meet our shareholders and if you can make it, so much the better.

Yours faithfully

Signature

John Sellers
Chairman
Monkton Group PLC
23 April 2003

MARKETABILITY OF MONKTON SHARES

At the time of the Public Offer of Monkton Shares in June 2002, the directors envisaged that by June 2003 (following the publication of this document) we would be in a position to establish a formal market for Monkton shares, if only to make it easier for new unit[e] customers to buy shares in the company.

Our original intention was to introduce the shares to the OFEX market. Some discussions have been held. There are cost and timing implications as well as burdensome documentary requirements and the need to appoint brokers and advisors; we may also need to negotiate exemptions from certain standard OFEX entry requirements. So we are keeping this approach under review for the time being.

Meanwhile, we are pleased to confirm that we are in advanced discussions with Triodos Bank NV who operate the ETHEX market. Based in Bristol, ETHEX provides a formal procedure where registered buyers are matched with registered sellers based on a price nominated and pre-notified by the Monkton directors from time to time based mainly on a set formula which tracks our business progress. The ETHEX market is to be limited to shares in companies only with strong ethical and environmental credentials and therefore is entirely suitable for us. Taking this approach does not mean we will not also join OFEX.

We will be writing to all shareholders when we have completed our arrangements which we expect to be operational on 1 July 2003.

And finally...

We would like to thank you and all our renewable energy generators for being key people in supporting our work towards a new, low carbon Britain. You can continue to do this by recommending unit[e] to others: there is a reward scheme (unit[e] Points).

Find out more by phoning 0845 456 1640.

ANNUAL REPORT AND FINANCIAL STATEMENTS - Year ended 31 December 2002

NOTICE OF ANNUAL GENERAL MEETING

Registered office: 2 Temple Back East, Temple Quay, Bristol BS1 6EG

Notice is given that the Annual General Meeting of Monkton Group PLC will be held at The University and Literary Club, 20, Berkeley Square, Clifton, Bristol on 22 May at 10.30 a.m. for the following purposes:

Ordinary Business

Adoption of accounts

1. To receive and adopt the report of the directors and the audited financial statements for the year ended 31st December 2002.

Re-appointment of auditors

2. To re-appoint Messrs Calder & Co as auditors of the company and to authorise the directors to fix their remuneration.

Special Business

To consider and, if thought fit, pass the following resolution as a special resolution:

Directors' power to allot securities and disapplication of pre-emption rights

1. **That** the Directors be authorised pursuant to Section 95 of the Act to allot equity securities as if Section 89(1) of the Act did not apply to any such allotment provided that such power be limited to the allotment of equity securities up to an aggregate nominal amount of £250,000 and provided that no share may be issued at a price (including any premium) less than 50p per share. This authority is to expire at the conclusion of the next annual general meeting of the company, or fifteen months after the date of such authority, if earlier, save that the company may at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred had not expired.

By order of the Board

Chairman
23 April 2003

Note: All members who hold shares are entitled to attend and vote at the meeting. Members who are entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote instead of him, and a proxy need not also be a member. A form of proxy is enclosed with this report.

DIRECTORS AND CORPORATE RESOURCES

Directors	John Sellers (Chairman) Juliet Davenport (Group Chief Executive) Nigel Killick (Marketing and Customer Management) Martin Edwards (Generation)
General Contact Details	Monkton Park Offices Monkton Park Chippenham Wiltshire SN15 1ER Tel: 0845 456 1640 email: enquiries@unit-e.co.uk
Company Secretary and Registered Office	Ovalsec Limited 2 Temple Back East Temple Quay Bristol BS1 6EG
Auditors and Reporting Accountants	Calder & Co 1 Regent Street London SW1Y 4NW
Solicitors to the Company	Osborne Clarke 2 Temple Back East Temple Quay Bristol BS1 6EG
Bankers	The Co-operative Bank p.l.c P.O. Box 101 1 Balloon Street Manchester MP60 4EP NatWest Bank PLC 68-70 Suffolk Road Cheltenham GL50 2ED
Registrars	Computershare Investor Services PLC PO Box 859, The Pavilions Bridgewater Road Bristol BS99 7NH
	Company Registration Number: 4000623

Chairman's statement

Dear Shareholder

2002 has been a momentous year for Monkton Group and as a young company we have made good progress in establishing ourselves as a meaningful force in the UK's renewable energy industry.

The key corporate event of the year was to open up the company for investment by our customers and the general public leading to a public offer of our shares in June 2002 to which some 636 investors subscribed. Your support is greatly appreciated, and has enabled us to make the progress described in this report.

Ahead of this public offer, we needed to reflect on and re-define our strategic purpose and long-term goals: essentially

> *Monkton Group intends to give the public easy access to supplies of energy from sustainable sources. In our case, our distinction is that we supply only from the purest sources of renewable energy- namely wind power and small-scale natural hydroelectric generation. And we are trying to make it as simple as possible for new customers to convert to us from their former fossil fuel supplier.*

As part of that strategy, we also intend to acquire our own sources of renewable generation. We have made a good start by acquiring in December 2002 Windelectric Limited, a wind farm in Cornwall with sufficient output for about 25% of our current needs. We would like to add further wholly-owned generation plant, not only in wind energy but also in other growing technologies such as wave and solar power.

We are producing this report at a time of considerable debate about renewable energy in general, and the extent to which formerly declared government targets are feasible or desirable or focused on the appropriate technologies. The fact that the nation is increasingly engaged in the issue is helpful to Monkton and the more the public can differentiate between clean and unclean energy, the better placed we are to achieve our long-term goals.

A full account of the year is given in Juliet Davenport's review on page 5.

You should also note that the AGM is to be held in Bristol on 22 May.

John Sellers
Chairman
Monkton Group PLC
23 April 2003

OPERATING AND FINANCIAL REVIEW
For the year ended 31 December 2002

INTRODUCTION

Monkton Group's renewable energy business has been operating since 1997 and was developed to promote and stimulate the UK renewable electricity market. Monkton owns the entire issued capital of Unit Energy Limited - a renewable electricity supply business trading under the brand name unit[e], and now owns also Windelectric Limited which generates electricity from wind power. The Company's vision is to "keep the world a habitable place" through the development of the renewable energy and associated markets: it now has well over 6,000 customers, and achieved record sales of over 25,000 MWh in 2002. For 2003 it plans to almost double the number of customers it supplies and to continue to promote the expansion of the renewable energy market.

THE RENEWABLE ENERGY MARKET

The past 12 months have been significant for the renewable energy market. Early in the year the Prime Minister's Forward Strategy Unit recommended that the target for renewable electricity should increase to 20% for 2020 as part of the ongoing Government commitment to combating climate change. Following that, in April 2002 the Government introduced the Renewable Obligation, the market apparatus designed to ensure the achievement of their first target of 10% renewable supply by 2010. These two factors seem to have a significant effect on the market, with new renewable generation being developed faster now than for several years.

STRATEGY

Since its inception the Monkton renewable energy business has grown "organically". The strategy was to test Monkton's business plan and be satisfied that it was valid in the UK renewable electricity market, which is both a sophisticated and fluid market. Early in 2002 the Monkton board felt this was achieved and as a result announced in June 2002 a Public Offer of Monkton shares to fund the next stage of development of its business.

The Public Offer

Various surveys had indicated that unit[e]'s customers would be interested in becoming shareholders of the company as a demonstration of their alignment with the vision of the Group. The Offer succeeded in raising over £600,000 and we are pleased that over 500 of our new shareholders are customers of unit[e].

The Offer documentation outlined the key investments that would be funded by the capital raised:

- Obtaining a supply licence for unit[e]
- Developing and implementing a proactive marketing plan for unit[e]
- Purchasing a wind farm

We have made good progress on these three fronts:

STRATEGY (continued)

Unit[e]'s Supply Licence

The first part of the investment strategy was to procure a supply licence for unit[e] to enable the company itself to carry out certain functions previously performed under contract by third parties; this would give us better and more direct relationships with our customers and suppliers. Unit[e] succeeded in winning its own supply licence in January 2003, as anticipated, and now expects to be operationally independent by May 2003, and to expand and deliver electricity services in Scotland late in 2003.

Marketing Plan

The second key component of the Monkton investment plan was to fund a marketing programme for unit [e]. In the previous year no significant marketing activity had been undertaken by the company. A positive shift in the demand for clean renewable power in the UK is the fundamental part of the Monkton Group vision. The marketing plan was approved by Monkton in late November 2002 and is now in the process of being implemented by unit[e] team. It has identified the target markets, has selected the appropriate marketing technologies and has put in place the systems for continuous testing and measurement of programme effectiveness.

Purchase of Windelectric Limited

The third key component of the investment strategy for Monkton Group was to purchase its own renewable generation. This is part of a risk minimisation strategy for the group to ensure that it can continue to source sufficient renewable generation as it expands the demand side of the market. On 23rd December 2002 we completed the purchase of Windelectric Limited which owns the ten-turbine wind farm at Delabole in Cornwall, and generates sufficient renewable power to supply 25% of our 2003 demand portfolio. We would wish to make further acquisitions of this nature as our business expands.

OPERATING RESULTS

Unit[e]

2002 was a challenging year for unit[e]. In February the board decided to expand the operational team and bring in-house marketing and financial management. As part of the development of the company we then carried out a fundamental review of the company's business processes. With the new team and the improved operational structure of the company, unit[e] then moved offices in October to Monkton Park in Chippenham.

During this activity the team was still busy winning new customers, which included the Co-operative Bank, Swiss Re, and Sheffield Hallam University. 2002 saw us achieve our highest ever sales figures at 25,000 MWh compared with 19,000 MWh in 2001. By the end of 2002 we had just under 6,000 customers including some 380 businesses.

In June we launched our new website (www.unit-e.co.uk); it is designed to simplify the sign-up procedure for new customers and to provide a better source of information to both customers and potential customers, in particular aimed at households and small businesses.

OPERATING RESULTS (continued)

Unit[e] continues to be ranked as the number one green supplier in the UK, both in the business market and in the domestic market. Independent surveys by Friends of the Earth and Platts have continued to rank unit[e] as the best in this sector, and indeed the OFGEM green guidelines demonstrate the unit[e] product as the benchmark for green supplies in the UK.

Windelectric Limited

The wind farm generated 10,000 MWh in the year in line with its operational capacity with no major breakdowns and with its entire output sold profitably to a range of customers. Unit Energy Limited now buys all that output.

FINANCIAL REVIEW

The statutory accounts of the Monkton Group PLC for the year ended 31 December 2002 are set out on pages 12 to 28 together with explanatory notes and comparatives with 2001 where appropriate.

Profitability

2002 has been a year in which a necessary increase in establishment costs has been implemented in preparation for the planned growth in our scale of operations. This has had the effect of reducing Unit Energy Limited's profit for 2002; with the reduction being offset by the addition of the profits of Windelectric Limited whose acquisition referred to above became effective financially as from 1 October 2002. Consolidated operating profit was £115,489 compared with £131,296 in 2001. £49,064 of the 2002 Operating Profit is attributable to the acquisition of Windelectric Limited. The profit after tax was £100,925 compared with £81,669 excluding the once-off effect of a special dividend received by the company following its disposal of a former subsidiary.

Cash-flow

During the year the company invested £30,000 in establishing its new office and £80,000 in making the initial payments to procure its own operating licence in line with its strategy of achieving operational self- sufficiency. This together with working capital requirements to fund our increasing numbers of customers in the short term has had an inevitable negative impact on group cash flow. Nevertheless, mainly as a result of new injections of equity capital, the Group completed the year with £192,893 of net cash.

Balance Sheet

The balance sheet has been drawn up on the historic cost convention; this gives total assets employed of £2,870,273. This value excludes the market value of the Group's customer base and growth potential.

FINANCIAL REVIEW (continued)

Dividend

The Group's strategy calls for a significant increase in customers and further potential acquisitions of renewable generation assets; together these components will require continuing financial investment. In this context therefore, and after careful consideration, the Directors do not think it is appropriate to recommend the payment of a dividend in respect of the earnings of 2002. Looking further ahead, the Directors do intend to initiate dividend payments as soon as the Group is in a position to do so.

OUTLOOK

2003 is going to be a period of discovery for the Monkton Group. The ambition of the company to be a leading force in the renewable energy market in the UK is now embedded in our strategy. This will then form the basis for further investments by the Monkton Group in the renewable generation market, expanding the demand for renewable power and fulfilling this through further investment in renewable generation. Current plans are expected to result in increased profits over the next few years which are likely to be used to fund our growth.

For the current year to date, our results are encouraging. We have a strong team, excellent product credentials, a supportive base of customers and shareholders, and we should be able to benefit from positive trends in the renewable energy market. We are entitled therefore to be quite optimistic about our medium term prospects.

Juliet Davenport
Chief Executive
23 April 2003

DIRECTORS' REPORT
For the year ended 31 December 2002

The directors present their report and the financial statements for the year ended 31 December 2002. During the year the company re-registered as a Public Limited Company with effect from 18 May 2002.

DIRECTORS

The directors who served during the year and their beneficial interests in the company's issued share capital was:

	ordinary shares of 5p each	
	31/12/02	*1/1/02*
John Sellers	**581,297**	*21,000*
Juliet Davenport	**214,539**	*8,333*
Martin Edwards	**669,827**	*18,000*
Nigel Killick (appointed 11 July 2002)	**4,000**	-
Brian Swindells (resigned 30 April 2002)	**591,109**	*31,111*
Alan Goodbrook (resigned 30 April 2002)	**217,683**	*5,556*

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

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 group and the profit or loss of the group 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 group 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company is that of a holding company.

The principal activity of the subsidiary companies is the purchase, generation and sale of energy from renewable sources.

A detailed review of the business is set out on page 5.

DIRECTORS' REPORT (continued)
For the year ended 31 December 2002

RESULTS AND DIVIDENDS

The results for the year are set out on page 12.

The directors do not recommend the payment of a dividend.

FUTURE DEVELOPMENTS

The company has adopted a strategic plan which calls for a significant increase in its customer base. It also intends to make further acquisitions of renewable energy generation plant, not only in wind technology.

GROUP POLICY FOR PAYMENT OF CREDITORS

The group policy is to comply with the terms of payment agreed with a supplier. Where terms are not negotiated, the company endeavours to adhere to the supplier's standard terms.

The parent company did not have any trade creditors during the year as it is a non trading holding company.

CORPORATE GOVERNANCE AND FINANCIAL CONTROL

The Board is familiar with modern standards of corporate governance and intends to adopt those standards progressively as the scale of the company increases. The role of Chief Executive and of Chairman are split, with the Chairman operating in a non-executive capacity. Financial control has been strengthened in the year by the appointment of a full time qualified financial controller. A system of continuous financial planning has been installed to better manage profit and cash flow forecasting, and to inform marketing programme decision making.

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 23 April 2003 and signed on its behalf.

John Sellers
Chairman

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MONKTON GROUP PLC

We have audited the financial statements of Monkton Group PLC for the year ended 31 December 2002 set out on pages 12 to 28. The financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 16 and 17.

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 financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 group has not kept proper accounting records, if we have not received all information and explanations we require for our audit, or if information specified by law regarding directors' renumeration and transactions with the company and other members of the Group 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 conduct our audit in accordance with United Kingdom Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistent applied and adequately disclosed.

We planned and performed our audit so as to obtain all 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 of the state of affairs of the company and the group as at 31 December 2002 and of profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985, as amended.

Calder & Co
Chartered Accountants and Registered Auditor
1 Regent Street, London SW1Y 4NW
23 April 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2002

	Note	2002 £	*2001 £*
TURNOVER			
Continuing operations	1	**1,794,350**	*1,323,433*
Acquisitions	1	**157,775**	*-*
		1,952,125	*1,323,433*
Cost of sales	3	**(1,622,501)**	*(1,022,989)*
GROSS PROFIT		**329,624**	*300,444*
Administrative expenses	3	**(214,135)**	*(169,148)*
OPERATING PROFIT	2		
Continuing operations		**66,425**	*131,296*
Acquisitions		**49,064**	*-*
		115,489	*131,296*
Income from investments in related companies		**-**	*190,000*
Amounts written off investments		**-**	*(20,000)*
Interest receivable	7	**11,186**	*5,292*
Interest payable	6	**(3,832)**	*(10,419)*
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**122,843**	*296,169*
TAX ON PROFIT ON ORDINARY ACTIVITIES	8	**(21,918)**	*(24,500)*
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**100,925**	*271,669*
Minority interests		**-**	*(9,553)*
PROFITS FOR THE FINANCIAL YEAR		**100,925**	*262,116*
RETAINED PROFIT FOR THE FINANCIAL YEAR		**100,925**	*262,116*
RETAINED PROFIT/(LOSS) BROUGHT FORWARD		**237,996**	*(24,120)*
RETAINED PROFIT CARRIED FORWARD		**£ 338,921**	*£ 237,996*

There were no recognised gains and losses for 2002 or 2001 other than those included in the profit and loss account.

The notes on pages 16 to 28 form part of these financial statements.

CONSOLIDATED GROUP BALANCE SHEET
For the year ended 31 December 2002

	Note	**2002** £	£	*2001* £	£
FIXED ASSETS					
Intangible fixed assets	9		**784,643**		*33,882*
Tangible fixed assets	10		**1,487,770**		-
Investments	11		**840**		-
			2,273,253		*33,882*
CURRENT ASSETS					
Stocks	12	**168,098**		-	
Debtors	13	**981,329**		*815,416*	
Cash at bank		**278,689**		*14,326*	
		1,428,116		*829,742*	
CREDITORS: amounts falling due within one year	14	**(831,096)**		*(478,541)*	
NET CURRENT ASSETS			**597,020**		*351,201*
TOTAL ASSETS LESS CURRENT LIABILITIES			**£ 2,870,273**		*£ 385,083*
CREDITORS: amounts falling due after more one year	15		**545,000**		*64,587*
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	16		**389,030**		-
CAPITAL AND RESERVES					
Called up share capital	17	**224,205**		*4,350*	
Share premium account	18	**1,373,117**		*78,150*	
Profit and loss account		**338,921**		*237,996*	
SHAREHOLDERS' FUNDS - ALL EQUITY	19		**1,936,243**		*320,496*
			£ 2,870,273		*£ 385,083*

The financial statements were approved by the board on 23 April 2003 and signed on its behalf.

John Sellers
Director

The notes on pages 16 to 28 form part of these financial statements.

PARENT COMPANY BALANCE SHEET
For the year ended 31 December 2002

	Note		2002		2001
		£	£	£	£
FIXED ASSETS					
Investments	11		**2,297,793**		*200,000*
CURRENT ASSETS					
Debtors	13	**3,231**			*66,621*
Cash at bank		**176,165**		*11,245*	
		179,396		*77,866*	
CREDITORS: amounts falling due within one year	14	**(168,427)**		*(14,346)*	
NET CURRENT ASSETS			**10,969**		*63,520*
TOTAL ASSETS LESS CURRENT LIABILITIES			**£ 2,308,762**		*£ 263,520*
CREDITORS: amounts falling due after more than one year	15		**545,000**		*34,587*
CAPITAL AND RESERVES					
Called up share capital	17	**224,205**		*4,350*	
Share premium account	18	**1,373,117**		*78,150*	
Profit and loss account		**166,440**		*146,433*	
SHAREHOLDERS' FUNDS - ALL EQUITY	19		**1,763,762**		*228,933*
			£ 2,308,762		*£ 263,520*

The financial statements were approved by the board on 23 April 2003 and signed on its behalf.

John Sellers
Chairman

The notes on pages 16 to 28 form part of these financial statements.

GROUP CASH FLOW STATEMENT
For the year ended 31 December 2002

	Note	2002 £	*2001 £*
Net cash flow from operating activities	20	**(47,301)**	*10,682*
Returns on investments and servicing of finance	21	**7,354**	*(5,127)*
Taxation		**(25,202)**	-
Capital expenditure and financial investment	21	**(120,729)**	-
Acquisitions and disposals	21	**(189,782)**	-
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		**(375,660)**	*5,555*
Financing	21	**565,613**	*(35,516)*
INCREASE/(DECREASE) IN CASH IN THE YEAR		**£ 189,953**	*£ (29,961)*

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS (NOTE 22)
For the year ended 31 December 2002

	2002 £	*2001 £*
Increase/(Decrease) in cash in the year	**189,953**	*(29,961)*
Cash decrease from decrease in debt	**64,587**	*35,516*
MOVEMENT IN NET DEBT IN THE YEAR	**254,540**	*5,555*
Net debt at 1 January 2002	**(61,647)**	*(67,202)*
NET FUNDS/(DEBT) AT 31 DECEMBER 2002	**£ 192,893**	*£ (61,647)*

The notes on pages 16 to 28 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention.

The financial statements are prepared in accordance with applicable accounting standards.

1.2 Basis of consolidation

The financial statements consolidate the accounts of Monkton Group PLC and of all its subsidiary undertakings drawn up to 31 December 2002 each year. No profit and loss account is presented for Monkton Group PLC as permitted by section 230 of the Companies Act 1985.

Windelectric Limited has been included in the group financial statements using the acquisition method of accounting. Accordingly, the group profit and loss account and statement of cash flows include the results and cash flows of Windelectric Limited for the three month period from its acquisition on 1 October 2002. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

The group profit and loss and statement of cash flows also include the results and cash flows of Unit Energy Limited for the whole of the year.

The consolidated comparatives do not include the results of subsidiaries disposed of in 2001 as it was never the intention for these companies to be part of the group. This allows us to compare the results of the two years on a more consistent basis.

1.3 Turnover and profit before tax

Turnover and profit before tax represents the amounts derived from the provision of goods and services which fall within the group's ordinary activities, stated net of value added tax.

All turnover and profit before tax arose within the United Kingdom.

1.4 Intangible fixed assets and amortisation

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 the profit and loss account over its estimated economic life.

1.5 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 the following basis:

Fixtures & Fittings	-	20%	straight line
Computer Equipment	-	33.33%	straight line

The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

1.6 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 as incurred.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

1. ACCOUNTING POLICIES (continued)

1.7 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 Unit Energy Limited supplies electricity sources 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.

1.8 Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date.

1.9 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.

2. OPERATING PROFIT

The operating profit is stated after charging:

	2002	*2001*
	£	*£*
Amortisation - intangible fixed assets	**(31,164)**	*(30,422)*
Depreciation of tangible fixed assets: owned by the company	**43,413**	-
Auditors ' renumeration	**8,000**	*5,751*
Auditors' renumeration - non-audit	**2,250**	-
Operating lease rentals: other operating leases	**6,234**	-
Amortisation of brands and customer development costs	**30,000**	*30,000*

Auditors fees for the parent company were £3,500 (2001:£1,700)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

3. COST OF SALES AND EXPENSES

The following amounts were included within continuing activities in relation to acquisitions during the year

	2002	*2001*
	£	*£*
Cost of sales	**97,191**	-
Administrative expenses	**11,520**	-

4. STAFF COSTS

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

	2002	*2001*
	£	*£*
Wages and salaries	**86,381**	*5,000*
Social security costs	**7,575**	-
Other pensions costs	**3,669**	-
	£ 97,625	£ *5,000*

Staff costs relate to the parent company and its subsidiary Unit Energy Limited.

5. DIRECTORS' RENUMERATION

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

	2002	*2001*
	£	*£*
Emoluments (provided by subsidiary to directors)	**62,083**	*5,000*
Emoluments (provided by parent to directors)	**17,083**	-
	£ 79,166	£ *5,000*

During the year retirement benefits were accruing to 2 directors (2001 = nil) in respect of money purchase pension schemes.

6. INTEREST PAYABLE

	2002	*2001*
	£	*£*
On bank loans and overdrafts	**2,637**	*7,781*
On other loans	**1,195**	*2,638*
	£ 3,832	£ *10,419*

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

7. INTEREST RECEIVABLE

	2002 £	*2001 £*
Other interest receivable	**11,186**	*5,292*

8. TAXATION

	2002 £	*2001 £*
Analysis of tax charge in year		
Current tax (see note below)		
UK corporation tax charge on profits of the year	**31,226**	*24,500*
Deferred tax movement for the period	**(9,308)**	-
Total deferred tax (see note 16)	**(9,308)**	-
Tax on profit on ordinary activities	**£ 21,918**	*£ 24,500*

Factors affecting tax charge for year

The tax assessed for the yar is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002 £	*2001 £*
Profit on ordinary activities before tax	**122,843**	*296,169*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001 - 30%)	**36,853**	*88,850*
Effects of:		
Adjustments for non-taxable and marginal rate items.	**(5,627)**	*(64,350)*
Current tax charge for year (see note above)	**£ 31,226**	*£ 24,500*

There were no factors that may affect future tax charges.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

9. INTANGIBLE FIXED ASSETS

	Supply Licence	Brand & Customer Development	Goodwill	Total
Group	£	£	£	£
Cost				
At 1 January 2002	-	600,000	(536,540)	63,460
Additions	88,706	-	660,891	749,597
At 31 December 2002	88,706	600,000	124,351	813,057
Amortisation				
At 1 January 2002	-	60,000	(30,422)	29,578
Charge for the year	6,218	30,000	(37,382)	(1,164)
At 31 December 2002	6,218	90,000	(67,804)	28,414
Net book value				
At 31 December 2002	£ 82,488	£ 510,000	£ 192,155	£ 784,643
At 31 December 2001	£ -	£ 540,000	£ (506,118)	£ 33,882

Goodwill arising on the acquisition of Unit Energy Limited and Windelectric Limited is being amortised evenly over the directors' estimate of its useful economic life of 10 years. The supply licence is being amortised evenly over its useful economic life of 5 years. The brand and customer development investment is being amortised evenly over the directors' estimate of its useful economic life of 20 years.

10. TANGIBLE FIXED ASSETS

	Furniture fittings & equipment	Turbine & ancillaries	Total
	£	£	£
Cost			
Additions	31,183	-	31,183
Additions on acquisition of subsidiary undertaking	-	1,500,000	1,500,500
At 31 December 2002	31,183	1,500,500	1,531,183
Depreciation			
Charge for the year	1,746	41,667	43,413
At 31 December 2002	1,746	41,667	43,413
Net book value			
At 31 December 2002	£ 29,437	£ 1,458,333	£ 1,487,770
At 31 December 2001	£ -	£ -	£ -

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

11. FIXED ASSETS INVESTMENTS

		Unlisted investments	Total
		£	£
Group			
Cost			
Additions:	Wave Electric Limited	839	839
	MRA Service Company Limited	1	1
At 31 December 2002		£ 840	£ 840

	Share in group under-takings	Loans to group under-takings	Unlisted investment	Total
Company	£	£	£	£
Cost or valuation				
At 1 January 2002	200,000	-	-	200,000
Additions	1,857,381	460,601	839	2,318,821
Disposal	(221,028)	-	-	(221,028)
At 31 December 2002	£ 1,836,353	£ 460,601	£ 839	£ 2,297,793

Investments include an investment in a subsidiary Unit Energy Limited, comprising a holding of 100% of its issued share capital. During its latest financial year Unit Energy Limited made a profit after tax of £37,743 (2001 - £82,781) and at the end of that year the aggregate of its capital and reserves was £810,424 (2001 - £797,681).

Investments include an investment in Windelectric Limited, comprising a holding of 100% of its issued share capital. During its latest financial period Windelectric Limited made a profit after tax of £703,383 and at the end of that period the aggregate of its capital and reserves was £1,232,527.

Investments include an investment in Monkton Generation Limited, comprising a holding of 100% of its issued share capital. During its latest financial period Monkton Generation Limited made a profit after tax of £130,800 and at the end of that period the aggregate of its capital and reserves was £147.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

12. STOCKS

	Group		Company	
	2002	*2001*	**2002**	*2001*
	£	*£*	**£**	*£*
Renewable Obligation Certificates	**£ 168,098**	£ -	£ **-**	£ -

13. DEBTORS

Due within one year	Group		Company	
	2002	*2001*	**2002**	*2001*
	£	*£*	**£**	*£*
Trade debtors	**762,323**	*598,067*	**3,231**	-
Other debtors	**201,377**	*205,371*	**-**	66,621
Prepayments and accrued income	**17,629**	*11,978*	**-**	-
	£ 981,329	£ *815,416*	**£ 3,231**	£ 66,621

14. CREDITORS

Amounts falling due within one year	Group		Company	
	2002	*2001*	**2002**	*2001*
	£	*£*	**£**	*£*
Bank loans and overdrafts	**85,796**	*11,386*	**-**	-
Trade creditors	**379,217**	*218,175*	**-**	-
Corporation tax	**54,467**	*24,500*	**-**	-
Social security and other taxes	**4,275**	-	**-**	-
Other creditors	**244,492**	*191,392*	**168,427**	14,346
Accruals and deferred income	**62,849**	*33,088*	**-**	-
	£ 831,096	*£ 478,541*	**£ 168,427**	£ 14,346

The bank overdraft relates to the company's subsidiary, Unit Energy Limited and is secured by an unscheduled mortgage debenture on that company dated 24 October 2000 incorporating a fixed and floating charge over all current and future assets of the company.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

15. CREDITORS

Amounts falling due within more than one year	Group 2002 £	Group 2001 £	Company 2002 £	Company 2001 £
Other loans	-	64,587	-	34,587
Other creditors repayable within 5 years by instalments	545,000	-	545,000	-
	£ 545,000	£ 64,587	£ 545,000	£ 34,587

	Group £	Group £	Company £	Company £
Between two and five years				
Other loans	-	64,587	-	34,587

Included in other creditors:
- £220,000 relates to long term loan notes. These are repayable in 4 instalments of £55,000 due on 30 November each year until 30 November 2007. The applicable rate of interest is 15.26%

- £325,000 relates to further consideration payable over the next 5 years on the acquisition of Windelectric Limited.

16. DEFERRED TAXATION

	Group and Company 2002 £	Group and Company 2001 £
At 1 January 2002	-	-
On acquisition of Windelectric Limited	398,338	-
Deferred tax movement	(9,308)	-
At 31 December 2002	£ 389,030	-

The provision for deferred taxation is made up as follows:

	2002 £	2001 £
Accelerated capital allowances	389,030	-
	389,030	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

17. SHARE CAPITAL

	2002 £	*2001 £*
Authorised		
10,000,000 ordinary shares of 5p each	**500,000**	*13,050*
Allotted, called up and fully paid		
4,484,107 ordinary shares of 5p each	**£ 224,205**	*£ 4,350*

On 20 April 2002 the authorised capital was increased to 10,000,000 ordinary shares. 31,349 new shares were issued on conversion of bonds, and 2,130,282 new shares were created by transfer from the share premium account.

During the year, 1,271,400 new shares were issued by way of part consideration for the acquisition of Windelectric Limited.

18. RESERVES

	Share premium account £
Group and Company	
At 1 January 2002	**78,150**
Profit retained for the year	**-**
Premium on shares issued during the year	**1,294,967**
At 31 December 2002	**£ 1,373,117**

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2002 £	*2001 £*
Group		
Profit for the year	**100,925**	*262,116*
Shares issued during the year	**219,855**	-
Share premium on shares issued (net of expenses)	**1,294,967**	-
	1,615,747	*262,116*
Opening shareholders' funds	**320,496**	*58,380*
Closing shareholders' funds	**£ 1,936,243**	*£ 320,496*

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS (continued)

	2002 £	2001 £
Company		
Profit for the year	**20,007**	*158,466*
Shares issued during the year	**219,855**	-
Shares premium on shares issued (net of expenses)	**1,294,967**	-
	1,534,829	*158,466*
Opening shareholders' funds	**228,933**	*70,467*
Closing shareholders' funds	**£ 1,763,762**	*£ 228,933*

The parent company has taken advantage of the exemption contained within section 230 of the Companies Act 1985 not to present its own profit and loss account.
The profit for the year dealt with in the accounts of the company was £20,007 (2001 - £158,466).

20. NET CASH FLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating profit	**115,489**	*131,296*
Amortisation of intangible fixed assets	**(1,164)**	*30,000*
Depreciation of tangible fixed assets	**43,413**	-
Increase in stocks	**(168,098)**	-
Decrease/(increase) in debtors	**92,782**	*(158,811)*
(Decrease)/increase in creditors	**(129,723)**	*8,197*
NET CASH (OUTFLOW)/INFLOW FROM OPERATIONS	**£ (47,301)**	*£ 10,682*

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

21. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2002 £	2001 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	**11,186**	*5,292*
Interest paid	**(3,832)**	*(10,419)*
NET CASH INFLOW/(OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	**£ 7,354**	*£ (5,127)*

	2002 £	2001 £
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of intangible fixed assets	**(88,706)**	-
Purchase of tangible fixed assets	**(31,183)**	-
Purchase of unlisted investments	**(840)**	-
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	**£ (120,729)**	*£ -*

	2002 £	2001 £
ACQUISITIONS AND DISPOSALS		
Purchase of subsidiary taking	**(250,000)**	-
Net cash acquired with subsidiary undertaking	**60,218**	-
NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS	**£ (189,782)**	*£ -*

	2002 £	2001 £
FINANCING		
Issue of ordinary shares	**630,200**	-
Repayment of loans	**-**	*(35,516)*
Repayment of other loans	**(64,587)**	-
NET CASH INFLOW/(OUTFLOW) FROM FINANCING	**£ 565,613**	*£ (35,516)*

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

22. ANALYSIS OF CHANGES IN NET FUNDS

	1 January 2002 £	Cash flow £	other non-cash changes £	31 December 2002 £
Cash at bank in hand:	14,326	264,363	-	278,689
Bank overdraft	(11,386)	(74,410)	-	(85,796)
	2,940	189,953	-	192,893
DEBT :				
Debts falling due after more than one year	(64,587)	-	64,587	-
NET FUNDS/(DEBT)	£ (61,647)	£ 189,953	£ 64,587	£ 192,893

23. OPERATING LEASE COMMITMENTS

At 31 December 2002 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2002 £	*2001 £*
Group		
Expiry date:		
Within 1 year	15,300	-
After more than 5 years	10,255	-

24. ACQUISITIONS

On 1 October 2002 the group acquired Windelectric Limited for a consideration of £1,857,381 satisfied as shown below. The investment in Windelectric Limited has been included in the company's balance sheet at its fair value at the date of acquisition.

Analysis of the acquisition of Windelectric Limited:

Net assets at the date of acquisition:

	Vendor's book value £	Fair value to the group £
Assets and liabilities acquired		
Tangible fixed assets	1,500,000	1,500,000
Debtors	258,691	258,691
Cash at bank	60,218	60,218
Other creditors and provisions	(612,414)	(612,414)
Net assets acquired	£ 1,206,495	£1,206,495

Satisfied by

Consideration	- cash	250,000
	- loan notes	275,000
	- contingent consideration	430,000
	- shares	876,841
	- acquisition costs	25,540
		£ 1,857,381
Goodwill arising on consolidation		£ 650,886

Goodwill is being amortised over 10 years.

The summarised profit and loss account for Windelectric Limited for the period from 1 October 2001 to the date of acquisition was as follows:

	£
Turnover	372,487
Operating profit	1,011,210
Profit before tax	1,012,163
Taxation	(334,812)
Profit after tax	£ 677,351