

ANNUAL REPORT AND FINANCIAL STATEMENTS - Year ended 31 December 2004

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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 Thursday 19 May 2005 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 31 December 2004.

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 a special resolution:

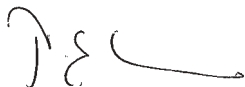
Directors' power to allot securities and disapplication of pre-emption rights

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 £250,000 and provided that no shares may be issued at a price (including any premium) less than 75p 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



John Sellers
Chairman
18 April 2005.

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 the Annual Report and Financial Statements.

DIRECTORS AND CORPORATE RESOURCES

Directors John Sellers (Non-Executive Chairman)
Juliet Davenport (Chief Executive)
Martin Edwards (Non-Executive)
Lawrence Churchill (Non-Executive)

Company Secretary and Registered Office Ovalesec Ltd
2 Temple Back East
Temple Quay
Bristol BS1 6EG

Auditors 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 PLC
PO 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
Bridgwater Road
Bristol BS99 7NH

Company Registration Number: 4000623

CHAIRMAN'S STATEMENT
For the year ended 31 December 2004

Firstly, may I extend a warm welcome to our 500 new shareholders who participated in the share offer in June 2004 bringing our shareholder base to almost 1,200, most of whom are Good Energy customers. It is also notable that over 200 existing shareholders increased their holdings through that offer. Your support is so encouraging as we develop our business.

Monkton's proposition is clear: we believe it is entirely wrong to endow future generations with the task of dealing with the consequences of the carbon mountain growing over our heads. We see the burning of fossil fuels for short-term energy needs as a big part of the problem, and the switching to renewable sources as an obvious part of the solution, and individuals can make a difference.

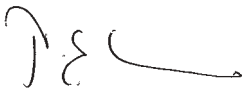
It is helpful that media exposure seems to be giving increasing political and economic prominence to the issue of global warming and climate change; it is relevant that climate change is to be a central theme of Britain's presidency of the G8 and European Union in 2005. The European Directive on Fuel Disclosure will be also beneficial.

Notwithstanding this exposure, it is frustrating to see so little movement in the retail market place. Of the 26 million households in Britain, half have never changed their original electricity supplier, and of the rest, the vast majority have switched only on the criterion of cost rather than energy source. Reportedly, only 150,000 consumers have moved to "green" suppliers, - that is only one household for every 170 homes. The Board believes that this apparent inertia will change over the next few years.

Meanwhile, Monkton's role is to continue to give the public all they need to make properly informed choices about their energy sources, to do this without aggression or coercion, and to earn the right to supply those customers who have decided to change.

Juliet Davenport's detailed review of our activities and performance is set out on page 5. It is pleasing to report that Monkton has now moved into profit; if we can maintain our financial progress in line with our plans, we should be able to contemplate the initiation of a dividend programme in 2006, and this in turn will support the share price at its enterprise value.

It is not easy operating this business in the face of very large competitors, and our progress has depended on the enthusiasm and commitment of Juliet and her team.



John Sellers
Chairman
Monkton Group PLC
18 April 2005.

OPERATING AND FINANCIAL REVIEW
For the year ended 31 December 2004

INTRODUCTION

Monkton continues to operate in the UK renewable electricity market, expanding the demand for renewable energy through its 100% renewable supply business, Good Energy, and investing in the growth of renewable generation through Monkton Generation. Monkton has now been operating actively in the UK electricity market for five years and continues to consolidate and grow its business.

MONKTON GROUP PLC

In June 2004, Monkton saw the opportunity for further investment in the renewable energy sector, both in generation assets and the potential for growth in supply services. The Board felt that it was therefore timely to offer further shares in the Company to the increased customer base of Good Energy. The aim of the fund-raising was to take advantage of various investment possibilities both in the supply and generation of renewable energy, and to be able to offer new and existing customers the opportunity to invest in the Group.

Monkton launched the share offer in June 2004 and closed it 25 days later, raising a total of £1.028m and expanding the total number of shareholders to 1,183. Since raising the funds Monkton has actively been researching relevant investment opportunities and is aiming to invest in various different areas by summer 2005, including a possible further investment in Good Energy to improve and develop the customer offering. This process has been more time consuming than the Directors would have wished: there is not an abundance of ideal prospects and Monkton competes with the major UK Utilities.

In September 2004 Monkton Group PLC shares were introduced to the Ofex market which now gives investors a formal route to market for trading in Monkton shares.

In December 2004 Monkton appointed a new Non-Executive Director, Lawrence Churchill. Lawrence's expertise is in developing start-up businesses such as NatWest Life and in implementing large-scale change in more established businesses such as Zurich Financial Services. His appointment is part of the ongoing commitment of the Group to continue its growth, and increase the impact of the business on the renewable and low carbon markets.

GOOD ENERGY

Following the successful re-branding of Good Energy in February 2004, the Company has maintained its rate of customer growth and by the end of 2004 has increased its customer base by 56% from the beginning of the year. At the end of 2004 it had reached the indicated 13,000 customers set out in the Group's share-offer prospectus.

In March 2004, we signed a deal with Smartest Energy to provide Good Energy with trading and credit services. Smartest Energy is a renewable energy consolidator and provides Good Energy with the ability to manage its renewable generation portfolio effectively. Good Energy and Smartest have pioneered a deal called the "ROC REPO" where the Renewable Obligation Certificates (ROCs) held by Good Energy are used to provide credit against forward purchases. This was the first deal of its kind in the UK electricity market, and has allowed Good Energy to release some of the value it has previously had tied up in the stock of ROCs.

Also in March 2004, Good Energy launched its product into Scotland. With the Scottish trading system now being combined with that of England and Wales, Good Energy is well placed to grow its share of the Scottish market.

In May 2004, Good Energy started its Home Generation product. This is aimed at the micro-generation market, where individuals and businesses install their own renewable power to offset their own demand. By the end of 2004, Good Energy had 87 micro-generators signed up to this scheme. In 2005, Good Energy is aiming to expand this scheme and to increase the number of home generators supplying to Good Energy.

OPERATING AND FINANCIAL REVIEW

For the year ended 31 December 2004

In November 2004, Good Energy again commissioned an independent audit by Solomon Hare, a Top 30 firm of Chartered Accountants, in order to validate our 100% renewable energy credentials. An unqualified report was delivered.

By 31 December 2004, Good Energy had supplied cumulatively 168,000 mega-watt-hours (MWh) of renewable energy, and we like to presume that this energy has allowed customers of Good Energy to reduce their personal and corporate Co₂ emissions by 72,000 tonnes.

Throughout the year, Good Energy continued to receive the highest green electricity rating from the Good Shopping Guide and from Friends of the Earth.

MONKTON GENERATION

During 2004, at our wind-farm at Delabole, there were two 3 month periods where one turbine was unavailable; therefore Monkton Generation invested £153,000 in new components to ensure that the wind-farm was back to full operation as quickly as possible. The average availability of the turbines was 92.5% of maximum for 2004.

It is expected that the wind-farm should hit its target performance levels of 97% in 2005, and should be able to generate in excess of 10,000 MWh all of which is supplied under a contract with Good Energy.

Monkton Generation is now looking actively at various new investments in existing and proposed renewable developments. Considerable work has been carried out by the company in evaluating various investments, and it is now ready to start to invest in the growth of renewable generation in the UK.

THE RENEWABLE ENERGY MARKET

In 2004, the Department of Trade and Industry (Dti) implemented a European Directive on fuel disclosure which obligates each electricity supply company in the UK to reveal the sources and composition of energy supply on its electricity bills and other documents. This will allow renewable supply companies such as Good Energy to differentiate themselves further from the mainstream electricity supply companies in the UK.

In addition to this, the Office of Gas and Electricity Markets (OFGEM), the regulator of the energy supply businesses, is to review the Green Supplier Guidelines, which were last published in 2002. This review will make recommendations on how electricity products may be described in the market place. We strongly support this initiative and hope it will improve significantly the transparency of what is being offered to consumers so that they can make fully informed decisions about their future preferred supplier and tariff.

In April 2005, the British Electricity Transitional Trading Arrangements (BETTA) came into force which means that Scotland will now trade on the same system as England and Wales. This simplifies the trading and supply of renewable electricity in Scotland, and we believe it improves the competitive position of Good Energy within the Scottish market.

FINANCIAL REVIEW

The statutory financial statements of Monkton Group PLC for the year ended 31 December 2004 are set out on pages 12 to 28 together with explanatory notes and comparatives with 2003 where appropriate.

PROFIT AND LOSS ACCOUNT

The financial results demonstrate that management is following our key financial strategy of re-investing almost all of our operating profits into the expansion of the Good Energy customer base. 2004 has seen continued expansion and again significant expenditure on marketing.

OPERATING AND FINANCIAL REVIEW
For the year ended 31 December 2004

At £4.06m the consolidated turnover in 2004 was 31% higher than in 2003, with Good Energy turnover up by 48%.

The group profit margin was £0.95m (2003 - £0.93m) this being 23% of sales (2003 - 30%). The turnover and margin were distorted in 2003 as £345,234 of Windelectric sales to third parties, at higher than average margin, were included in the profit and loss account. Since 1 April 2003 all sales from Windelectric have been exclusively to Good Energy. Note 2 of the financial statements sets out the situation more clearly.

Margins for the whole year were affected by the higher wholesale electricity prices first experienced in the last months of 2003. This remained a feature during 2004. From June 2004 onwards, Good Energy decided to raise its tariffs, for the first time since April 2000, after absorbing the wholesale price increases for several months.

The Group operating profit was £57,450 (2003 - £51,875) after marketing and administration costs of £894,342 (2003 - £874,620) as set out below:

	2004 £	2003 £
Marketing expenditure	189,093	180,676
Administration:		
Good Energy	403,434	309,206
Windelectric	32,302	31,915
Monkton corporate	60,732	58,739
Monkton Generation	963	353
Depreciation, amortisation and bad debts	207,818	293,731
	<u>£894,342</u>	<u>£874,620</u>

Administrative costs have remained under strong control with the year-over-year increase reflecting growth in capacity.

The cash raised by the share issue reduced net interest charges to £10,625 (2003 - £35,347).

In total, the Group achieved a profit before tax of £46,825 (2003 - £16,528).

The use of group relief and the unwinding of the deferred taxation balance on the wind turbines at Delabole, have given a tax credit of £17,736 (2003 - tax charge of £19,796), so that profit after tax was £64,561 (2003 - £3,268 loss).

CASH FLOW

The Group naturally absorbs working capital as it expands and will continue to do so. This is the main reason for the operating cash outflow for the year as shown in note 20. The proceeds of the share issue have helped in the short-term to ease the working capital burden. More recently, we have succeeded in agreeing credit facilities of £1m to finance our potential working capital expansion for the foreseeable future. Our bankers have remained very supportive.

BALANCE SHEET

The balance sheet has been drawn up using the historic cost convention. This gives a total assets employed of £3.60m at 31 December 2004 (2003 - £2.69m).

OPERATING AND FINANCIAL REVIEW
For the year ended 31 December 2004

For 2004, Monkton has adopted the new accounting policy prescribed in UITF 38 which requires us to exclude from assets and from shareholders funds the advances made to the Trustee of the Monkton Share Ownership Trust. This Trust is used to buy company shares to be held in contemplation of future issues of shares to Monkton employees and to avoid future dilution. This has no effect on group earnings. 2003 figures have been restated.

The net current assets were £1.52m (2003 – £0.58m).

ENTERPRISE VALUE

The historic cost value excludes both the value of the customer base which grew by 56% in 2004 and the open market value of Monkton's generation assets.

The Directors have previously adopted a formula to calculate a fair share value of the enterprise. It comprises the tangible assets of the Group plus net working capital and deducts long-term indebtedness and allows for the dilutive effect of issues of shares to the Monkton Share Ownership Trust. It then adds the value of the Good Energy customer base, using as a reference the historic values that have been attributed to customer bases in acquisitions of other UK utility companies in recent years. A discount is then applied, to give an indicative transfer value of individual holdings.

The Directors estimate that at 31 December 2004 the fair value of the enterprise was £1.04 (2003 - £0.90) per share, and a fair transfer value of individual shareholdings was 83p (2003 – 72p) with continued improvement during 2005 to date.

DIVIDEND

The strategy of Monkton remains that of using available funds to increase the number of customers and the acquisition of renewable generation assets. In this context therefore, and after careful consideration, the Directors do not think it is appropriate to recommend the payment of a dividend in 2005. Nevertheless, the Directors do acknowledge the longer-run requirement to remunerate the share capital and it is envisaged that if Monkton can achieve its medium-term plans, then it will be in a position to initiate a dividend programme in 2006.

OUTLOOK FOR 2005

There is no change in the core strategy of Monkton which is to continue to invest in the renewable electricity market in the UK. It remains committed to providing products to allow individuals and businesses to reduce their CO₂ emissions. This means that Monkton is looking to invest in complementary areas of the UK energy market as well as the renewable electricity market specifically, and thereby expand into the wider market of carbon reduction.

Monkton is resolved to grow all its businesses, and has plans to invest further in both Good Energy and Monkton Generation to ensure a strong and stable platform for growth.

Your Board remain committed to the realisation of Monkton's long-term potential. In the shorter term, the targets for 2005 and 2006 are challenging but both the Good Energy and the Monkton Generation teams believe they are achievable.



Juliet Davenport
Chief Executive
18 April 2005

DIRECTORS' REPORT
For the year ended 31 December 2004

The Directors present their report and the financial statements for the year ended 31 December 2004.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year and their beneficial interests in the Company's issued share capital were:

	Ordinary Shares of 5p each	
	31 December 2004	1 January 2004
John Sellers	761,297	681,297
Juliet Davenport	263,117	263,117
Martin Edwards	669,827	669,827
Lawrence Churchill (appointed 1 December 2004)	-	-

Juliet Davenport has options over 520,000 ordinary shares in the Company exercisable after 1 May 2005 at 50p per share and options over a further 100,000 shares exercisable after 1 June 2007 at 75p per share, all conditional upon the achievement of a number of operational and financial performance criteria. A number of shares sufficient to satisfy these options have already been issued and are held by Monkton Trustees Limited. A suitable "key-man" insurance policy is in place.

The Company's subsidiary Good Energy Ltd has contracts with Wiltshire Energy Ltd, Utility Link Ltd, and Avagio IT Services Ltd for the provision of essential outsourced services to enable Good Energy to function more efficiently and cost effectively. The approximate annual value of these services is respectively £90,000, £500,000, and £10,000 and contracts are negotiated on a strictly arms length basis on the same terms which those companies provide for their other external clients. Largely as a result of history but also to safeguard Good Energy's on-going interests, John Sellers and Martin Edwards have significant shareholdings in Utility Link Ltd, John Sellers has a significant interest in Avagio IT Services Ltd. John Sellers, Juliet Davenport and Martin Edwards together have majority control of Wiltshire Energy Ltd. They are Non-Executive Directors of that company. None of those companies has ever declared dividends, and none of the Directors is entitled to any remuneration from them. While there is no requirement under Financial Reporting Standards, the Directors think that it is right to remind investors of these contracts, which have been in force for several years. The Directors are satisfied that these contracts operate for the benefit of the Monkton shareholders and are also mindful that as we grow, modifications to the structure of these arrangements may be advisable to secure our long-term growth plan.

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 the Group as at the end of the financial year and of 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;
- 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 the 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT
For the year ended 31 December 2004

PRINCIPAL ACTIVITIES

The principal activity of Monkton Group PLC is that of a holding Company. The principal activities of its subsidiary companies are the purchase, generation and sale of energy from renewable sources.

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

RESULTS AND DIVIDENDS

The Group results for the year are set out on page 12. The Directors do not recommend the payment of a dividend.

FUTURE DEVELOPMENT

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. 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 offers of shares from time to time.

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. A system of continuous financial planning has been installed to better manage profit and cash flow forecasting, and to inform marketing programme decision-making. During the year the Company appointed a new Non-Executive Director to the Board to add a further level of independence to the Board's decision making.

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 Group endeavours to adhere to the supplier's standard terms.

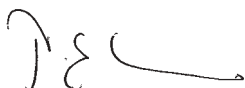
ETHICAL STATEMENT

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 Ltd has now produced a full Environmental Report for 2004 which is available on request.

AUDITORS

A resolution for the reappointment of Calder & Co as auditors of the Company is to be proposed at the forthcoming Annual General Meeting in accordance with section 385 of the Companies Act 1985.

This report was approved by the Board on 18 April 2005 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 2004 set out on pages 12 to 28. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 16 to 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 the 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 conducted 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 the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 31 December 2004 and of the 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
Date: 18 April 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2004

	Note	2004 £	2003 £
TURNOVER	1, 2	4,063,405	3,095,528
Cost of sales		(3,111,613)	(2,169,033)
GROSS PROFIT		951,792	926,495
Administrative expenses		(894,342)	(874,620)
OPERATING PROFIT	2, 3	57,450	51,875
Interest receivable	7	24,290	7,566
Interest payable	6	(34,915)	(42,913)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		46,825	16,528
TAX ON PROFIT ON ORDINARY ACTIVITIES	8	17,736	(19,796)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		64,561	(3,268)
RETAINED PROFIT BROUGHT FORWARD		335,653	338,921
RETAINED PROFIT CARRIED FORWARD		£ 400,214	£ 335,653

All amounts relate to continuing operations.

There were no recognised gains and losses for 2004 or 2003 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
As at 31 December 2004

	Note	31 December 2004		31 December 2003	
		£	£	£	£
FIXED ASSETS					
Intangible fixed assets	9		926,508		788,450
Tangible fixed assets	10		1,150,589		1,324,096
Investments	11		895		895
			<u>2,077,992</u>		<u>2,113,441</u>
CURRENT ASSETS					
Stocks	12	1,256,676		183,419	
Debtors	13	1,380,660		1,156,332	
Cash at bank		1,041,058		238,660	
		<u>3,678,394</u>		<u>1,578,411</u>	
CREDITORS: amounts falling due within one year	14	(2,158,874)		(997,176)	
NET CURRENT ASSETS			<u>1,519,520</u>		<u>581,235</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>£ 3,597,512</u>		<u>£ 2,694,676</u>
CREDITORS: amounts falling due after one year	15		409,447		484,127
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	16		309,985		350,910
CAPITAL AND RESERVES					
Called up share capital	17	293,163		218,095	
Share premium account	18	2,184,703		1,305,891	
Profit and loss account		400,214		335,653	
SHAREHOLDERS' FUNDS - ALL EQUITY	19		<u>2,878,080</u>		<u>1,859,639</u>
			<u>£ 3,597,512</u>		<u>£ 2,694,676</u>

The financial statements were approved by the board on 18 April 2005 and signed on its behalf.



Juliet Davenport
Chief Executive

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

COMPANY BALANCE SHEET
As at 31 December 2004

		31 December 2004		31 December 2003	
	Note	£	£	£	£
FIXED ASSETS					
Investments	11		2,545,356		2,349,733
CURRENT ASSETS					
Debtors	13	46,196		10,305	
Cash at bank		1,027,264		209,470	
			1,073,460		219,775
CREDITORS: amounts falling due within one year	14		(145,527)		(125,660)
NET CURRENT ASSETS			927,933		94,115
TOTAL ASSETS LESS CURRENT LIABILITIES			£ 3,473,289		£ 2,443,848
CREDITORS: amounts falling due after more than one year	15		684,527		641,352
CAPITAL AND RESERVES					
Called up share capital	17	293,163		218,095	
Share premium account	18	2,184,703		1,305,891	
Profit and loss account		310,896		278,510	
SHAREHOLDERS' FUNDS - ALL EQUITY	19		2,788,762		1,802,496
			£ 3,473,289		£ 2,443,848

The financial statements were approved by the board on 18 April 2005 and signed on its behalf.



Juliet Davenport
Chief Executive

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

GROUP CASH FLOW STATEMENT
For the year ended 31 December 2004

	Note	2004 £	2003 £
Net cash flow from operating activities	20	(149,741)	27,046
Returns on investments and servicing of finance	21	(10,625)	(35,347)
Taxation		(17,264)	(14,263)
Capital expenditure and financial investment	21	(46,464)	(118,869)
CASH OUTFLOW BEFORE FINANCING		(224,094)	(141,433)
Financing	21	953,880	(73,391)
INCREASE/(DECREASE) IN CASH IN THE YEAR		£ 729,786	£ (214,824)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
For the year ended 31 December 2004

	2004 £	2003 £
MOVEMENT IN NET FUNDS/(DEBT) IN THE YEAR	729,786	(214,824)
Net (debt)/funds at 1 January	(21,931)	192,893
NET FUNDS/(DEBT) AT 31 DECEMBER	£ 707,855	£ (21,931)

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2004

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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

1.2 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 and 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
Computer Equipment	- 3 years
Turbines & Ancillaries	- 9 years

The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstance 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 2004

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

2. TURNOVER AND OPERATING PROFIT

Class of business	Turnover		Operating Profit	
	2004	2003	2004	2003
	£	£	£	£
Energy supply (Good Energy Ltd) continuing	4,063,405	2,750,294	(170,106)	7,683
Energy generation (Windelectric Ltd) continuing	657,048	553,569	123,534	136,680
Group and other items	-	-	104,022	(92,488)
Less inter company transactions	(657,048)	(208,335)	-	-
	<u>£ 4,063,405</u>	<u>£ 3,095,528</u>	<u>£ 57,450</u>	<u>£ 51,875</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2004

3. OPERATING PROFIT

The operating profit is stated after charging:

	2004 £	2003 £
Amortisation of intangible fixed assets	(99,815)	100,060
Depreciation of tangible fixed assets	181,728	178,676
Auditors' remuneration	12,000	11,000
Auditors' remuneration - non-audit	2,000	1,745
Operating lease rentals: other operating leases	44,189	35,463
	<u>44,189</u>	<u>35,463</u>

Auditors fees for the parent company were £3,000 (2003 - £3,000)

4. STAFF COSTS

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

	2004 £	2003 £
Wages and salaries	277,513	237,084
Social security costs	28,038	21,251
Other pension costs	13,736	13,110
	<u>£ 319,287</u>	<u>£ 271,445</u>

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2004

5. DIRECTORS' REMUNERATION

	2004 £	2003 £
Emoluments (provided by subsidiary to directors)	£ 143,112	£ 107,517
Emoluments (provided by parent to directors)	£ 31,158	£ 34,531
Group pension contributions to money purchase pension schemes	£ 7,442	£ 9,044

During the year retirement benefits were accruing to 3 Directors of Good Energy Ltd (2003 - 3) in respect of money purchase pension schemes.

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

Juliet Davenport	£82,950	(2003 - £79,048)
John Sellers	£17,500	(2003 - £17,250)
Martin Edwards	£12,000	(2003 - £12,000)
Lawrence Churchill	£1,250	(2003 - £ 0)

Individual remuneration for the Directors is set by the remuneration committee of the Board.

6. INTEREST PAYABLE

	2004 £	2003 £
On bank loans and overdrafts	4,431	7,054
On other loans	30,484	35,859
	£ 34,915	£ 42,913

7. INTEREST RECEIVABLE

	2004 £	2003 £
Bank interest receivable	22,791	-
Other interest receivable	1,499	7,566
	£ 24,290	£ 7,566

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2004

8. TAXATION

	2004 £	2003 £
Analysis of tax charge in year		
Current tax (see note below)		
UK corporation tax charge on profits of the year	25,000	59,272
Adjustments in respect of prior periods	(1,811)	(1,356)
	<u>23,189</u>	<u>57,916</u>
Deferred tax		
Deferred tax movement for the year	(40,925)	(38,120)
	<u>(40,925)</u>	<u>(38,120)</u>
Total deferred tax (see note 16)	<u>(40,925)</u>	<u>(38,120)</u>
Tax on ordinary activities	<u>£ (17,736)</u>	<u>£ 19,796</u>

Factors affecting tax charge for year

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

	2004 £	2003 £
Profit on ordinary activities before tax	46,825	16,528
	<u>46,825</u>	<u>16,528</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003 - 30%)	14,048	4,958
Effects of:		
Depreciation in excess of capital allowances	43,870	36,940
Group loss relief	(64,650)	(23,217)
Adjustments for non-taxable, marginal rate and rounding provision	31,732	40,591
Adjustments to tax charge in respect of prior periods	(1,811)	(1,356)
	<u>31,732</u>	<u>40,591</u>
Current tax charge for year (see note above)	<u>£ 23,189</u>	<u>£ 57,916</u>

There were no factors that may affect future tax charges.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2004

9. INTANGIBLE FIXED ASSETS

Group	Licences, Patents & Trademarks £	Brand & Customer Development £	Goodwill arising on Acquisitions £	Total £
Cost				
At 1 January 2004	192,573	600,000	124,351	916,924
Additions	3,127	-	35,116	38,243
At 31 December 2004	195,700	600,000	159,467	955,167
Amortisation				
At 1 January 2004	42,890	120,000	(34,416)	128,474
Charge for the year	39,066	30,000	(168,881)	(99,815)
At 31 December 2004	81,956	150,000	(203,297)	28,659
Net book value				
At 31 December 2004	£ 113,744	£ 450,000	£ 362,764	£ 926,508
At 31 December 2003	£ 149,683	£ 480,000	£ 158,767	£ 788,450

Goodwill arising on the acquisition of Good Energy Ltd and Windelectric Ltd 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

Group	Furniture, Fittings & Equipment £	Turbines & Ancillaries £	Total £
Cost			
At 1 January 2004	46,185	3,182,110	3,228,295
Additions	8,221	-	8,221
At 31 December 2004	54,406	3,182,110	3,236,516
Depreciation			
At 1 January 2004	13,755	1,890,444	1,904,199
Charge for the year	15,061	166,667	181,728
At 31 December 2004	28,816	2,057,111	2,085,927
Net book value			
At 31 December 2004	£ 25,590	£ 1,124,999	£ 1,150,589
At 31 December 2003	£ 32,430	£ 1,291,666	£ 1,324,096

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2004

11. FIXED ASSET INVESTMENTS

Group	Unlisted investments £	Investment in own shares £	Total £
Cost			
At 1 January 2004	895	493,374	494,269
Own share adjustment - prior year	-	(493,374)	(493,374)
	895	-	895
Additions in 2004	-	1,751	1,751
Own share adjustment	-	(1,751)	(1,751)
At 31 December 2004	£ 895	£ -	£ 895

On 1 October 2003 the parent company formed the Monkton Employee Share Ownership Trust. The trustee is Monkton Trustees Limited and its purpose is to hold Monkton shares in reserve for the satisfaction of future issues of shares to employees as part of the company's share option scheme.

In 2003, the parent company advanced to the Trustee £493,374 of which £418,000 was used to subscribe for 760,000 new ordinary shares and £75,374 to make open market purchases of 125,000 shares.

In 2004, the parent company advanced a further £1,751 which was used to make further open market purchases of 2,500 shares.

In 2004, the company has adopted a new accounting policy under UITF 38 which requires companies to exclude funds advanced for these purposes from the company's assets and shareholders funds, and to exclude the shares held by the trustee from normal earnings and assets per share calculations. The adjustment has no effect on group earnings. Figures for 2003 have been restated accordingly.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2004

11. FIXED ASSET INVESTMENTS (continued)

Company	Shares in group undertakings £	Unlisted investments £	Loans to group undertakings £	Total £
Cost				
At 1 January 2004	2,024,117	894	818,096	2,843,107
Own share adjustment - prior year	-	-	(493,374)	(493,374)
	2,024,117	894	324,722	2,349,733
Additions				
Own share adjustment	287,696	-	1,751	289,447
Repayment	-	-	(1,751)	(1,751)
	-	-	(92,073)	(92,073)
At 31 December 2004	£ 2,311,813	£ 894	£ 232,649	£ 2,545,356

The parent company's subsidiary undertakings are as follows:

	Holding %	Profit/(Loss) after tax		Aggregate of Capital and Reserves	
		2004 £	2003 £	2004 £	2003 £
Good Energy Ltd	100	(184,786)	(12,408)	1,063,230	998,016
Windelectric Ltd	100	150,410	124,465	1,212,402	1,161,992
Monkton Generation Ltd	100	87,429	180,995	3,571	1,142
Unit Energy Ltd	100	-	-	2	2
Wave Electric Ltd	100	-	-	1	1
Monkton Trustees Ltd	100	-	-	1	-

Each of the above subsidiaries is incorporated in the UK.

The principal activities of the subsidiaries are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2004

12. STOCKS

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Renewable Obligation Certificates	<u>£ 1,256,676</u>	<u>£ 183,419</u>	<u>£ -</u>	<u>£ -</u>

As at 31 December 2004 there were Renewable Obligation Certificates (ROCs) of £946,835 (2003 - nil) included in the above amount that were unissued for generation that had already taken place and therefore these ROCs were not able to be sold before the balance sheet date. These have now been issued and sold.

13. DEBTORS

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Due within one year				
Trade debtors	1,012,593	892,425	-	-
Amounts owed by group undertakings	-	-	34,054	10,205
Other debtors	255,009	198,239	12,142	100
Prepayments and accrued income	113,058	65,668	-	-
	<u>£ 1,380,660</u>	<u>£ 1,156,332</u>	<u>£ 46,196</u>	<u>£ 10,305</u>

14. CREDITORS

Amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Bank loans and overdrafts	333,203	260,591	-	-
Trade creditors	1,443,262	590,344	-	-
Amounts owed to group undertakings	-	-	12,460	2,141
Corporation tax	25,000	60,000	-	-
Social security and other taxes	19,726	21,696	-	-
Other creditors	337,683	64,545	133,067	123,519
	<u>£ 2,158,874</u>	<u>£ 997,176</u>	<u>£ 145,527</u>	<u>£ 125,660</u>

The bank overdraft relates to the company's subsidiary, Good Energy Ltd 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 that subsidiary.

Since the balance sheet date an overdraft facility of £1,000,000 (2003 - £350,000) has been agreed with the Group's bankers for Good Energy Ltd. These facilities will be subject to renewal in August 2005.

The increase in trade creditors has been caused by a large increase in uninvoiced ROCs as explained in note 12.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2004

14. CREDITORS:**Amounts falling due within one year (continued)**

Included in other creditors:

- £55,000 relates to a loan note payable on 30 November 2005. The applicable rate of interest is the bank base rate at the beginning of each quarter plus 1.75%, all uplifted by a factor of 2.18.

- £59,127 relates to a loan note which was issued on 1 December 2003 and is repayable on 30 June 2005. The applicable rate of interest is the bank base rate.

15. CREDITORS:**Amounts falling due after more than one year**

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Other creditors repayable within 5 years by instalments	£ 409,447	£ 484,127	£ 684,527	£ 641,352

Included in other creditors:

- £110,000 relates to loan notes repayable in 2 instalments of £55,000 on 30 November 2006 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.

- £299,447 relates to loan notes one of which was issued on 1 December 2004 and is repayable on 30 June 2006, and the balance to be issued by way of three further notes in approximately equal amounts each to be repayable on 30 June 2006, 30 June 2007 and 30 June 2008. The applicable rate of interest is bank base rate.

16. DEFERRED TAXATION

	Group and Company	
	2004	2003
	£	£
At 1 January 2004	350,910	389,030
Deferred tax movement	(40,925)	(38,120)
At 31 December 2004	<u>£ 309,985</u>	<u>£ 350,910</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2004

16. DEFERRED TAX (continued)

The provision for deferred taxation is made up as follows:

	2004 £	2003 £
Accelerated capital allowances	£ 309,985	£ 350,910

17. SHARE CAPITAL

	2004 £	2003 £
Authorised		
20,000,000 Ordinary shares of 5p each	£ 1,000,000	£ 500,000

	2004 Shares	2004 £	2003 Shares	2003 £
Allotted, called up and fully paid				
Ordinary shares of 5p each	6,750,767	337,538	5,246,907	262,345
Prior year adjustment - own shares	(885,000)	(44,250)	(885,000)	(44,250)
	5,865,767	293,288	4,361,907	218,095
Adjustment for own shares issued in the year	(2,500)	(125)	-	-
	5,863,267	£ 293,163	4,361,907	£ 218,095

On 26 May 2004 a special resolution was passed to increase the Company's Share Capital to 20,000,000 ordinary 5p shares.

Following a Public Offer in June 2004, 1,503,860 ordinary shares of 5p each were issued, out of which 2,500 shares of 5p were issued to the Monkton Employee Share Ownership Trust for cash at a cost of 70p per share (see note 11).

18. SHARE PREMIUM

Group and Company	£
At 1 January 2004	1,755,016
Prior year adjustment - own shares	(449,125)
	1,305,891
Premium on shares issued during the year	954,291
Expenses of share issue	(73,853)
Premium on shares issued to Monkton Employee Share Ownership Trust	(1,626)
At 31 December 2004	£ 2,184,703

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2004

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Group	2004 £	2003 £
Profit/(loss) for the year	64,561	(3,268)
Shares issued during the year	75,193	38,140
Share premium on shares issued (net of expenses)	880,438	381,898
Adjustment for own shares issued in 2004	(1,751)	-
	<u>1,018,441</u>	<u>416,770</u>
Opening shareholders' funds	1,859,639	1,936,243
Prior year adjustment for own shares issued in 2003	-	(493,374)
Closing shareholders' funds	<u>£ 2,878,080</u>	<u>£ 1,859,639</u>

Parent company	2004 £	2003 £
Profit for the year	32,386	112,070
Shares issued during the year	75,193	38,140
Share premium on shares issued (net of expenses)	880,438	381,898
Adjustment for own shares issued in 2004	(1,751)	-
	<u>986,266</u>	<u>532,108</u>
Opening shareholders' funds	1,802,496	1,763,762
Prior year adjustment for own shares issued in 2003	-	(493,374)
Closing shareholders' funds	<u>£ 2,788,762</u>	<u>£ 1,802,496</u>

The parent company has not presented its own profit and loss account provided for within section 230 of the Companies Act 1985.

20. NET CASH FLOW FROM OPERATING ACTIVITIES

	2004 £	2003 £
Operating profit	57,450	51,875
Amortisation of intangible fixed assets	(99,815)	100,060
Depreciation of tangible fixed assets	181,728	178,676
Increase in stocks	(1,073,257)	(15,321)
Increase in debtors	(224,328)	(175,001)
Increase/(decrease) in creditors	1,008,481	(113,243)
Net cash (outflow)/inflow from operations	<u>£ (149,741)</u>	<u>£ 27,046</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2004

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

	2004 £	2003 £
Returns on investments and servicing of finance		
Interest received	24,290	7,566
Interest paid	(34,915)	(42,913)
	<u> </u>	<u> </u>
Net cash outflow from returns on investments and servicing of finance	£ (10,625)	£ (35,347)
	<u> </u>	<u> </u>
	2004 £	2003 £
Capital expenditure and financial investment		
Purchase of intangible fixed assets	(38,243)	(103,867)
Purchase of tangible fixed assets	(8,221)	(15,002)
	<u> </u>	<u> </u>
Net cash outflow from capital expenditure	£ (46,464)	£ (118,869)
	<u> </u>	<u> </u>
	2004 £	2003 £
Financing		
Issue of ordinary shares	1,029,484	420,038
Expenses paid in connection with share issue	(73,853)	-
Prior year adjustment for own shares issued in 2003	-	(493,429)
Adjustment for own shares issued in 2004	(1,751)	-
	<u> </u>	<u> </u>
Net cash inflow/(outflow) from financing	£ 953,880	£ (73,391)
	<u> </u>	<u> </u>

22. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2004 £	Cash flow £	31 December 2004 £
Cash at bank and in hand	238,660	802,398	1,041,058
Bank overdraft	(260,591)	(72,612)	(333,203)
	<u> </u>	<u> </u>	<u> </u>
Net (debt)/funds	£ (21,931)	£ 729,786	£ 707,855
	<u> </u>	<u> </u>	<u> </u>

23. OPERATING LEASE COMMITMENTS

At 31 December 2004 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2004 £	2003 £
Group		
Expiry date:		
Between 2 and 5 years	26,475	25,250
After more than 5 years	18,302	15,167
	<u> </u>	<u> </u>