

## ANNUAL REPORT AND FINANCIAL STATEMENTS - Year ended 31 December 2005

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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 Friday 19 May 2006 at 11.00 am, for the following purposes:

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

1. Receive and adopt the annual report of the Directors' and the audited financial statements for the year ended 31 December 2005.

*Re-appointment of auditors*

2. Re-appoint Calder & Co as the Auditors of the Company and authorise the Directors to set their remuneration.

**Special Business**

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

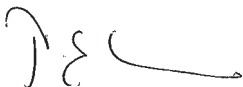
*Directors' power to allot securities and disapplication of pre-emption rights*

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. 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  
21 April 2006.

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  
16 Queen Square  
Bristol BS1 4NT

*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 BS13 8FB

Company Registration Number: 4000623

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**CHAIRMAN'S STATEMENT**  
**For the year ended 31 December 2005**

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Monkton was founded over six years ago on the proposition that Climate Change was a serious threat. The whole concept was based on the power of the consumer, and the size of the impact that they could have in reducing CO<sub>2</sub> emissions. Monkton believed that the simplest way to engage the public, reduce their CO<sub>2</sub> emissions and enable them to be part of the solution, was to supply and generate 100% renewable electricity.

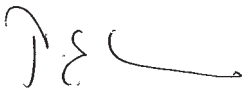
2005 has been a year when Climate Change and its potential impacts have rarely been out of the news. Although there continue to be some sceptics, their voice is becoming weaker. The evidence stacking up that Climate Change is real has created more interest in what society can do about it, and the urgency to take action now.

Awareness that Climate Change is a problem has significantly increased over the past six years. The understanding of what to do about it has taken longer to catch up. When the Group was set up, we believed that demand for 100% renewable electricity would take off much faster than it has done. However, although our success has not measured up to our original expectations, we are now the biggest independent retailer of 100% renewable electricity in the UK and we believe that our prospects for further growth are good.

Looking ahead, the Monkton Board has the view that the Group is in the right place at the right time. We believe that market sentiment is changing and becoming more interested in the 100% renewable proposition. Those circumstances would transform our financial results, shareholder returns and our environmental returns.

Juliet Davenport's detailed review of our activities and performance in 2005 is set out on page 5. It is my opinion that the results for 2005 have many of the commercial characteristics of a business operating close to its financial break-even point. Overall it has been a difficult year for the industry, with significant changes in the wholesale markets. The team has learned a great deal from the last few months, and has put a lot of work into reducing the exposure of the business to the changes in the energy markets.

Our progress has of course depended on the enthusiasm and commitment of Juliet and her team, and on the valuable contribution from Board colleagues.



John Sellers  
Chairman  
21 April 2006.

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**OPERATING AND FINANCIAL REVIEW**  
**For the year ended 31 December 2005**

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Monkton has continued through 2005 towards its goal of supporting the growth of the renewable energy market in the UK, and has started work on broadening that vision to set targets for enabling CO<sub>2</sub> savings. Monkton remains in the domain of enabling individuals and all types of organisations to reduce their impact on Climate Change by reducing their own CO<sub>2</sub> emissions.

Monkton continues to have two main businesses: Good Energy, a supplier of 100% renewable electricity to customers throughout England, Wales and Scotland; and Monkton Generation which owns Delabole Wind-farm. The performance of both companies has diverged from what was originally expected, in each case for different reasons.

### **GOOD ENERGY**

Good Energy has had a difficult year due to various setbacks, both operational and within the marketplace.

By the end of the first quarter of 2005 it became obvious that the Good Energy team was not structured ideally to deliver the customer number targets for the end of 2005 and 2006. The Good Energy customer target was tough and proposed that the annual growth would jump from around 45% historically to 100% in 2005. As a result we have now re-structured the team and resolved how the company will develop in the foreseeable future.

The increase in wholesale prices and the wish of Good Energy not to increase customer prices more than absolutely necessary has meant that during some periods in the year Good Energy has been providing power to customers below the cost of buying it. We have now implemented a new risk management policy to deal with the significant change in the volatility of the wholesale market. This has been in place since October 2005 and has allowed Good Energy to navigate safely through the 2005/2006 winter period.

The significant increase in the wholesale prices and the resulting change in the prices to customers, has meant that while Good Energy's customer numbers have increased by 39% its turnover has increased by 68%.

The wholesale price rise had a further effect as by early autumn it became clear that all was not well with the company to which we outsourced our customer services and billing functions. The re-structuring of Good Energy then took on a wider brief to include planning to take these services in-house. We have now brought all of these functions in-house and the Good Energy team has expanded to a direct staff level of 28.

Despite all the internal re-structuring Good Energy did manage to increase customer numbers from around 13,000 to around 18,000 during 2005. This was also against a backdrop of a turbulent wholesale electricity market that saw wholesale prices rise by over 75% and Good Energy having to increase its prices twice during the year.

After the very tough marketplace of the last half of 2005, Good Energy is now placed to grow again and to provide an improved service to its customers.

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**OPERATING AND FINANCIAL REVIEW**  
**For the year ended 31 December 2005**

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**MONKTON GENERATION**

Monkton Generation's aim in 2005 was to continue to run Delabole Wind-farm and to put a plan together for the re-powering of the site. Monkton Generation wished also to acquire a second wind-farm of a similar size.

Delabole has continued to run according to expectations this year; the availability performance of the site has been above target consistently. There has been some downturn in the output due to lower than average wind speeds which have affected wind-farms throughout the UK. The first quarter of 2006 has seen slightly lower than average output due to the cold and still conditions at the beginning of the year.

The plan for the re-powering of the Delabole site is under way; the initial reports indicate the possibility for at least a 50% increase in capacity based on installing new wind turbines.

Monkton Generation was hoping to acquire another wind-farm in order to provide further stability to the long term purchasing portfolio. However, despite the potential benefits of ownership, the site in question went to auction and the price paid for it by a competitive bidder was well in excess of the value Monkton Generation felt that it would bring to the Group.

Monkton did make a 3% investment in the community-run Bro Dyfi wind development; this investment was made as part of a co-ordinated policy to secure power agreements on a longer-term basis.

Monkton Generation is continuing to investigate the possibilities for investment in new generation sites and continues to be in discussions with various parties. Presently, it is not at a stage where it can make any announcements.

**GENERAL OUTLOOK OF THE MARKET**

2005 has been a busy time for Government activity in the renewable and sustainable energy markets. This year was the first year that all supply companies had to publish information on where they purchase their power from under the fuel mix disclosure rules. Good Energy was one of the first to provide this information and is the only electricity supplier in the UK to publish information showing that it is 100% renewable.

At around the same time the Office of Gas and Electricity Markets (OFGEM) consulted on the Green Supplier guidelines; these provide recommendations to companies on how they disclose information about the electricity they supply under their "green" tariffs. This is due to be published in 2006 and is likely to be taken up by Energywatch as part of their consumer protection remit. This is good news for Good Energy, which has pioneered the publishing of an annual environmental report on its own supply products which details how and where it buys its power.

In addition to this the Government has consulted on its policy on Low Carbon Buildings and Micro-generation, both areas of interest for Good Energy. We hope that this will mean that Good Energy will be able to take on more micro-generators; both as providers of renewable power and as Good Energy customers.

**FINANCIAL REVIEW**

The statutory financial statements of Monkton Group PLC for the year ended 31 December 2005 are set out on pages 12 to 28 together with explanatory notes and prior year comparatives where appropriate.

**PROFIT AND LOSS ACCOUNT**

The financial results for 2005 demonstrate that Monkton continued to follow its key financial strategy of re-investing almost all of its operating profits into the expansion of the Good Energy customer base. 2005 has seen continued growth in customer numbers following significant expenditure on marketing during the year.

**OPERATING AND FINANCIAL REVIEW**  
For the year ended 31 December 2005

**Turnover**

At £6.84m the consolidated turnover in 2005 was 68% higher than in 2004. There was a 46% increase in the amount of electricity supplied to Good Energy customers during 2005.

**Gross Profit**

The gross profit margin was £1.08m (2004: £0.95m) this being 16% of sales (2004: 23%). The gross margin percentage is lower due to the decision to absorb some of the large increase in wholesale electricity costs rather than pass these on to Good Energy customers. In the second half of the year these costs were especially high and this made the price increase of October 2005 a necessary course of action.

Windelectric supplies all of its power to Good Energy under a fixed price contract which is set at market rates and this has protected the Group from the effects of the wholesale prices increases for the 10% of Good Energy's power requirement that it supplied by Windelectric.

**Operating profit**

The group operating profit was £101,508 (2004: £57,450) after marketing and administration costs of £979,133 (2004: £894,342) as set out below:

Administrative costs	<u>2005</u>	<u>2004</u>
	£	£
Marketing expenditure	245,888	189,093
Administration:		
Good Energy	580,294	403,434
Windelectric	29,288	32,302
Monkton Corporate	86,664	60,732
Monkton Generation	2,113	963
Depreciation, amortisation and bad debts	34,886	207,818
	<u>£979,133</u>	<u>£894,342</u>

Administrative costs have remained under strong control with the year-over-year increase reflecting growth in capacity of the group. There have been no changes in the preferred route to market and the administration costs reflect the higher volume of sales.

In 2005 the bad debt level was low after the large write off of historical debts in 2004. The Group continues to receive negative amortisation on goodwill as Monkton invests more resources in the growth of Good Energy.

**Interest**

The net interest charges increased to £39,694 (2004: £10,625) as the working capital requirements of the Group were raised by growth and the stretching of the cash cycle caused by the higher wholesale electricity costs.

**Profit before tax**

In total, the Group achieved a profit before tax of £61,814 (2004: £46,825).

**Taxation**

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 £24,198 (2004: tax credit of £17,736), so that profit after tax was £86,012 (2004: £64,561).

**CASH FLOW**

The Group has absorbed working capital as it has expanded and will continue to do so. This is the main reason for the operating cash outflow for the year as shown on page 15. The proceeds of the share issue of summer 2004 have continued to help to ease this working capital burden and we continue to have the support of our bankers in financing our potential working capital expansion for the foreseeable future.

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**OPERATING AND FINANCIAL REVIEW**  
**For the year ended 31 December 2005**

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As Good Energy is a small supplier in a large regulated market, some of the terms of business that are dictated to us are unfavourable and this is an area that the finance team are addressing constantly with some success. In the spring of 2006 our strong payment record with industry suppliers has enabled us to avoid having to put down deposits in advance for using the electricity distribution system and this has helped the working capital situation.

#### **BALANCE SHEET**

The balance sheet has been drawn up using the historic cost convention. This gives shareholders' funds of £2.96m at 31 December 2005 (2004: £2.88m).

The net current assets were £1.31m (2004: £1.52m) of which the cash is £0.64m (2004: £1.04m).

#### **ENTERPRISE VALUE**

The Balance Sheet as reported on page 13 excludes both the value of the Good Energy customer base which grew by 39% in 2005 and the open market value of Monkton's generating assets.

The Directors have previously adopted a formula to calculate a fair share value of the enterprise and have reviewed this internally during 2005. It comprises the tangible assets of the Group plus the net working capital and deducts long-term indebtedness allowing for the dilutive effect of the issue 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.

The Directors estimate that at 31 December 2005 the fair value of the enterprise was £1.25 (2004: £1.04) per share.

#### **DIVIDEND**

The Directors do not think it is appropriate to weaken the Group Balance Sheet by the payment of a dividend in 2006. 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 2007.

#### **OUTLOOK**

The core Monkton strategy is to continue to invest in the growth of renewable energy. It aims to achieve this through its two main businesses; Monkton Generation and Good Energy. In addition to this, it also hopes to branch out this year into other areas, to look for new consumer products to reduce carbon emissions and to allow individuals and businesses to become part of the wider on-going solution to Climate Change.

Good Energy is now at a size where bringing in-house its customer services and billing is sustainable and looks forward to a continual improvement to its service throughout 2006. Monkton Generation is at the stage where investigating the possibilities for re-powering are timely and we believe having planning approved can only add value to the Group.

The Directors remain committed to the long term aims of Monkton and with that resolution the prospects for Good Energy and Monkton Generation remain good.



Juliet Davenport  
Chief Executive  
21 April 2006

**DIRECTORS' REPORT**  
For the year ended 31 December 2005

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

## DIRECTORS

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

	<u>31 December 2005</u>	<u>31 December 2004</u>
John Sellers	761,297	761,297
Juliet Davenport	274,702	263,117
Martin Edwards	669,827	669,827
Lawrence Churchill	-	-

Juliet Davenport has options on 520,000 shares in the Company that are exercisable after 1 May 2005 at 50p per share with no conditions, and options on up to a further 100,000 shares exercisable after 1 June 2007 at 75p per share conditional upon the achievement of a number of operational and financial performance criteria. Shares sufficient to satisfy these options and those of other staff 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 and Avagio IT Services Ltd for the provision of certain outsourced services to enable Good Energy to function more efficiently and cost effectively. The approximate annual value of these services is £120,000 and £25,000 respectively and these contracts are negotiated on a strictly arms length basis on the same terms which those companies provide for their external clients. Largely as a result of history but also to safeguard Good Energy's on-going interests, John Sellers and Martin Edwards have a significant but non-controlling interest in Wiltshire Energy Ltd and serve as non-executive directors. John Sellers has a significant interest in Avagio IT Services Ltd. None of the companies has ever declared a dividend and none of the Directors is entitled to any remuneration from them.

## 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.

## 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.

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**DIRECTORS' REPORT**  
For the year ended 31 December 2005

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## RESULTS AND DIVIDENDS

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

## FUTURE 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 and to invest in other carbon technologies. 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 Group increases. The roles of Chief Executive and of Chairman are split, with the Chairman operating in a non-executive capacity. The system of rolling financial planning has been continued to help manage profit, cash flow and marketing programme decision-making. Lawrence Churchill now performs the role of Senior Independent Director and oversees, inter alia, the Company's remuneration policy and process.

## 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.

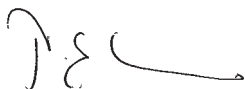
## ETHICAL STATEMENT

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 and businesses. 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 has now produced a full Environmental Report for 2005 which is available on request. Our environmental credentials have been audited and confirmed independently by Solomon Hare, a top 30 firm of Chartered Accountants, and a copy of their unqualified audit report is also available.

## 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 21 April 2006 and signed on its behalf.



John Sellers  
Chairman

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

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We have audited the Group and Parent Company Financial Statements of Monkton Group PLC for the year ended 31 December 2005 as set out on pages 12 to 28. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the Financial Statements, if the 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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited Financial Statements. This other information comprises only the Directors' Report, the Chairman's Statement and the Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

#### **BASIS OF AUDIT OPINION**

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

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

#### **OPINION**

In our opinion the Financial Statements:

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

**Calder & Co**  
Chartered Accountants & Registered Auditor  
1 Regent Street, London, SW1Y 4NW  
21 April 2006

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
For the year ended 31 December 2005

	Note	2005 £	2004 £
<b>TURNOVER</b>	1, 2	<b>6,844,900</b>	<b>4,063,405</b>
Cost of sales		(5,764,259)	(3,111,613)
<b>GROSS PROFIT</b>		<b>1,080,641</b>	<b>951,792</b>
Administrative expenses		(979,133)	(894,342)
<b>OPERATING PROFIT</b>	2, 3	<b>101,508</b>	<b>57,450</b>
Interest receivable	6	31,162	24,290
Interest payable	7	(70,856)	(34,915)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>61,814</b>	<b>46,825</b>
<b>TAX ON PROFIT ON ORDINARY ACTIVITIES 8</b>		<b>24,198</b>	<b>17,736</b>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>86,012</b>	<b>64,561</b>
<b>RETAINED PROFIT BROUGHT FORWARD</b>		<b>400,214</b>	<b>335,653</b>
<b>RETAINED PROFIT CARRIED FORWARD</b>		<b>£ 486,226</b>	<b>£ 400,214</b>
Earnings per share - Basic	9	1.5p	1.3p
- Diluted	9	1.3p	1.1p

All amounts relate to continuing operations.

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

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

CONSOLIDATED BALANCE SHEET  
As at 31 December 2005

	Note	£	2005 £	£	2004 £
<b>FIXED ASSETS</b>					
Intangible fixed assets	10		1,057,988		926,508
Tangible fixed assets	11		983,204		1,150,589
Investments	12		118,533		895
			<u>2,159,725</u>		<u>2,077,992</u>
<b>CURRENT ASSETS</b>					
Stocks	13	1,195,690		1,256,676	
Debtors	14	2,863,890		1,380,660	
Cash at bank		638,836		1,041,058	
			<u>4,698,416</u>	<u>3,678,394</u>	
<b>CREDITORS: amounts falling due within one year</b>	15	<b>(3,393,388)</b>		<b>(2,158,874)</b>	
<b>NET CURRENT ASSETS</b>			<u>1,305,028</u>		<u>1,519,520</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>3,464,753</u>		<u>3,597,512</u>
<b>CREDITORS: amounts falling due after more than one year</b>	16		<b>233,521</b>		<b>409,447</b>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>					
Deferred taxation	17		267,790		309,985
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18	292,513		293,163	
Share premium account	19	2,184,703		2,184,703	
Profit and loss account		486,226		400,214	
<b>SHAREHOLDERS' FUNDS - ALL EQUITY</b>	20		<u>2,963,442</u>		<u>2,878,080</u>
			<u>£ 3,464,753</u>		<u>£ 3,597,512</u>

The financial statements were approved by the board on 21 April 2006 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 2005

	Note	£	2005 £	£	2004 £
<b>FIXED ASSETS</b>					
Investments	12		3,041,259		2,545,356
<b>CURRENT ASSETS</b>					
Debtors	14	78,615		46,196	
Cash at bank		590,478		1,027,264	
			<u>669,093</u>	<u>1,073,460</u>	
<b>CREDITORS: amounts falling due within one year</b>	15	<b>(195,837)</b>		<b>(145,527)</b>	
<b>NET CURRENT ASSETS</b>			<u>473,256</u>		<u>927,933</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>£ 3,514,515</u>		<u>£ 3,473,289</u>
<b>CREDITORS: amounts falling due after more than one year</b>	16		<b>582,548</b>		<b>684,527</b>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18	292,513		293,163	
Share premium account	19	2,184,703		2,184,703	
Profit and loss account		454,751		310,896	
<b>SHAREHOLDERS' FUNDS - All Equity</b>	20		<u>2,931,967</u>		<u>2,788,762</u>
			<u>£ 3,514,515</u>		<u>£ 3,473,289</u>

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



Juliet Davenport  
Chief Executive

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

**CASH FLOW STATEMENT**  
For the year ended 31 December 2005

	Note	2005 £	2004 £
Net cash flow from operating activities	21	(549,857)	(149,741)
Returns on investments and servicing of finance	22	(39,694)	(10,625)
Taxation		(11,997)	(17,264)
Capital expenditure and financial investment	22	(145,745)	(46,464)
<b>CASH OUTFLOW BEFORE FINANCING</b>		<b>(747,293)</b>	<b>(224,094)</b>
Financing	22	(650)	953,880
<b>(DECREASE)/INCREASE IN CASH IN THE YEAR</b>		<b>£ (747,943)</b>	<b>£ 729,786</b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT**  
For the year ended 31 December 2005

		2005 £	2004 £
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>	23	<b>(747,943)</b>	<b>729,786</b>
Net funds/(debt) at 1 January 2005	23	707,855	(21,931)
<b>NET (DEBT)/FUNDS AT 31 DECEMBER 2005</b>		<b>£ (40,088)</b>	<b>£ 707,855</b>

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

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

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**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 all of 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 Investments****(i) Subsidiary Undertakings**

Shares in subsidiaries are valued at cost less provision for permanent impairment.

**(ii) Other investments**

Investments held as fixed assets are shown at cost less provisions for their permanent impairment.

**1.4 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.

**1.5 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 over its estimated economic life.

**1.6 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:

Turbines & ancillaries:	9 years
Furniture, fittings and equipment:	3 - 5 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.

**1.7 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 as incurred.

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

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**1. ACCOUNTING POLICIES (continued)**

**1.8 Stocks and work in progress**

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 supplies electricity sourced entirely from renewable generation, its percentage obligation to submit ROCs is set by Ofgem. In addition to the regulatory requirements, Good Energy surrenders additional ROCs to demonstrate its environmental credentials transparently.

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.

Work in progress is valued at the lower of cost and net realisable value.

**1.9 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, except for gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

**1.10 Pensions**

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

**1.11 Capital instruments**

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

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

## 2. TURNOVER AND OPERATING PROFIT

An analysis of turnover and operating profit by class of business is as follows:

	Turnover		Operating Profit/(Loss)	
	2005	2004	2005	2004
	£	£	£	£
Energy supply (Good Energy Ltd)	6,844,900	4,063,405	(164,379)	(170,106)
Energy generation (Windelectric Ltd)	602,776	657,048	167,719	123,534
Less inter company transactions	(602,776)	(657,048)	-	-
Group and other items	-	-	98,168	104,022
<b>Total</b>	<b>£ 6,844,900</b>	<b>£ 4,063,405</b>	<b>£ 101,508</b>	<b>£ 57,450</b>

All turnover arose within the United Kingdom.

## 3. OPERATING PROFIT

The Operating Profit is stated after charging:

	2005	2004
	£	£
Amortisation of intangible fixed assets	(119,104)	(99,815)
Depreciation of tangible fixed assets: owned by the company	183,116	181,728
Auditors' remuneration	16,619	19,725
Auditors' remuneration: non-audit	2,325	6,066
Operating lease rentals: other operating leases	43,752	44,777

Auditors fees for the Company were £3,500 (2004: £3,000)

## 4. STAFF COSTS

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

	2005	2004
	£	£
Wages and salaries	408,869	277,513
Social security costs	33,014	28,038
Other pension costs	15,800	13,736
	<b>£ 457,683</b>	<b>£ 319,287</b>

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

	2005	2004
	No.	No.
	15	12

Staff costs relate to the Parent Company and its subsidiary Good Energy Ltd.

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

5. DIRECTORS' REMUNERATION

	2005 £	2004 £
Emoluments (provided by subsidiary to Directors)	£ 157,581	£ 143,112
Emoluments (provided by parent to Directors)	£ 54,823	£ 31,158
Company pension contributions to money purchase pension schemes	£ 7,390	£ 7,442

During the year retirement benefits were accrued to 3 Directors (2004: 3) in respect of money purchase pension schemes.

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

Juliet Davenport	£89,950 (2004: £82,950)
John Sellers	£15,000 (2004: £17,500)
Lawrence Churchill	£15,000 (2004: £1,250)
Martin Edwards	£12,000 (2004: £12,000)

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

Recognising the need to contain corporate costs during the Group's early stages of growth, the remuneration levels for Non-Executive Directors have remained unchanged for a number of years and in one case has been voluntarily reduced. At the same time, market rates for these roles have increased significantly according to recent surveys. The Board now considers it appropriate to establish remuneration levels more in line with the market for Groups of our size and in our circumstances. As a step towards this realignment, and as from 1 April 2006, John Sellers, Lawrence Churchill and Martin Edwards will be entitled to emoluments at the annual rate of £21,500, £18,000 and £15,000 respectively. This will still leave remuneration below market rates; further realignment is unlikely until the profitability of the Group improves.

6. INTEREST RECEIVABLE

	2005 £	2004 £
Bank interest receivable	31,162	22,791
Other interest receivable	-	1,499
	£ 31,162	£ 24,290

7. INTEREST PAYABLE

	2005 £	2004 £
On bank loans and overdrafts	26,706	4,431
On other loans	44,150	30,484
	£ 70,856	£ 34,915

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

8. TAXATION

	2005 £	2004 £
<b>Analysis of tax charge in year</b>		
<b>Current tax (see note below)</b>		
UK corporation tax charge on profits of the year	31,000	25,000
Adjustments in respect of prior periods	(13,003)	(1,811)
<b>Total current tax</b>	<u>17,997</u>	<u>23,189</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(42,195)	(40,925)
<b>Total deferred tax (see note 17)</b>	<u>(42,195)</u>	<u>(40,925)</u>
<b>Tax on profit on ordinary activities</b>	<u>£ (24,198)</u>	<u>£ (17,736)</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:

	2005 £	2004 £
Profit on ordinary activities before tax	<u>61,814</u>	<u>46,825</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	18,544	14,048
<b>Effects of:</b>		
Capital allowances for period in excess of depreciation	45,667	43,870
Utilisation of Group's tax losses	(73,050)	(64,650)
Adjustments for non-taxable, marginal rate and rounding provision	39,839	31,732
Adjustments to tax charge in respect of prior periods	(13,003)	(1,811)
<b>Current tax charge for year (see note above)</b>	<u>£ 17,997</u>	<u>£ 23,189</u>

There were no factors that may affect future tax charges.

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

9. EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per ordinary share is based on earnings of £86,012 (2004: £64,561) and on 5,863,100 (2004: 4,987,473) ordinary shares, being the weighted average number of ordinary shares in issue during the year after excluding the shares owned by the Monkton Employee Share Ownership Trust.

The diluted earnings per share is based on profit for the year of £86,012 (2004: £64,561) and on 6,750,767 (2004: 5,873,515) ordinary shares, calculated as follows:

	2005	2004
Basic weighted average number of shares	5,863,100	4,987,473
Sub total	5,863,100	4,987,473
<i>Dilutive potential ordinary shares:</i>		
Employee share options	887,667	886,042
Total	6,750,767	5,873,515

10. INTANGIBLE FIXED ASSETS

Group	Licences, Patents & Trademarks £	Brand & Customer Development £	Goodwill arising on Acquisitions £	Total £
<b>Cost</b>				
At 1 January 2005	195,700	600,000	159,467	955,167
Additions	12,376	-	-	12,376
At 31 December 2005	208,076	600,000	159,467	967,543
<b>Amortisation</b>				
At 1 January 2005	81,956	150,000	(203,297)	28,659
Charge for the year	21,333	30,000	(170,437)	(119,104)
At 31 December 2005	103,289	180,000	(373,734)	(90,445)
<b>Net book value</b>				
At 31 December 2005	£ 104,787	£ 420,000	£ 533,201	£ 1,057,988
At 31 December 2004	£ 113,744	£ 450,000	£ 362,764	£ 926,508

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.

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

11. TANGIBLE FIXED ASSETS

	Furniture, Fittings & Equipment £	Turbines & Ancillaries £	Total £
<b>Group Cost</b>			
At 1 January 2005	54,406	3,182,110	3,236,516
Additions	15,731	-	15,731
At 31 December 2005	70,137	3,182,110	3,252,247
<b>Depreciation</b>			
At 1 January 2005	28,816	2,057,111	2,085,927
Charge for the year	16,450	166,666	183,116
At 31 December 2005	45,266	2,223,777	2,269,043
<b>Net book value</b>			
At 31 December 2005	£ 24,871	£ 958,333	£ 983,204
At 31 December 2004	£ 25,590	£ 1,124,999	£ 1,150,589

12. FIXED ASSET INVESTMENTS

	Shares in group undertakings £	Loans to group undertakings £	Unlisted investments £	Total £
<b>Group Cost or valuation</b>			Unlisted investments £	
At 1 January 2005				895
Additions				117,638
At 31 December 2005				£118,533
<b>Company Cost or valuation</b>				
At 1 January 2005	2,313,563	230,899	894	2,545,356
Additions	252,008	126,257	117,638	495,903
At 31 December 2005	£ 2,565,571	£ 357,156	£ 118,532	£ 3,041,259

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

12. FIXED ASSET INVESTMENTS (continued)

The Parent Company's subsidiary undertakings are as follows:

	Holding %	Profit/(Loss) after tax		Aggregate of Capital and Reserves	
		2005	2004	2005	2004
		£	£	£	£
Good Energy Ltd	100	(223,842)	(184,786)	1,089,388	1,063,230
Windelectric Ltd	100	207,662	150,410	1,195,064	1,212,402
Monkton Generation Ltd	100	207,505	87,429	1,076	3,571
Unit Energy Ltd	100	-	-	2	2
Wave Electric Ltd	100	-	-	1	1
Monkton Trustees Ltd	100	-	-	1	1
Good Gas Ltd	100	-	-	15,052	-
Good Solar Ltd	100	-	-	2,322	-
Smartgen Ltd	100	-	-	2	-
Good Carbon Ltd	100	-	-	2	-
Good Wind Ltd	100	-	-	2	-
Good Electricity Ltd	100	-	-	2	-

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

Monkton Trustees Ltd: trustee of the employee share ownership trust

Unit Energy Ltd, Wave Electric Ltd, Good Gas Ltd, Good Solar Ltd, Smartgen Ltd,

Good Carbon Ltd, Good Wind Ltd and Good Electricity Ltd: not trading

13. STOCKS

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Work in progress	17,374	-	-	-
Renewable Obligation Certificates	1,178,316	1,256,676	-	-
	<u>£ 1,195,690</u>	<u>£ 1,256,676</u>	<u>-</u>	<u>-</u>

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

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

14. DEBTORS

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
<b>Due within one year</b>				
Trade debtors	1,950,018	1,012,593	-	-
Amounts owed by group undertakings	-	-	72,013	34,054
Other debtors	903,582	354,587	102	2,187
Prepayments and accrued income	10,290	13,480	6,500	9,955
	<u>£ 2,863,890</u>	<u>£ 1,380,660</u>	<u>£ 78,615</u>	<u>£ 46,196</u>

Included in other debtors (group) is an amount of £657,089 (2004: £107,371) relating to security deposits that are required to be held with the Group's suppliers and distributors and an amount of £163,805 (2004: £97,263) relating to the deferred costs of customer registration.

15. CREDITORS: Amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Bank loans and overdrafts	678,924	333,203	-	-
Trade creditors	640,366	340,673	684	-
Amounts owed to group undertakings	-	-	28,206	12,460
Corporation tax	31,000	25,000	-	-
Social security and other taxes	25,872	19,726	-	-
Other creditors	489,710	337,683	159,447	133,067
Accruals and deferred income	1,527,516	1,102,589	7,500	-
	<u>£ 3,393,388</u>	<u>£ 2,158,874</u>	<u>£ 195,837</u>	<u>£ 145,527</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.

Included in other creditors:

£55,000 relates to loan notes payable on 30 November 2006. 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.

£104,477 relates to loan notes payable on 30 June 2006. The applicable rate of interest is the bank base rate.

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

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

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Amounts owed to group undertakings	-	-	349,027	275,080
Other creditors	233,521	409,447	233,521	409,447
	<u>£ 233,521</u>	<u>£ 409,447</u>	<u>£ 582,548</u>	<u>£ 684,527</u>

Included in other creditors:

£55,000 relates to loan notes repayable on 30 November 2007. 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.

£178,521 relates to three loan notes, £48,521 of which was issued on 1 December 2005 and is repayable on 30 June 2007. The balance is to be issued by way of two further notes of equal amounts of £65,000 to be repayable on 30 June 2008 and 30 June 2009. The applicable rate of interest is the bank base rate.

17. DEFERRED TAXATION

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
At 1 January 2005	309,985	350,910	-	-
Released during the year	(42,195)	(40,925)	-	-
At 31 December 2005	<u>£ 267,790</u>	<u>£ 309,985</u>	<u>£ -</u>	<u>£ -</u>

The provision for deferred taxation is made up as follows:

	2005	2004	2005	2004
	£	£	£	£
Accelerated capital allowances	267,790	309,985	-	-
	<u>£ 267,790</u>	<u>£ 309,985</u>	<u>£ -</u>	<u>£ -</u>

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

18. SHARE CAPITAL

	2005 £	2004 £
<b>Authorised</b>		
20,000,000 Ordinary shares of 5p each	£ 1,000,000	£ 1,000,000
<b>Allotted, called up and fully paid</b>		
5,862,267 Ordinary shares of 5p each	£ 292,513	£ 293,163

In 2005, the Parent Company advanced a further £650 (2004: £1,751) which was used to make further open market purchases of 1,000 shares (2004: 2,500).

Allotted, called up and fully paid Share Capital made up as follows:

	2005 No	2004 No	2005 £	2004 £
<i>Ordinary shares of 5p each</i>				
Total shares issued	6,750,767	6,750,767	337,538	337,538
Sub total	6,750,767	6,750,767	337,538	337,538
<i>Adjustment for own shares held</i>				
Own shares held brought forward	(887,500)	(885,000)	(44,375)	(44,250)
Own shares acquired in year	(1,000)	(2,500)	(650)	(125)
Sub total	(888,500)	(887,500)	(45,025)	(44,375)
Total	5,862,267	5,863,267	£ 292,513	£ 293,163

Own shares relate to those held by the Monkton Employee Share Ownership Trust. The trustee is Monkton Trustees Ltd 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.

19. RESERVES

Group and Company	Share premium account £
At 1 January and 31 December 2005	£ 2,184,703

20. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
<b>Group</b>		
Profit for the year	86,012	64,561
Shares issued during the year	-	75,193
Share premium on shares issued (net of expenses)	-	880,438
Adjustment for own shares acquired	(650)	(1,751)
	85,362	1,018,441
Opening shareholders' funds	2,878,080	1,859,639
Closing shareholders' funds	£ 2,963,442	£ 2,878,080

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

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

	2005	2004
Company	£	£
Profit for the year	143,855	32,386
Shares issued during the year	-	75,193
Share premium on shares issued (net of expenses)	-	880,438
Adjustment for own shares acquired	(650)	(1,751)
	<u>143,205</u>	<u>986,266</u>
Opening shareholders' funds	2,788,762	1,802,496
	<u>£ 2,931,967</u>	<u>£ 2,788,762</u>

21. NET CASH FLOW FROM OPERATING ACTIVITIES

	2005	2004
	£	£
Operating profit	101,508	57,450
Amortisation of intangible fixed assets	(119,104)	(99,815)
Depreciation of tangible fixed assets	183,116	181,728
Decrease/(increase) in stocks	60,986	(1,073,257)
Increase in debtors	(1,483,230)	(224,328)
Increase in creditors	706,867	1,008,481
	<u>£ (549,857)</u>	<u>£ (149,741)</u>

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

	2005	2004
	£	£
<b>Returns on investments and servicing of finance</b>		
Interest received	31,162	24,290
Interest paid	(70,856)	(34,915)
	<u>£ (39,694)</u>	<u>£ (10,625)</u>
<b>Capital expenditure and financial investment</b>		
Purchase of intangible fixed assets	(12,376)	(38,243)
Purchase of tangible fixed assets	(15,731)	(8,221)
Purchase of unlisted and other investments	(117,638)	-
	<u>£ (145,745)</u>	<u>£ (46,464)</u>

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

22. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT (continued)

	2005 £	2004 £
<b>Financing</b>		
Issue of ordinary shares	-	1,029,484
Expenses paid in connection with share issue	-	(73,853)
Adjustment for own shares acquired	(650)	(1,751)
	<u>          </u>	<u>          </u>
Net cash (outflow)/inflow from financing	£ (650)	£ 953,880
	<u>          </u>	<u>          </u>

23. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2005 £	Cash flow £	31 December 2005 £
Cash at bank and in hand	1,041,058	(402,222)	638,836
Bank overdraft	(333,203)	(345,721)	(678,924)
	<u>          </u>	<u>          </u>	<u>          </u>
Net funds/(debt)	£ 707,855	£ (747,943)	£ (40,088)
	<u>          </u>	<u>          </u>	<u>          </u>

24. PENSION COMMITMENTS

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost represents contributions payable by the Group to the fund and amounted to £15,800 (2004: £13,736).

Contributions totalling £2,242 (2004: £1,419) were payable to the fund at the balance sheet date and are included in creditors.

25. OPERATING LEASE COMMITMENTS

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

	Land and buildings	
	2005 £	2004 £
<b>Group</b>		
<b>Expiry date:</b>		
Within 1 year	26,475	-
Between 2 and 5 years	-	26,475
After more than 5 years	17,277	18,302
	<u>          </u>	<u>          </u>