

ANNUAL REPORT AND FINANCIAL STATEMENTS - Year ended 31 December 2003

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NOTICE OF ANNUAL GENERAL MEETING

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 26 May 2004 at 11.00 a.m. for the following purposes:

Ordinary Business***Adoption of financial statements***

1. To receive and adopt the report of the directors and the audited financial statements for the year ended 31st December 2003.

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 resolutions as special resolutions:

1. Increase in Authorised Share Capital

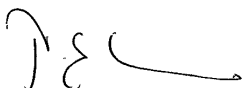
That the authorised share capital of the company be and it is increased from £500,000 to £1,000,000 by the creation of an additional 10,000,000 ordinary shares of 5p each ranking equally in all respects as one class of shares with the existing ordinary shares of 5p each in the capital of the company.

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

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 £500,000 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.

Registered office: 2 Temple Back East, Temple Quay, Bristol BS1 6EG
Company number: 4000623

By order of the Board



Director
23 April 2004.

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 notice.

DIRECTORS AND CORPORATE RESOURCES

Directors John Sellers (Chairman)
Juliet Davenport (Chief Executive)
Martin Edwards (Generation)

Company Secretary and Registered Office Ovalesec 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

Financial Advisors Bishop Fleming
19 Portland Square
Bristol BS2 8SJ

Bankers The Co-operative Bank p.l.c
P.O. Box 101
1 Balloon Street
Manchester M60 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
For the year ended 31 December 2003

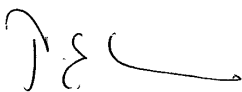
In her Operating and Financial Review, Juliet Davenport conveys a fair degree of optimism about the prospects for our company, and strong enthusiasm for the considerable tasks facing us in the immediate future.

In fact, 2003 has been a tough year for the company. Compared with the more traditional British Utility, we are still a small enterprise; and because we are re-investing all our operating profits into the drive for more customers, we are particularly vulnerable to only small changes in the commercial, competitive or regulatory context in which we operate. Lower margins towards the end of 2003 were a particular worry and led our competitors to pass on cost increases to their customers almost with immediate effect. We decided to absorb those costs corporately for the time being.

As a relatively small company, we are also financially disadvantaged in purchasing our energy supplies: we have to pay in advance, so that our continuing growth does require working capital funding. At some point in our future, we will be big enough to command the credit ratings required by the industry, so that this burden will be removed. It is a typical characteristic of a young but ambitious business intent on growth.

From a theoretical point of view, it is satisfying to note that we have already reached the point where we could deliver profits and positive cash flow and dividends if we chose not to grow further. But your Board is of the school that believes there is no plateau, - we either go up, or we go down. Our strategic plan reflects our determination to change the demeanour of the British public towards clean sustainable sources of energy and we will not feel we have made a real difference unless we achieve a very large customer base by the end of 2008.

We feel that our customers, shareholders and staff would expect us to declare such a commitment on their behalf, and we warmly appreciate the support and encouragement we have received so far. The response to the Second Share Issue being launched next month will give us a fair indication of the extent to which we are entitled to rely on that support in the future.



John Sellers
Chairman
Monkton Group PLC
23 April 2004

OPERATING AND FINANCIAL REVIEW
For the year ended 31 December 2003

INTRODUCTION

Monkton Group's renewable energy business has been operating in the UK since 1997. It was set up to promote and stimulate the renewable energy market through encouraging growth in the demand for renewable electricity. Monkton owns the entire issued share capital of Good Energy Limited, previously known as Unit Energy Limited, and also Windelectric Limited which we acquired in October 2002. Windelectric generates electricity from wind power and sells the output to Good Energy to supply its customers.

The Company's vision is to "keep the world a habitable place" through the economic development of renewable energy and the expansion of the renewables market in the UK. It now has nearly 10,000 customers, a mixture of businesses and homes, and achieved sales of 38,000 MWh in 2003. During 2004, the company will continue to expand the market for renewable electricity and is aiming to acquire further generation assets.

THE RENEWABLE ENERGY MARKET

During 2003 the Government has continued to support the UK renewable electricity market, and announced that it intended to extend the target it set in 2002 for 10.4% by 2010, to 15.4% by 2015 of total electricity supply in the UK. The Industry has also been working hard to remove market barriers to smaller scale generation. Previously it has been very difficult for householders or small businesses to install solar panels or a wind turbine on their property and receive an income against this. Good Energy has been one of the suppliers working with government to obtain lower metering costs and environmental subsidies that are now available to small-scale generators from 1 April 2004.

A disappointment for us in 2003 was the continued delay of the restructuring of the electricity market in Scotland to align with the England and Wales market, making it more difficult to trade renewable generation in Scotland. Government is hoping to introduce a nationwide scheme by April 2005, although it is possible that this may be delayed.

STRATEGY

Good Energy's strategy for 2003 was to increase its operational independence by obtaining its own supply licence, and to expand its customer base through the development and implementation of a marketing plan.

On 1 June 2003 Good Energy started trading under its own supply licence. This allowed the company to have direct relationships with its suppliers and reduce the dependence on its outsourced agency company. Then in November 2003 Good Energy succeeded in obtaining a licence to trade in Scotland, launching its product in that market on 1 March 2004.

Good Energy now has a sufficiently large customer base to justify planning the continued re-establishment in our own offices of support services previously outsourced: the establishment of energy trading is currently under way and bringing customer services in-house is planned for early 2005.

OPERATING AND FINANCIAL REVIEW
For the year ended 31 December 2003

MARKETING

The marketing programme that was agreed in late 2002 ran into delivery problems in late spring 2003 and by the end of the summer had been 50% under-delivered. Although this reduced the spend on marketing also by 50% in the early part of the year, it meant that there was a significant reduction in the income to the company due to the lower than expected number of customers in the early part of the year. However, we were pleased to note that our target cost per customer sign up stayed on target.

Notwithstanding this slippage in programme implementation, we have featured as a top ranking supplier in the Good Shopping Guide published by ECRA and continue to occupy a top position in the Friends of the Earth "league table".

Our market strength depends crucially on the fact that our customers trust us when we say that we purchase our power from renewable energy sources. It was not helpful therefore that the Government discontinued the funding for the "Future Energy" accreditation scheme in September 2002, that independently verified green electricity supply claims in the market. In the absence of such a scheme we instigated an independent audit of all our procurement data by a leading firm of Chartered Accountants. As a result they have issued a formal certificate to validate that we were a 100% renewable supplier for 2003. We challenge our competitors to do the same, and urge the public to challenge their supplier to back up their claims in a similar way. We are also working together with industry to try and ensure this happens.

In December we successfully registered a new trademark – Good Energy - which now replaces unit[e] as our brand. We believe our market positioning has been strengthened considerably by the change of name from unit[e] to Good Energy. The thinking behind the change was to adopt a name which more accurately describes our business. It also increases the cost effectiveness of any advertising and publicity of the company due to its simplicity. So far, the name seems generally to have been well received.

HUMAN RESOURCES

We have continued to build the Good Energy team during the year with the focus on the Marketing and Customer Service functions. The Management team has been strengthened considerably by the appointment of Richard Hussey as Marketing and Operations Manager, and by Jon Fairchild as Group Financial Controller. These appointments help substantially to underpin my own areas of expertise, the sole dependence on which was previously seen as a strategic vulnerability.

OPERATING RESULTS

2003 saw good operational progress, building on the momentum established after the first Monkton Group Share Offer in 2002. We succeeded in strengthening the Good Energy team required to support our planned sales growth, successfully brought on line our own supply licence, entered the Scottish market, and integrated Windelectric Limited as a Group asset within our financial control and cash management mechanisms. To ensure that we can accommodate the growing team at Good Energy, we have now entered into a longer term lease at our Operating Centre in Chippenham and have expanded the space that we occupy there. We also re-accommodated the Monkton Group resources from Bristol to the Good Energy offices to save costs.

We have expanded our business portfolio considerably, continuing to supply the Swiss Re office, Sheffield Hallam University, expanding the number of Co-operative Bank sites we supply, and gaining a number of new customers including the Woodland Trust and Exmoor National Park Authority.

OPERATING AND FINANCIAL REVIEW
For the year ended 31 December 2003

OPERATING RESULTS (continued)

In overall terms we have achieved a 41% increase in customers over the last 12 months and have supplied a 46% increase in renewable electricity. By the end of March 2004, we had just short of 10,000 customers including some substantial business customers. Since entering the electricity market, we have supplied cumulatively 95,000 MWh of energy from renewable sources: we like to presume that this energy has displaced energy from conventional sources and on that basis our enterprise has saved 40,850 tonnes of CO₂ emissions.

WINDELECTRIC

2003 was a mixed year for Windelectric. During the early part of the year the wind farm operated in line with expectations with performance targets achieved. However, due to some problems with one turbine in late October and the failure of a gearbox on another turbine in December, the availability for 2003 was only 95.3% instead of a target of 97%. Despite the lower availability of the site, the output sold was profitable and the business generated good cash flow.

The operational performance of the wind farm is being closely monitored; we do not expect significant problems in 2004 although output will be lower than target due to the one turbine (10% of the capacity) not producing while it is being repaired. We continue to explore opportunities for further acquisitions of renewable generation assets.

FINANCIAL REVIEW

The statutory accounts of Monkton Group PLC for the year ended 31 December 2003 are set out on pages 12 to 27 and together with explanatory notes and comparatives with 2002 where appropriate.

Profit and Loss Account

The Group figures set out on page 12 when compared with 2002 are distorted because they include the 2002 results of Windelectric Ltd as from 1 October of that year. We have therefore included a note on page 17 to set out the position more clearly.

The financial results demonstrate our key financial strategy which currently is to re-invest almost all our operating profits into the expansion of the Good Energy customer base. 2003 has therefore been a year of expansion and significant spend on marketing and operational development.

At £3.1m consolidated turnover in 2003 was 59% higher than in 2002, with Good Energy's turnover up by 53%. Notwithstanding this strong performance, the delays in marketing and the correspondingly lower number of customers in the early part of the year have produced revenues lower than planned, and hence the profitability has been affected for the full year. In addition, gross margins on energy sales were severely depressed in the later part of the year. Unlike a number of major suppliers who have taken significant pricing action, we decided to absorb these cost pressures corporately for the time being.

| Administrative and other costs are as set out below: | 2003 | 2002 |
|--|-----------------|-----------------|
| Marketing spend | 180,676 | 32,057 |
| Depreciation/Goodwill | 274,392 | 42,248 |
| Admin: Good Energy | 324,201 | 145,927 |
| Windelectric | 44,031 | 11,520 |
| Monkton Corporate | 50,967 | 24,050 |
| Monkton Generation | 353 | 0 |
| As shown | <u>£874,620</u> | <u>£255,802</u> |

OPERATING AND FINANCIAL REVIEW
For the year ended 31 December 2003

The table shows the effect of consolidating the depreciation of Windelectric for the full year, and the significant increase in customer acquisition costs. This leaves administrative costs where the increase reflects the expansion of our operating capacity to a level which can properly support our prospective growth.

In total, therefore, the Group achieved a small profit of £16,528 (2002 - £122,843) before tax charges estimated at £19,796 (2002 - £21,918) reflecting the high taxable profits of Windelectric.

Cash-flow

During the year the company has invested £180,676 in expanding the customer base. There has also been an increased working capital requirement to fund the increasing numbers of customers. However, we have improved cash collection from customers with the result that a positive cash flow from operating activities of £27,046 was achieved (2002 - £47,301 outflow). We have recently renewed our financing facility for the next 12 months and have the active and helpful support of our banks.

Balance Sheet

The balance sheet has been drawn up on the Historic Cost accounting convention; this gives total assets employed of £3.19m compared with £2.87m at 31 December 2002. This value excludes the market value of the Group's customer base which has almost doubled during the year.

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. Looking to the future, the Directors do intend to initiate a dividend payment programme as soon as the Group is in a position to do so.

OUTLOOK FOR 2004

There is no change in our strategy, and whilst 2004 is going to be a period of consolidation based on our experiences and the discoveries of 2003, we are totally resolved to growing the business significantly. We have made major steps in improving our knowledge base of both the renewable energy market and cost effective ways of promoting our products. Changes in government legislation already announced should make it easier for us to trade in the market and promote our products.

The current year to date is roughly on target, already exceeding targets for business customer acquisition, although slightly lower than expected on the domestic market. The team is committed to delivering the medium term targets which they themselves have set as being tough but achievable. We are entitled therefore to continue to be quite optimistic about our medium term prospects.



Juliet Davenport
Chief Executive

DIRECTORS' REPORT
For the year ended 31 December 2003

The directors present their report and the financial statements for the year ended 31 December 2003.

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 | |
|--|---------------------------------------|---------------|
| | <u>31/12/03</u> | <u>1/1/03</u> |
| John Sellers | 681,297 | 581,297 |
| Juliet Davenport | 263,117 | 214,539 |
| Martin Edwards | 669,827 | 669,827 |
| Nigel Killick (resigned 26 September 2003) | 4,000 | 4,000 |

Juliet Davenport has options over 520,000 ordinary shares in the Company exercisable after 1 May 2005 at 50p per share and conditional upon the achievement of a number of operational and financial performance criteria. A suitable "key-man" insurance policy is in place.

STATEMENT OF DIRECTORS' 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 BUSINESS

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

The principal activities of the subsidiary companies are 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 2003

RESULTS AND DIVIDENDS

The profits on ordinary activities of the group before taxation amounted to £16,528 (2002 - £122,843) and after taxation the loss for the year amounted to £3,268 (2002 - Profit £100,925).

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 assets, not only in wind technology. To fund this strategy, and to enable its growing customer base to participate in the financial development of the business, the Company is intending to raise further equity funds from an offer of shares.

GROUP POLICY FOR PAYMENT OF CREDITORS

The group requires its subsidiaries to perform to perfect standards of commercial practice. Its policy is strictly 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.

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.

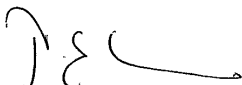
ETHICAL STATEMENT

Monkton espouses the highest possible standards of ethical, environmental, and social responsibility. Our core business has an environmental focus and it seeks to "keep the world a habitable place" by supplying sustainable sources of energy to the British public. We are keen to have our customers become shareholders to provide a balance of benefit between the owners of the company and its customers. We expect the highest standards of social and commercial behaviour in our staff. Good Energy Limited has now produced a full Environmental Report for 2003 which is available on request.

AUDITORS

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

This report was approved by the board on 23 April 2004 and signed on its behalf.



John Sellers
Chairman

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
OF MONKTON GROUP PLC**

We have audited the financial statements of Monkton Group PLC for the year ended 31 December 2003 set out on pages 12 to 27. 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' remuneration 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, consistently 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 2003 and of the loss 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 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2003

| | Note | 2003 £ | 2002 £ |
|--|------|------------------|------------------|
| TURNOVER | | | |
| Continuing operations | 2 | 3,095,528 | 1,794,350 |
| Acquisitions | | - | 157,775 |
| | | <u>3,095,528</u> | <u>1,952,125</u> |
| Cost of sales | | (2,169,033) | (1,580,834) |
| | | <u>926,495</u> | <u>371,291</u> |
| GROSS PROFIT | | | |
| Administrative expenses | | (874,620) | (255,802) |
| | | <u>926,495</u> | <u>371,291</u> |
| OPERATING PROFIT | | | |
| Continuing operations | 3 | 51,875 | 66,425 |
| Acquisitions | | - | 49,064 |
| | | 51,875 | 115,489 |
| Interest receivable | 7 | 7,566 | 11,186 |
| Interest payable | 6 | (42,913) | (3,832) |
| | | <u>16,528</u> | <u>122,843</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | | |
| TAX ON PROFIT ON ORDINARY ACTIVITIES | 8 | (19,796) | (21,918) |
| | | <u>16,528</u> | <u>122,843</u> |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | | |
| RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR | | (3,268) | 100,925 |
| RETAINED PROFIT BROUGHT FORWARD | | 338,921 | 237,996 |
| | | <u>338,921</u> | <u>237,996</u> |
| RETAINED PROFIT CARRIED FORWARD | | | |
| | | <u>£ 335,653</u> | <u>£ 338,921</u> |

There were no recognised gains and losses for 2003 or 2002 other than those included in the profit and loss account.

The notes on pages 16 to 27 form part of these financial statements.

CONSOLIDATED GROUP BALANCE SHEET
As at 31 December 2003

| | Note | 31 December 2003 | | 31 December 2002 | |
|--|------|---------------------|-------------------|---------------------|-------------------|
| | | £ | £ | £ | £ |
| FIXED ASSETS | | | | | |
| Intangible fixed assets | 9 | | 788,450 | | 784,643 |
| Tangible fixed assets | 10 | | 1,324,096 | | 1,487,770 |
| Investments | 11 | | 494,269 | | 840 |
| | | | <u>2,606,815</u> | | <u>2,273,253</u> |
| CURRENT ASSETS | | | | | |
| Stocks | 12 | 183,419 | | 168,098 | |
| Debtors | 13 | 1,156,332 | | 981,329 | |
| Cash at bank | | 238,660 | | 278,689 | |
| | | | <u>1,578,411</u> | | <u>1,428,116</u> |
| CREDITORS: amounts falling due within one year | 14 | (997,176) | | (831,096) | |
| NET CURRENT ASSETS | | | <u>581,235</u> | | <u>597,020</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | £ | <u>3,188,050</u> | | <u>£2,870,273</u> |
| CREDITORS: amounts falling due after more than one year | 15 | | 484,127 | | 545,000 |
| PROVISIONS FOR LIABILITIES AND CHARGES | | | | | |
| Deferred taxation | 16 | | 350,910 | | 389,030 |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 17 | 262,345 | | 224,205 | |
| Share premium account | 18 | 1,755,015 | | 1,373,117 | |
| Profit and loss account | | 335,653 | | 338,921 | |
| SHAREHOLDERS' FUNDS - ALL EQUITY | 19 | | <u>2,353,013</u> | | <u>1,936,243</u> |
| | | | <u>£3,188,050</u> | | <u>£2,870,273</u> |

The financial statements were approved by the board on 23 April 2004 and signed on its behalf.



Juliet Davenport
Chief Executive

The notes on pages 16 to 27 form part of these financial statements.

PARENT COMPANY BALANCE SHEET
As at 31 December 2003

| | Note | 31 December 2003 | | 31 December 2002 | |
|--|------|---------------------|---|---------------------|---|
| | | £ | £ | £ | £ |
| FIXED ASSETS | | | | | |
| Investments | 11 | 2,843,107 | | 2,297,793 | |
| CURRENT ASSETS | | | | | |
| Debtors | 13 | 10,305 | | 3,231 | |
| Cash at bank | | 209,470 | | 176,165 | |
| | | <u>219,775</u> | | <u>179,396</u> | |
| CREDITORS: amounts falling due within one year | 14 | <u>(125,660)</u> | | <u>(168,427)</u> | |
| NET CURRENT ASSETS | | <u>94,115</u> | | <u>10,969</u> | |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>£2,937,222</u> | | <u>£2,308,762</u> | |
| CREDITORS: amounts falling due after more than one year | 15 | 641,352 | | 545,000 | |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 17 | 262,345 | | 224,205 | |
| Share premium account | 18 | 1,755,015 | | 1,373,117 | |
| Profit and loss account | | 278,510 | | 166,440 | |
| SHAREHOLDERS' FUNDS - ALL EQUITY | 19 | <u>2,295,870</u> | | <u>1,763,762</u> | |
| | | <u>£2,937,222</u> | | <u>£2,308,762</u> | |

The financial statements were approved by the board on 23 April 2004 and signed on its behalf.



Juliet Davenport
Chief Executive

The notes on pages 16 to 27 form part of these financial statements.

GROUP CASH FLOW STATEMENT
For the year ended 31 December 2003

| | Note | 2003 £ | 2002 £ |
|---|------|--------------------|------------------|
| Net cash flow from operating activities | 20 | 27,046 | (47,301) |
| Returns on investments and servicing of finance | 21 | (35,347) | 7,354 |
| Taxation | | (14,263) | (25,202) |
| Capital expenditure and financial investment | 21 | (612,298) | (120,729) |
| Acquisitions and disposals | 21 | - | (189,782) |
| CASH OUTFLOW BEFORE FINANCING | | (634,862) | (375,660) |
| Financing | 21 | 420,038 | 565,613 |
| (DECREASE)/INCREASE IN CASH IN THE YEAR | | £ (214,824) | £ 189,953 |

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
For the year ended 31 December 2003

| | 2003 £ | 2002 £ |
|---|-------------------|------------------|
| (Decrease)/Increase in cash in the year | (214,824) | 189,953 |
| Change in debt and lease funding | - | 64,587 |
| MOVEMENT IN NET DEBT IN THE YEAR | (214,824) | 254,540 |
| Net funds/(debt) at 1 January | 192,893 | (61,647) |
| NET (DEBT)/FUNDS AT 31 DECEMBER | £ (21,931) | £ 192,893 |

The notes on pages 16 to 27 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2003

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. No profit and loss account is presented for Monkton Group PLC as permitted by section 230 of the Companies Act 1985. Transactions and balances between subsidiary undertakings are eliminated, no profit is recognised on sales between subsidiary undertakings.

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 a straight line basis as follows:

| | | |
|-----------------------|---|---------|
| Fixtures & Fittings | - | 5 years |
| Office Equipment | - | 4 years |
| Computer Equipment | - | 3 years |
| Turbine & Ancillaries | - | 9 years |

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 2003

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 Good 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. TURNOVER

| | Turnover | | Operating Profit | |
|--|-------------------|-------------------|------------------|------------------|
| | 2003 £ | 2002 £ | 2003 £ | 2002 £ |
| Class of business | | | | |
| Energy supply (Good Energy Limited) | | | | |
| continuing | 2,750,294 | 1,794,350 | 7,683 | 53,086 |
| Energy generation (Windelectric Limited) | | | | |
| continuing | 553,569 | - | 136,680 | - |
| acquisition | - | 157,775 | - | 49,064 |
| Other non trading companies | | | | |
| continuing | - | - | (92,488) | 13,339 |
| less inter company transactions | (208,335) | - | - | - |
| Total | £3,095,528 | £1,952,125 | £ 51,875 | £ 115,489 |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2003

3. OPERATING PROFIT

The operating profit is stated after charging:

| | 2003 | 2002 |
|---|---------|----------|
| | £ | £ |
| Amortisation of intangible fixed assets | 70,060 | (31,164) |
| Depreciation of tangible fixed assets | 178,676 | 43,413 |
| Auditors' remuneration | 11,000 | 8,000 |
| Auditors' remuneration - non-audit | 1,745 | 2,250 |
| Operating lease rentals: other operating leases | 35,463 | 6,234 |
| Amortisation of brands and customer development costs | 30,000 | 30,000 |

Auditors' fees for the parent company were £3,000 (2002 - £3,500)

4. STAFF COSTS

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

| | 2003 | 2002 |
|-----------------------|------------------|-----------------|
| | £ | £ |
| Wages and salaries | 237,084 | 86,381 |
| Social security costs | 21,251 | 7,575 |
| Other pensions costs | 13,110 | 3,669 |
| | <u>£ 271,445</u> | <u>£ 97,625</u> |

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

5. DIRECTORS' REMUNERATION

| | 2003 | 2002 |
|---|------------------|-----------------|
| | £ | £ |
| Emoluments (provided by subsidiary to directors) | 107,517 | 62,083 |
| Emoluments (provided by parent to directors) | 34,531 | 17,083 |
| | <u>£ 142,048</u> | <u>£ 79,166</u> |
| Company pension contributions to money purchase pension schemes | <u>£ 9,044</u> | <u>£ 3,669</u> |

During the year retirement benefits were accruing to 3 directors (2002 - 2) in respect of money purchase pension schemes.

The total emoluments received by the existing Monkton Group PLC directors were:

| | |
|------------------|--------------------------|
| Juliet Davenport | £79,048 (2002 - £45,333) |
| John Sellers | £17,250 (2002 - £10,000) |
| Martin Edwards | £12,000 (2002 - £8,000) |

Individual remuneration for directors are set by the remuneration committee of the board.

The totals are higher in 2003 due to the directors being paid for 12 months rather than 8 months in 2002.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2003

6. INTEREST PAYABLE

| | 2003 £ | 2002 £ |
|------------------------------|-----------------|----------------|
| On bank loans and overdrafts | 7,054 | 2,637 |
| On other loans | 35,859 | 1,195 |
| | <u>£ 42,913</u> | <u>£ 3,832</u> |

Included in other loans total are £32,666 (2002 - £805) of interest payments due on loan notes to the former shareholders of Windelectric Limited.

7. INTEREST RECEIVABLE

| | 2003 £ | 2002 £ |
|---------------------------|--------------|---------------|
| Other interest receivable | 7,566 | 11,186 |
| | <u>7,566</u> | <u>11,186</u> |

8. TAXATION

| | 2003 £ | 2002 £ |
|--|-----------------|-----------------|
| Analysis of tax charge in year | | |
| Current tax (see note below) | | |
| UK corporation tax charge on profits of the year | 59,272 | 31,266 |
| Adjustments in respect of prior periods | (1,356) | - |
| Total current tax | <u>57,916</u> | <u>31,226</u> |
| Deferred tax | | |
| Deferred tax movement for the period | (38,120) | (9,308) |
| Total deferred tax (see note 16) | <u>(38,120)</u> | <u>(9,308)</u> |
| Tax on profit on ordinary activities | <u>£ 19,796</u> | <u>£ 21,918</u> |

Factors affecting tax charge for year

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

| | 2003 £ | 2002 £ |
|--|-----------------|-----------------|
| Profit on ordinary activities before tax | 16,528 | 122,843 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002 - 30%) | <u>4,958</u> | <u>36,853</u> |
| Effects of: | | |
| Depreciation in excess of capital allowances | 38,120 | 9,308 |
| Group loss relief | 23,217 | - |
| Adjustments for non-taxable and marginal rate items | (7,023) | (14,935) |
| Adjustments to tax charge in respect of prior periods | (1,356) | - |
| Current tax charge for year (see note above) | <u>£ 57,916</u> | <u>£ 31,226</u> |

There were no factors that may affect future tax charges.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2003

9. INTANGIBLE FIXED ASSETS

| | Licences, Patents & Trademarks | Brand & Customer Development | Goodwill arising on Acquisitions | Total |
|-----------------------|--------------------------------------|------------------------------------|--|-----------|
| Group | £ | £ | £ | £ |
| Cost | | | | |
| At 1 January 2003 | 88,706 | 600,000 | 124,351 | 813,057 |
| Additions | 103,867 | - | - | 103,867 |
| At 31 December 2003 | 192,573 | 600,000 | 124,351 | 916,924 |
| Amortisation | | | | |
| At 1 January 2003 | 6,218 | 90,000 | (67,804) | 28,414 |
| Charge for the year | 36,672 | 30,000 | 33,388 | 100,060 |
| At 31 December 2003 | 42,890 | 120,000 | (34,416) | 128,474 |
| Net book value | | | | |
| At 31 December 2003 | £ 149,683 | £ 480,000 | £ 158,767 | £ 788,450 |
| At 31 December 2002 | £ 82,488 | £ 510,000 | £ 192,155 | £ 784,643 |

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

10. TANGIBLE FIXED ASSETS

| | Furniture fittings & equipment | Turbine & ancillaries | Total |
|-----------------------|--------------------------------------|--------------------------|------------|
| Group | £ | £ | £ |
| Cost | | | |
| At 1 January 2003 | 31,183 | 3,182,110 | 3,213,293 |
| Additions | 15,002 | - | 15,002 |
| At 31 December 2003 | 46,185 | 3,182,110 | 3,228,295 |
| Depreciation | | | |
| At 1 January 2003 | 1,746 | 1,723,777 | 1,725,523 |
| Charge for the year | 12,009 | 166,667 | 178,676 |
| At 31 December 2003 | 13,755 | 1,890,444 | 1,904,199 |
| Net book value | | | |
| At 31 December 2003 | £ 32,430 | £ 1,291,666 | £1,324,096 |
| At 31 December 2002 | £ 29,437 | £1,458,333 | £1,487,770 |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2003

11. FIXED ASSETS INVESTMENTS

| Group | Investment | | Total £ |
|---------------------|------------------------------|-----------------------|------------|
| | Unlisted investments £ | in own shares £ | |
| Cost | | | |
| At 1 January 2003 | 840 | - | 840 |
| Additions: | 55 | 493,374 | 493,429 |
| At 31 December 2003 | £ 895 | £ 493,374 | £ 494,269 |

On 1 October 2003 the company formed the Monkton Employee Share Ownership Trust. The trustee is Monkton Trustees Limited. As part of the company's financial strategy, it has advanced to the trustee during the year £493,374 of which £418,000 has been returned to the company by way of subscriptions for 760,000 new ordinary shares and £75,000 has been used to make open market purchases of 115,000 shares. This holding enables the company to avoid the dilutive effect of issuing shares in the future to satisfy share options already granted or to be granted.

| Company | Shares in group under- takings £ | Unlisted investments £ | Loans to group under- takings £ | Total £ |
|---------------------|--|------------------------------|---|-------------|
| | Cost or valuation | | | |
| At 1 January 2003 | 1,836,353 | 839 | 460,601 | 2,297,793 |
| Additions | 200,000 | 55 | 516,263 | 716,318 |
| Loan Repayments | - | - | (158,768) | (158,768) |
| Revaluations | (12,236) | - | - | (12,236) |
| At 31 December 2003 | £ 2,024,117 | £ 894 | £ 818,096 | £ 2,843,107 |

The parent company's subsidiary undertakings are as follows:

| | Holding % | Profit/(Loss) after tax | | Aggregate of Capital and Reserves | |
|----------------------------|-----------|----------------------------|---------|--------------------------------------|---------|
| | | 2003 | 2002 | 2003 | 2002 |
| | | £ | £ | £ | £ |
| Good Energy Limited | 100 | (12,408) | 37,743 | 998,016 | 810,424 |
| Windelectric Limited | 100 | 120,465 | - | 1,157,992 | - |
| Monkton Generation Limited | 100 | 180,995 | 130,800 | 1,142 | 147 |
| Unit Energy Limited | 100 | - | - | 2 | - |
| Wave Electric Limited | 100 | - | - | 1 | - |
| Monkton Trustees Limited | 100 | - | - | 101 | - |

As the purchase of Windelectric Limited was not completed until 23 December 2002, no comparatives are shown above. Each of the above subsidiaries is incorporated in the UK.

The principal activities of the subsidiaries are as follows:

- Good Energy Limited - supply of electricity from renewable energy sources.
- Windelectric Limited - the generation of electric power by wind turbine machinery.
- Monkton Generation Limited - holding company.
- Unit Energy Limited - dormant.
- Wave Electric Limited - dormant.
- Monkton Trustees Limited - trustee of the employee share ownership trust.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2003

12. STOCKS

| | Group | | Company | |
|-----------------------------------|-----------|-----------|---------|------|
| | 2003 | 2002 | 2003 | 2002 |
| | £ | £ | £ | £ |
| Renewable Obligation Certificates | £ 183,419 | £ 168,098 | £ - | £ - |

13. DEBTORS

| | Group | | Company | |
|--------------------------------|-------------|-----------|----------|---------|
| | 2003 | 2002 | 2003 | 2002 |
| | £ | £ | £ | £ |
| Due within one year | | | | |
| Trade debtors | 892,425 | 762,323 | - | 3,231 |
| Other debtors | 198,239 | 201,377 | 10,305 | - |
| Prepayments and accrued income | 65,668 | 17,629 | - | - |
| | £ 1,156,332 | £ 981,329 | £ 10,305 | £ 3,231 |

14. CREDITORS

Amounts falling due within one year

| | Group | | Company | |
|---------------------------------|-----------|-----------|-----------|-----------|
| | 2003 | 2002 | 2003 | 2002 |
| | £ | £ | £ | £ |
| Bank loans and overdrafts | 260,591 | 85,796 | - | - |
| Trade creditors | 414,886 | 379,217 | - | - |
| Corporation tax | 60,000 | 54,467 | - | - |
| Social security and other taxes | 21,696 | 4,275 | - | - |
| Other creditors | 64,545 | 244,492 | 125,660 | 168,427 |
| Accruals and deferred income | 175,458 | 62,849 | - | - |
| | £ 997,176 | £ 831,096 | £ 125,660 | £ 168,427 |

The bank overdraft relates to the company's subsidiary, Good 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 2003

15. CREDITORS

Amounts falling due after more than one year

| | Group | | Company | |
|---|-----------|-----------|-----------|-----------|
| | 2003 | 2002 | 2003 | 2002 |
| | £ | £ | £ | £ |
| Other creditors repayable within 5 years by instalments | £ 484,127 | £ 545,000 | £ 641,352 | £ 545,000 |

Included in other creditors:

- £165,000 relates to long term loan notes. These are repayable in 3 instalments of £55,000 between 30 November 2005 and 30 November 2007. The applicable rate of interest is bank base rate at the beginning of each quarter plus 1.75%, all uplifted by a factor of 2.18.

- £260,000 relates to 5 notes one of which has been issued in the amount of £59,127 on 1 December 2004 and is repayable on 30 June 2005, and the balance to be issued by way of four further notes in approximately equal amounts each to be repayable on 1 December 2005, 2006, 2007 and 2008 respectively.

16. DEFERRED TAXATION

| | Group and Company | |
|--|-------------------|-----------|
| | 2003 | 2002 |
| | £ | £ |
| At 1 January | 389,030 | - |
| On acquisition of Windelectric Limited | - | 398,338 |
| Deferred tax movement | (38,120) | (9,308) |
| At 31 December | £ 350,910 | £ 389,030 |

The provision for deferred taxation is made up as follows:

| | 2003 | 2002 |
|--------------------------------|-----------|-----------|
| | £ | £ |
| Accelerated capital allowances | 350,910 | 389,030 |
| | £ 350,910 | £ 389,030 |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2003

17. SHARE CAPITAL

| | 2003 £ | 2002 £ |
|---|-----------|-----------|
| Authorised | | |
| 10,000,000 ordinary shares of 5p each | £ 500,000 | £ 500,000 |
| Allotted, called up and fully paid | | |
| 5,246,900 ordinary shares of 5p each | £ 262,345 | £ 224,205 |

During the year, the following share issues were made:

On 1 October 2003, 760,000 shares of 5p were issued to Monkon Trustees Limited for cash at a price of 55p per share (see note 11), being the average exercise price of options granted to date.

Between 26 January and 28 November 2003, 2,800 shares were issued at prices between 67p and 75p.

18. RESERVES

| | Share premium account £ |
|--|----------------------------------|
| Group and Company | |
| At 1 January 2003 | 1,373,117 |
| Premium on shares issued during the year | 381,898 |
| At 31 December 2003 | £ 1,755,015 |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2003

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | 2003 £ | 2002 £ |
|--|-------------------|-------------------|
| Group | | |
| (Loss) / profit for the year | (3,268) | 100,925 |
| Shares issued during the year | 38,140 | 219,855 |
| Share premium on shares issued (net of expenses) | 381,898 | 1,294,967 |
| | <u>416,770</u> | <u>1,615,747</u> |
| Opening shareholders' funds | 1,936,243 | 320,496 |
| Closing shareholders' funds | <u>£2,353,013</u> | <u>£1,936,243</u> |
| | | |
| | 2003 £ | 2002 £ |
| Company | | |
| Profit for the year | 112,070 | 20,007 |
| Shares issued during the year | 38,140 | 219,855 |
| Share premium on shares issued (net of expenses) | 381,898 | 1,294,967 |
| | <u>532,108</u> | <u>1,534,829</u> |
| Opening shareholders' funds | 1,763,762 | 228,933 |
| Closing shareholders' funds | <u>£2,295,870</u> | <u>£1,763,762</u> |

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 £112,070 (2001 - £20,007).

20. NET CASH FLOW FROM OPERATING ACTIVITIES

| | 2003 £ | 2002 £ |
|--|-----------------|-------------------|
| Operating profit | 51,875 | 115,489 |
| Amortisation of intangible fixed assets | 100,060 | (1,164) |
| Depreciation of tangible fixed assets | 178,676 | 43,413 |
| Increase in stocks | (15,321) | (168,098) |
| (Increase)/ decrease in debtors | (175,001) | 92,782 |
| Decrease in creditors | (113,243) | (129,723) |
| NET CASH INFLOW/(OUTFLOW FROM OPERATIONS) | <u>£ 27,046</u> | <u>£ (47,301)</u> |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2003

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

| | 2003 £ | 2002 £ |
|---|--------------------|-------------------|
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | |
| Interest received | 7,566 | 11,186 |
| Interest paid | (42,913) | (3,832) |
| NET CASH (OUTFLOW)/INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | <u>£ (35,347)</u> | <u>£ 7,354</u> |
| CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT | | |
| Purchase of intangible fixed assets | (103,867) | (88,706) |
| Purchase of tangible fixed assets | (15,002) | (31,183) |
| Purchase of unlisted investments | (493,429) | (840) |
| NET CASH OUTFLOW FROM CAPITAL EXPENDITURE | <u>£ (612,298)</u> | <u>£(120,729)</u> |
| ACQUISITIONS AND DISPOSALS | | |
| Purchase of fixed asset investment | - | (250,000) |
| Net cash acquired with subsidiary undertaking | - | 60,218 |
| NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS | <u>£ -</u> | <u>£(189,782)</u> |
| FINANCING | | |
| Issue of ordinary shares | 420,038 | 630,200 |
| Repayment of loans | - | (64,587) |
| NET CASH INFLOW FROM FINANCING | <u>£ 420,038</u> | <u>£ 565,613</u> |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2003

22. ANALYSIS OF CHANGES IN NET FUNDS

| | 1 January 2003 £ | Cash flow £ | 31 December 2003 £ |
|-------------------------|------------------------|--------------------|--------------------------|
| Cash at bank in hand: | 278,689 | (40,029) | 238,660 |
| Bank overdraft | (85,796) | (174,795) | (260,591) |
| NET FUNDS/(DEBT) | £ 192,893 | £ (214,824) | £ (21,931) |

23. OPERATING LEASE COMMITMENTS

At 31 December 2003 the group had annual commitments under non-cancellable operating leases as follows:

| Group | Land and buildings | |
|-------------------------|---------------------------|-----------|
| | 2003 £ | 2002 £ |
| Expiry date: | | |
| Within 1 year | - | 15,300 |
| Between 2 and 5 years | 25,250 | - |
| After more than 5 years | 10,737 | 10,255 |

