

MONKTON GROUP PLC

Interim Report to Shareholders: 2004

Incorporating

Financial results (unaudited) for the 6 months ended 30th June 2004



It is our business to keep the world habitable

Good Energy 

Monkton Generation

Investing in renewable energy

INTERIM REPORT TO SHAREHOLDERS FOR THE 6 MONTHS ENDED 30 JUNE 2004

HIGHLIGHTS	6 months to 30/06/2004 (unaudited)	6 months to 30/06/2003 (unaudited)	12 months to 31/12/2003 (audited)
ELECTRICITY SOLD (MWh)	26,789	17,548	38,984
CUSTOMERS AT PERIOD END	10,055	6,596	8,307
CO2 SAVED (metric tonnes)	11,519	7,546	16,763
GROUP TURNOVER	£ 1,765,702	£ 1,586,705	£ 3,095,528
GOOD ENERGY TURNOVER	£ 1,765,702	£ 1,241,471	£ 2,750,294
GROUP GROSS PROFIT	£ 473,855	£ 494,361	£ 926,495
OPERATING (LOSS) / PROFIT	£ (2,104)	£ 56,666	£ 51,875
(LOSS) / PROFIT BEFORE TAXATION	£ (15,301)	£ 42,615	£ 16,528

- **50% growth in electricity sales and customers**
- **All profit reinvested in expanding the Good Energy business**
- **Successful 2nd share issue, £1m on deposit**
- **OFEX launch**

Operating Performance

Monkton has continued with its declared strategy of expanding the Good Energy business by reinvesting all its operating margins in a series of marketing and administration programmes. Some of these programmes have been experimental and provided us with information on where and where not to invest further resources. As a result, in overall terms customer acquisition has been more expensive than expected. Growth statistics have been reasonable, but the Board continues to expect the Good Energy business to improve the pace at which new customers switch to renewable sources for their energy needs.

Monkton Generation's wind-farm operated at 90% of normal capacity with one of the ten turbines out of commission for much of the period as a result of gearbox damage. The gearbox has been replaced and as a result improvements made in the maintenance regime.

Financial Results

The full profit and loss accounts, together with explanatory notes, are set out opposite. Good Energy turnover was 42% higher than in 2003 although group margins were lower due mainly to higher than expected electricity purchase costs during the winter of 2003/4. We did not seek immediately to pass through the higher costs to customers as price increases until we were certain that that this was a long-term trend rather than a short-term market movement. We continued to increase our administrative capacity to cope with the prospective growth of the business and brought in-house certain core functions previously outsourced. We are reporting a statutory loss before tax of £15,301 for the period.

Enterprise Value

Monkton is operating close to break-even on the basis of the historic cost accounting convention which requires us to write off customer acquisition costs as incurred; but the results do not reflect the considerable increase in the value of our customer base achieved in the period and its future contribution to the business.

Current trading and medium term prospects

Marketing investment in the year to date is being rewarded with record levels of new customers in recent weeks: at the date of this report, customer numbers have increased to 11,300. Adversely, recently announced increases in general electricity wholesale prices are putting pressure on margins and facing us with a need to raise our own prices if we are to avoid financial losses over the next six months. Currently we are not planning to increase our administration costs and are now in the process of evaluating marketing spend so far and determining the marketing spend for the remainder of 2004.

OFEX

Monkton's ordinary shares were introduced to the OFEX facility on 1 September 2004 following our second share issue which raised over £1million which is earmarked for further investment in renewable generation assets and Good Energy customer acquisition activity.

Outlook

The Board is highly confident about the growth potential of the business. There are 25 million potential customers in the electricity market who have not yet decided to insist on non-fossil fuel sources for their energy needs. Even if only a small proportion decides to switch, it will transform our market sector in which we have a leading position.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

		6 months to 30/06/2004 (unaudited)	6 months to 30/06/2003 (unaudited)	12 months to 31/12/2003 (audited)
	Note	£	£	£
TURNOVER		1,765,702	1,586,705	3,095,528
Cost of sales	1	1,291,847	1,092,344	2,169,033
GROSS PROFIT		<u>473,855</u>	<u>494,361</u>	<u>926,495</u>
Marketing Costs		118,913	107,696	180,676
Depreciation and Goodwill amortisation		156,384	137,654	278,736
Administrative expenses		<u>200,662</u>	<u>192,345</u>	<u>415,208</u>
		475,959	437,695	874,620
OPERATING PROFIT				
Continuing operations: (loss) / profit		(2,104)	56,666	51,875
Interest receivable		1,061	4,749	7,566
Interest payable		14,258	18,800	42,913
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(15,301)	42,615	16,528
Tax on ordinary activities	2	12,874	15,508	19,796
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(28,175)</u>	<u>27,107</u>	<u>(3,268)</u>
RETAINED (LOSS) /PROFIT FOR PERIOD		(28,175)	27,107	(3,268)
RETAINED PROFIT BROUGHT FORWARD		335,653	338,921	338,921
RETAINED PROFIT CARRIED FORWARD		<u>307,478</u>	<u>366,028</u>	<u>335,653</u>
(LOSS) / EARNINGS PER SHARE	3	(0.3p)	0.6p	(0.1p)

The consolidated accounts for the half years set out above are unaudited and do not constitute statutory accounts within the meaning of the Companies Act. They have been approved by the Board. They have been prepared on a basis consistent with the accounting policies adopted by Monkton for the preparation of the financial statements issued in respect of the year ended 31 December 2003 and on which the auditors gave an unqualified opinion.

No dividend is being proposed.

Note 1: In 2003, £345,234 of sales by Windelectric Ltd were to external parties whereas the entirety of Windelectric's sales in 2004 were to Good Energy and were consolidated as cost of sales in accordance with standard accounting practice.

Note 2: The tax charge for the 6-month figures is based on the directors' estimate of the likely tax charge at the year-end which is estimated after taking informal advice from our taxation advisers.

Note 3: The weighted average number of shares in issue for the half year to 30 June 2004 was 5,246,900 (4,485,699 for the half year ended 30 June 2003, and 4,676,900 for the full year 2003).

