



**Good Energy  
Group**

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**Annual Report and  
Financial Statements  
2012**



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# Annual Report and Financial Statements

## Year ended 31 December 2012

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## Directors and Corporate Resources

<i>Directors</i>	John Maltby (Non-Executive Chairman - appointed 15 October 2012) Juliet Davenport (Chief Executive) Garry Peagam (Group Finance Director) Richard Squires (Non-Executive Director) Martin Edwards (Non-Executive Director) Francesca Ecsery (Non-Executive Director - appointed 15 November 2012)
<i>Company Secretary and Registered Office</i>	Nigel Tranah 2 Temple Back East, Temple Quay Bristol BS1 6EG
<i>Company Number</i>	04000623
<i>Principal Place Of Business</i>	Monkton Reach Monkton Hill Chippenham Wiltshire SN15 1EE
<i>Independent Auditors</i>	PricewaterhouseCoopers LLP 31 Great George Street Bristol BS1 5QD
<i>Financial Advisors</i>	N+1 Singer Advisory LLP 1 Bartholomew Lane London, EC2N 2AX
<i>Bankers</i>	Lloyds TSB Bank PLC PO Box 112, Canons House Bristol BS99 7LB  The Co-operative Bank PLC PO Box 101, 1 Balloon Street Manchester M60 4EP
<i>Legal Advisors</i>	Norton Rose LLP 3 More London, Riverside London, SE1 2AQ
<i>Registrars</i>	Computershare Investor Services PLC The Pavilions, Bridgwater Road Bristol BS99 6ZY

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## Chairman's Statement

### For the year ended 31 December 2012

I am delighted to have joined Good Energy at this exciting time in its development and look forward to helping the Company to continue to fulfil its potential. I am pleased to report that 2012 was another encouraging and successful year for Good Energy. Our business performance was in line with expectations and the Company delivered growth across the whole business generating strong profit growth. Our cash flow remains healthy and as a result of the strong performance and prospects the Board have recommended for approval, by shareholders at the AGM, a final dividend for the year ended 31st December 2012 of 2p per share, giving a full year dividend of 3p (up 9% on 2011).

Renewable energy remains central to the Government's plans for the UK energy market, with wind energy alone now regularly providing over 5 per cent of UK electricity demand. Whilst media and political commentary has increased, fundamental opportunities remain. Key policy decisions on financial support levels for renewable energy both now and in the future remain broadly favourable, and the UK Government retains a strong track record on maintaining support levels for existing sites. A decarbonisation target for the power sector has widespread industry and business support, and its adoption would be a welcome addition to Government policy. At a time when ongoing concern about rising fossil fuel prices and the security of energy supply reflect the need for the UK to develop greater energy independence, it has never been more relevant to demonstrate how to achieve a more secure and sustainable energy future than it is today.

Customer confidence and trust in the large established energy providers continues to deteriorate. This provides an opportunity for customer centric, values-based challenger companies to gain market share and increase their profile. Good Energy is leading the way in this, through its strong values and ethics, and by its proven service proposition. We have topped the Which? customer satisfaction survey for electricity suppliers for three out of the last four years (2010, 2012 & 2013) and were the only supplier to be awarded the top five star rating for the energy efficiency advice we provide to our customers.

During the course of the year we saw a strengthening of the business foundation of the Company. Good Energy has invested in building the Company's infrastructure, capability and balance sheet to be the foundation for future profitable growth. Our AIM listing in July 2012 raised £4m and has provided improved liquidity for our shareholders, opened the Company to a larger investor market and helped provide additional working capital for the Group.

The Group recognises the importance of good corporate governance in line with our listing on AIM, and we are adopting best practice where appropriate. We have established governance as a platform for a bigger business through adding two further committees which overview the business of Good Energy; the Audit Committee and the Remuneration Committee.

We have also invested in the Board, adding a wealth of experience that will be valuable for the development of the company. I would like to thank Rick Squires for his service as Chairman and am delighted that he continues to be a member of the Board as a Non-Executive Director. I am pleased to welcome Francesca Ecsery who was appointed Non-Executive Director in November. Francesca brings extensive expertise in marketing and over 22 years of experience in senior director roles.

On behalf of the Board I would like to acknowledge the contribution of Juliet Davenport and her team, as well as all our Good Energy customers, generators and shareholders. We thank you for your ongoing support and assure you that your award-winning company will continue to be

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## **Chairman's Statement** For the year ended 31 December 2012 (continued)

a catalyst for change in the UK energy market by empowering individuals and businesses to switch their energy supply to renewable electricity and also to generate their own renewable power.

Looking ahead, Good Energy has a number of key strengths which will allow us to perform well and capitalise on the challenges that 2013 will bring. There are opportunities for further investment in generation and increasing customer numbers, building on the momentum achieved this year. Investment in core infrastructure capability and enhancing the team will further strengthen the Company and provide a solid platform for further progress and innovation. Good Energy is well placed to continue to grow profitably and deliver renewable energy to the UK energy market.



John Maltby  
Chairman  
8 April 2013

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# Chief Executive's Operating and Financial Review

## For the year ended 31 December 2012

### Strategic purpose

Good Energy has continued to perform well across all its businesses areas. As set out in our 2012 strategy, we maintained and built on the growth established at the end of 2011. As a result of trading enhancements we were able to deliver improvements to our competitive positioning for both electricity and dual fuel.

We saw strong growth in the Feed-in Tariff (FIT) administration business, which increased to over 46,000 FIT customers by 31 December 2012, becoming the 2nd largest FIT administrator in the UK. This played well with Good Energy's overall strategy of having a diverse source of power from many small renewable generators.

The admission to AIM in July 2012 and successful fund raise of £4 million before expenses, introduced new institutional investors to the business, providing capital to accelerate the growth of the business and ensuring the potential for future capital raises as the business requires support for its development.

We have made good progress on our target to develop 110MW of renewable generation capacity. There is growing momentum behind Good Energy's wind and solar portfolio, and we have built a team with the expertise and knowledge to enable us to deliver 50% of electrons from our own sites by 2016. Our development pipeline currently includes around 35MW of onshore wind and up to 200MW of solar.

### Financial Highlights

- Revenue increased by 31% to £28.2m (2011: £21.6m)
- Gross Profit increased by 10% to £9.6m (2011: £8.7m)
- Profit Before Tax increased by 27% to £1.4m (2011: £1.1m)
- Cash balance as at 31 December £9.5m (2011: £2.4m)
- Basic earnings per share increased by 6% to 13.2p (2011: 12.4p)

### Electricity and Gas Market Positioning

Good Energy's core retail proposition continues to be 100% renewably sourced electricity to business and domestic customers, where the Company guarantees to match the electricity we supply to our customers with power generated from renewable sources over the course of a year. Good Energy continues to be the only Company in the UK who commits to this proposition in the long term.

The total number of customers using Good Energy's services has continued to grow and our electricity and gas supply customers are attracted by our competitive prices, strong customer service ethos and our commitment to renewable energy. Electricity customer numbers have increased by 13% to over 32,000 and gas has also had a strong year, growing 58% to end 2012 with over 8,500 customers.

The growth in MWh is higher than the growth in customers, at around 20%, partially due to an increase in sales to businesses, and partially due to an increase in sales due to the weather.

Good Energy continues to offer market leading customer service, and came top of the recent Which? customer satisfaction survey. This is despite the delays in the implementation of our new in-house customer service system, which we expect to become operational in 2013. The delays have meant that we haven't seen the improvements in cost to serve as we would have liked in 2012, but we commend our operations team for maintaining the high customer service ranking and grade of service throughout the year.

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In order to improve the market awareness of the Good Energy brand and encourage new customers to sign up to Good Energy, we have forged new partnerships in 2012 with other like-minded organisations, including the National Trust and The Soil Association. This is part of a wider strategy on growth that will see the company invest further in business sales growth, online developments, and new tariffs to support the use of electricity in both the heat and the transport markets.

### **Trading Systems**

A key part of our financial and competitive performance is based on our trading capabilities. Over the past 3 years the Company has invested in more sophisticated trading strategies and improvements in the forecasting of wind, hydro and most recently solar power. This has seen a year on year improvement throughout 2010-2012. In 2012 we recognised that the contract with our trading aggregator had reached a point at which further improvements in our trading activity would require direct access to the market. Throughout 2012 we have been establishing the systems and contractual arrangements to provide the Company with a more responsive trading platform, which affords us a greater flexibility that compliments the dynamic nature of the renewables market. These changes were implemented on 1st March 2013 as planned and we are now trading our own position. We expect this to deliver value in the latter half of 2013 due to the improved granularity and flexibility in trading systems.

### **Feed-in Tariff administration**

Good Energy has maintained its position as one of the largest FIT administrators in the UK, with 14% of the market share in 2012 over the year. Growth was driven by strong demand for FIT administration services for individuals and investment portfolios, as well as the various government deadlines taking place throughout the year.

FIT administration continues to be an integral part of our electricity supply business, with a total of 46,000 generators being administered at the end of December 2012. We do not expect to see the same level of growth in 2013 due to changes in the schemes. In addition, we have seen substantive reductions in the FIT administration payment by Ofgem since 2010. We plan to address these challenges by improving our customer service, and exploring other opportunities to leverage the existing knowledge and systems.

### **Generation**

Our plans to target a portfolio of 110MW of wind, solar and possibly small hydro generation assets by 2016 are progressing well. This target supports the aspiration to deliver 50% of electricity from our own generation assets. Delabole, our existing 9.2 MW wind farm in north Cornwall, performed well in 2012 and generated just over 24,000 MWh of electricity, amounting to around 16% of our renewable electricity requirement for our supply base.

During 2012, we worked on various opportunities to purchase wind sites with planning permission, allowing us to maintain momentum behind the development portfolio. In January 2013, we agreed the purchase of a 8.2 MW site with planning in Yorkshire, and we expect development of this site to start in 2013. This will produce around 20,000 MWh of electricity per annum, almost doubling the amount of power that we will be able to purchase from our own sites.

We have successfully launched the Delabole Local Tariff as part of our commitment to the local community. The tariff has been well received and we propose to commit to a similar tariff at all our wind sites which are over 4 MW.

Our development portfolio has made significant advances, we have two small sites in planning, although we are seeing some delays with planning applications in Scotland. We have pre-planning consultations started on a further 32MW of wind and up to 200MW of solar. As with any portfolio, we don't expect to progress with all of these sites, and during the next stage we expect these to reduce, as we decide which sites to submit to planning in Q2 and Q3 2013. We have a dedicated team of 12 working across project planning, construction delivery and stakeholder engagement.



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## Financial Review

The statutory Financial Statements of Good Energy Group PLC for the year ended 31 December 2012 are set out on pages 20 to 58, together with explanatory notes and comparisons with previous years where appropriate.

### Revenue and Gross Profit

Revenue for the year, at £28.2m, was 31% higher than 2011 (£21.6m). Of this £6.6m increase, revenue from electricity supply and FIT administration combined was up £4.9m on 2011 and revenue from gas has increased £1.6m on 2011.

Gross profit increased by 10% on 2011 which is lower than the growth in revenues in the year. The gross margin reduced by 6 percentage points due to the strategic decision to delay the electricity retail price increase as long as possible and also to reduce our gas pricing for dual-fuel customers in order to improve our competitive position in the marketplace. In addition the reduced outturn price of Renewable Obligation Certificates (ROC's) compared to 2011 put upward pressure on our power purchase costs.

### Administrative Expenses

At £7.5m, administrative costs across the Group have increased from 2011's £6.9m by 9%. An analysis of this increase is provided in the notes to the Financial Statements. Additional resources were required in 2012 in order to register FIT customers before government deadlines, to work on our new CRM systems and to help identify and scope out new sites for potential generation assets. These increased costs were partially offset by the fact that the amortisation of the new CRM systems will commence once it goes live and is fully operational in 2013 and also that all the costs of the previous operating system were fully written off in 2011.

### Profit Before Tax

Profit before tax of £1.4m, has increased by 27% on 2011. This represents 4.9% of consolidated revenue (2011: 4.9%).

### Financial Position and Financing

The Consolidated Statement of Financial Position is set out on page 21. This shows a Shareholders' Equity of £11,052,244 (2011: £6,703,593). This is equivalent to 88.3p per ordinary share (2011: 85.8p).

This statement is drawn up on an historic cost basis and therefore excludes the inherent value of certain intangible assets.

In July 2012, the Group was admitted to the AIM market of the London Stock Exchange and raised £4m before expenses by way of placing an offer for 4.7m ordinary shares. We very much welcome the addition of a number of major institutional shareholders giving a more balanced shareholder base.

These funds are included in the cash balance of £9.5m (2011: £2.4m), with the additional £3.1m increase in the Group's aggregate cash balance arising mainly from an improvement in cash from operating activities, up £2.3m on 2011.

The group has an outstanding long-term loan for financing the wind farm at Delabole, with a balance of £8.9m at the end of 2012 (2011: £9.3m). The majority of debt interest payable in 2012 is attributable to this loan.

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## Dividend

Following on from our interim dividend payment in 2012 of 1.00p, and as part of our ongoing policy to recognise the success of the business and the support of our shareholders, the Directors are pleased to recommend for declaration by the Company at the Annual General Meeting a final dividend of 2.00p to give a full dividend payment for 2012 of 3.00p (2011: 2.75p).

## Board

The Board of Directors saw several changes in 2012. John Maltby was appointed Non-Executive Chairman on 15 October 2012, taking over from Rick Squires, who had been acting as Chairman for an interim period. John Maltby joins the Company with a wealth of experience from the financial services sector having held senior executive roles with Lloyds Banking Group, Natwest Group PLC, Barclays and Abbey National. Rick Squires retains his position on the Board as a Non-Executive Director.

The Board was further strengthened with the appointment of Francesca Ecsery as Non-Executive Director on 15 November 2012. Francesca's extensive experience in creating and delivering innovative marketing initiatives across a broad range of consumer-facing companies will be invaluable in helping the Company to grow its customer base.

## Market and Political Framework

Good Energy operates in the UK electricity and gas market which are highly regulated, and changes in policy can impact the development of the renewable energy market. As a result we have an internal team that specifically monitor the impact of policies both on the Good Energy business, and the wider renewable and decentralised energy marketplaces. Where possible Good Energy tries to use its knowledge to influence how policy is developed to ensure a well formed marketplace for the future.

Current proposals under the Electricity Market Reform (EMR) will have an impact on the renewable energy marketplace, and potentially favour those businesses with some form of vertical integration. As a well-established renewable electricity supplier, we are confident that we are well placed to manage the transition to the new market regime. However we have a number of concerns related to the impact of EMR on small and medium sized renewable generators. We believe that for these generators the FIT CFD should be replaced by a simple FIT. Good Energy is active in various groups to try and ensure that the reforms are fit for purpose for the smaller generators (sub 20MW) and that opportunities to provide services in this sector are not compromised.

Renewable energy can provide greater energy security, more stable energy bills and reduced carbon emissions, but it is important to ensure that the public's role in delivering the required infrastructure is recognised. Good Energy's Development Charter is designed to ensure that members of the public and our customers hold us to the high standards we aspire to, particularly around positive community engagement and ensuring that renewable energy projects benefit the communities that host them.

Recent tariff proposals under the Retail Market Reform are in general welcome to promote further competition in the market, and prevent the large suppliers from being able to offer cross subsidised tariffs. There has been some concern over the impact on allowing innovation, although DECC and OFGEM are keen to avoid this.

Smart metering implementation is still due to start in 2013 with a final delivery date of smart metering in all homes by 2019. There seems to be delivery risks around this programme across the industry and potential cost increases in the future, but wider efficiencies around metering for decentralised generation. It also potentially creates new opportunities around tariff innovation.

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## Prospects for 2013 and Beyond

2012 has been a year of significant progress for Good Energy. We focused on delivering improvements to our core infrastructure in terms of trading systems and we developed our FIT administration and generation business. The Company intends to continue to develop and grow all these areas in 2013, in particular we are;

- Positioning the Company as a vertically integrated player in the renewable energy space; with the aim of purchasing 50% of electrons from 110MW of own developments by 2016, to support the long term financial and physical hedging strategy and maximising the margins for both businesses through synergies across a range of renewable technologies.
- Currently concentrating on onshore wind and solar, with a view to investigating new technologies from 2015 and beyond once EMR is clarified; plus the development of community engagement and benefit strategies to support this.
- Innovating the service offering and delivery of a local tariff for communities living close to our renewable development opportunities, plus the development of Heat Pump and Electric Vehicle tariffs to deliver services to new sub-sectors of energy demand in the electricity market.
- Delivering improved trading margins through improvement in granularity of trading allowing our retail offerings to improve competitive positioning and ensure that margins are protected.
- Developing options around FIT to improve cost to serve, investigating enhanced services and the potential to grow the current portfolio. Continuing to improve our ability to purchase power from smaller generators and increase the value of this portfolio.
- Continuing to grow the core electricity customer base through competitive positioning, marketing and business development activity and improved brand awareness, with close attention to our communication strategy.



Juliet Davenport  
Chief Executive  
8 April 2013

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## Directors' Report

### For the year ended 31 December 2012

The Directors present their Annual Report for Good Energy Group PLC, together with the consolidated Financial Statements of the Good Energy Group of companies for the year ended 31 December 2012.

#### Principal Activities and Review of Business

The principal activity of Good Energy Group PLC is that of a holding and management company to the Group.

The principal activities of its subsidiaries are the purchase, generation and sale of electricity from renewable sources, the sale of gas and services relating to micro-renewable generation.

A detailed review of the business, including an analysis of Key Performance Indicators, is set out in the financial highlights section of the Chief Executives Operating and Financial Review (pages 5 to 9).

The purpose of the Annual Report and Financial Statements is to provide information to members of the Company. It contains certain forward looking statements relating to the operations, performance and financial condition of the Group. By their nature these statements involve uncertainty since future events and circumstances can differ from those anticipated. Nothing in the Annual Report and Financial Statements should be construed as a profit forecast.

#### Future Developments

The Group's strategy is to continue to supply 100% renewably sourced electricity. To support this strategy, the Group aims to generate around 50 % of its own electrons, and therefore, has set a medium term target of owning and operating 110MW of renewable generation assets. Once this target has been attained, the Group aims to continue to develop renewable assets to maintain this percentage as the supply side of the business grows. The Group is currently focussed on onshore wind and large scale solar assets. Going forward the Directors will consider small scale hydro and bio-generation technologies as well.

For the longer term strategies, the Directors will look at developing further renewable assets in the heat sector and are developing a renewable heat strategy to support to carbon offsets required for the certification aspect of the Group's electricity business. The Group also aims to continue supporting micro-generation installations in the UK under the FIT scheme.

The Group also plans to grow its customer base through a combination of pricing, marketing and sales strategies and is looking to develop innovative tariffs for power supply, particularly load shifting and local tariffs.

#### Principal Risks

The Group maintains a Risk Register which identifies key risks of the business, the actions agreed by Management to obviate those risks or to mitigate their effects, and assigns specific responsibilities for relevant action. The Register is reviewed by the board annually.

Principal risks to the Group are:

##### Political risk

The renewable energy generation industry is subject to national and regional regulatory oversight, such as national and local regulations relating to building codes, safety, environmental protection, utility interconnection and metering and related matters. These regulations and policies have been modified in the past and may be modified in the future. The regulations applicable to the generation of electricity from renewable energy sources may be subject to modifications that may be more restrictive or unfavourable to the wind energy or solar industry. More restrictive or unfavourable regulations, such as an obligation to modify existing

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renewable energy projects or the implementation of additional inspection and monitoring procedures, could lead to changes in operating conditions that might require increased capital expenditure, increased operating costs or otherwise hinder the development of the renewable energy industry. Any new, or changes to existing, government regulations or utility policies pertaining to renewable energy may require market participants to incur significant additional expenses, which may not be able to be passed on to customers through higher tariffs, which, in turn, could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

As an example, the Renewables Obligation is currently undergoing a banding review which means that the number of ROCs awarded to projects is under review and may be reduced. In particular this applies to large scale solar and onshore wind. The outcome of the review should be announced this summer, and any reduction will impact the returns for future wind and solar projects.

### **Energy price volatility**

The Group's revenue from energy sales may be affected by fluctuations in energy prices (e.g. the price of wholesale electricity) and the associated costs with buying in any volatile marketplace. This in turn would lead to necessary pricing action to be taken by the group and could ensue a loss of customers if other energy providers with larger portfolios were better able to mitigate the increase and remain more competitive.

### **Reliance on third parties**

A limited number of third party suppliers may be contracted for the supply of certain components, such as wind turbines, inverters or solar modules. These suppliers may not be able to meet agreed minimum levels of supply. Failure to obtain a continued supply of components on competitive terms or at all could severely harm the ability of the Group to develop and realise projects and, consequently, the Group's financial condition and results.

Project component suppliers may be unable to meet their warranty obligations in respect of components, in whole or in part, due to production, economic or financial difficulties or other reasons. Such circumstances could cause the Group to experience increased costs which could have a material adverse effect on the Group's financial condition or results.

In the construction and operating phase of a development, the Group expects to enter into agreements with third-party professionals and independent contractors and other companies to provide the required construction, installation and maintenance services. If such contracted parties are not able to fulfil their contractual obligations, the Group may be forced to provide additional resources to complete their work, or to engage other companies to complete their work on different terms. Any financial difficulty, breach of contract or delay in services by these third party professionals and independent contractors could have a material adverse effect on the Group's financial condition and results.

In addition the group is dependent on third-parties for operation in the UK power network. They may therefore be subject to changes in the way in which distribution, transmission and metering is operated, including having to place significant amounts of cash as security cover with these suppliers.

## **Financial Risks**

The principal financial risks of the Company and the Group are set out in note 1.1.

## **Environmental and Social Matters**

Good Energy Group PLC espouses the highest possible standards of ethical, environmental and social responsibility. Our core business has an environmental focus and it seeks to provide individuals and businesses with simple solutions to make a difference to climate change. Our main tariff is independently certified by the Green Energy Supply Certification Scheme, which guarantees it is of 100% renewable provenance and ensures it delivers a genuine environmental

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benefit. We have topped the Ethical Company Organisation's league table for energy suppliers with the top score of 100 for eight consecutive years. We are keen to have our customers become shareholders to provide a balance of benefit between the owners of the Company and its customers.

## **Employees**

Good Energy Group aims to provide its employees with a safe working environment. The Group offers a structured internal training program and external courses to enhance the skills of our staff. The Group also has in place an employee bonus scheme which looks to reward employees in alignment with value creation and performance. In addition, the Group operates a defined contribution pension scheme. Good Energy Group expects the highest standards of social and commercial behaviour in its staff.

Good Energy is committed to keeping its employees up-to-date and engaged on its mission. We bring everyone together four times a year; including two formal company meetings that provide updates on financial performance and progress against our key strategic initiatives. The Executives hold monthly senior management meetings and our Heads of Department cascade relevant information to their teams. Day-to-day updates regarding the office environment or company announcements are sent to everyone by email from the People and Culture Department. On an individual level each employee has a 6 monthly performance appraisal that provide feedback and an opportunity to review their career progression.

## **Creditor Payment Policy**

The Group requires its subsidiaries to perform to high standards of commercial practice. For all creditors, it is the Group's policy to agree the terms of payment at the start of business with that supplier and to pay in accordance with its contractual and other legal obligations. If terms are not negotiated, the Company endeavours to adhere to the supplier's standard terms. The Group had 41 days of purchases outstanding at 31 December 2012 (2011: 41 days) based on the average daily amount chargeable by suppliers during the year ended 31 December 2012.

## **Subsequent Events**

On 10 January 2013 the Group acquired a consented onshore wind farm site for a consideration of up to £3.0 million. It is Good Energy's intention to construct a wind farm with a generation capacity of approximately 8.2MW.

## **Charitable and Political Donations**

In December 2012, a donation of £3,000 was made to The Outward Bound Supporters Trust.

## **Dividends**

Details of dividends are contained in the Chief Executives Operating and Financial Review (page 08).

## **Own Shares Acquired**

Details of own shares are shown in note 18.

## Significant Shareholders

Significant shareholders holding over 3% of the issued share capital as at 31 December 2012 other than any Directors and their family as defined in the AIM Rules whose holdings are detailed below are:

Cazenove Capital Management Limited	2,424,941	19.36%
Legal and General Investment Management	1,176,471	9.39%
Clarke Willmott Trust Corporation Limited (Trustee of the Good Energy Group Employee Benefit Trust)	776,430	6.20%
John Sellers	664,797	5.31%
Peter Dixon Edwards	451,098	3.60%

## Directors and their interests in the Company's shares

The Directors who served for the year and up to the date of approval of this report (unless otherwise stated) are as stated on page 02.

The interests (all of which are beneficial unless otherwise stated) of the Directors and their family as defined in the AIM Rules in the issued share capital of the Parent Company are:

	31 December 2012	% of issued share capital	31 December 2011	% of issued share capital
Martin Edwards	686,827	5.48%	669,827	8.57%
Juliet Davenport	394,161	3.15%	279,702	3.58%
Richard Squires	28,000	0.22%	-	-
Garry Peagam	36,000	0.29%	-	-

Notes:

1. Certain of the directors hold share options details of which are set out in the Directors' Remuneration Report.
2. In addition to the shareholding of Martin Edwards detailed above, his father Peter Dixon Edwards holds 123,450 Ordinary Shares as trustee of a discretionary trust under which Martin Edwards is one of the potential beneficiaries.
3. 17,000 Ordinary Shares comprised in the shareholding of Martin Edwards are held by him in trust for the Good Energy Group Employee Benefits Trust.

## Corporate Governance

The Group recognises the importance of good corporate governance practices. The Board is familiar with the UK Corporate Governance Code, and although it is not currently required to comply with the Code, it aims to adopt this Corporate Governance framework progressively, and so far as is practicable as the scale of the Group increases.

The Group aims to comply with the Disclosure Rules and Transparency Rules (DTR) 7.1 and 7.2.

### Operation of the Board

The Board comprises the following individuals

#### Executive

1. Juliet Davenport (Chief Executive)
2. Garry Peagam (Group Finance Director)

#### Non-Executive

1. John Maltby (Independent Chairman)
2. Richard Squires
3. Martin Edwards
4. Francesca Ecsery (Independent)

The roles of Chief Executive and Chairman have always been split, with the Chairman operating in a Non-Executive capacity.

The Board convenes at least 10 times per year to review the Group's actual and prospective performance, but also to resolve issues relating to remuneration, accounting policy, audit, risk, strategy, health and safety and other specific subjects. Directors have the right to request that any concerns they have are recorded in the appropriate committee or Board minutes.

The Board reviews the operational and financial results of the Group on a monthly basis against a pre-agreed set of performance targets and authority levels for Executive Management, and has the benefit of a system of continuous financial planning which is used to better manage profit and cash flow forecasting, and to inform investment decision-making. The formal financial plan for the forthcoming year is set out as a detailed proposition and authorised by the board at the end of each year. The Company maintains both short term (12 month) and longer term (5 year) plans. The authorities granted within the Company are also reviewed on an annual basis by the board.

### **Risk management and internal control**

The Board has overall responsibility for the Group's system of internal control. The responsibility for reviewing the effectiveness of its internal control systems have been delegated to the Audit Committee, who will review the systems on an annual basis. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives.

### **Going Concern**

The Group and Board closely monitor and manage liquidity. The Directors have taken account of the current financial position of the Group, its anticipated future performance and investment plans in assessing the Group's going concern status. The Directors consider that the Group has adequate resources to continue in operation for the foreseeable future and continue to adopt the going concern basis in preparing the 2012 accounts.

### **Audit Committee**

The members of the audit committee are John Maltby, Francesca Ecsery and Richard Squires. John Maltby is considered to have recent, relevant financial experience. The Chief Executive and Group Finance Director are normally invited to attend meetings of the committee.

The primary duty of the audit committee is to oversee the accounting and financial reporting process, the internal accounting practices, external audit arrangements and effectiveness of the Group's risk management and internal control system. The Audit Committee also meet annually with the Group's external auditors. During the year the Group resolved to change auditors and appointed PricewaterhouseCoopers LLP.

### **Remuneration Committee**

The members of the remuneration committee are John Maltby, Francesca Ecsery and Martin Edwards.

The primary duty of the Remuneration Committee is to supervise and advise on behalf of the Board the Group's policy in relation to the remuneration of the Executive Directors and senior managers of the Group. No Director may be involved in any decisions as to their own remuneration. Further details of the Remuneration Committee and remuneration policy are set out in the Directors remuneration report on pages 16 to 17.

## **Directors' Responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they



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are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to;

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Disclosure of Information to Auditors**

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware and each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## **Reappointment of Auditors**

Following the resignation of the Company's auditors during the year, the Directors appointed PricewaterhouseCoopers LLP to fill the casual vacancy arising. A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the Annual General Meeting.

By order of the Board



John Maltby  
Chairman  
8 April 2013

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## Directors' Remuneration Report

### Introduction

This report sets out the information about the remuneration of the Directors of the Company for the year ended 31 December 2012. This report has been prepared in accordance with the requirements for AIM listed companies set out in the Companies Act 2006 and the AIM rules.

### Remuneration Committee and policy

Details of the Company's remuneration committee are set out on page 14. The Remuneration Committee has agreed a remuneration policy to ensure that the Company is able to attract, retain and motivate its Executive Directors and senior management. This has been benchmarked against comparable businesses to ensure we are in line with market rates.

The Group operates in a competitive environment, it therefore sets out to provide competitive remuneration to all its employees, appropriate to the business environment and geographical location.

The Group aims to align the interests of shareholders with those of Directors and senior management by giving the latter the opportunity to build up a shareholding interest in the Company.

### Service agreements, notice periods and termination payments

#### Executive Directors

The service agreements for the Executive Directors are not for a fixed term and may in normal circumstances be terminated on the notice periods listed below:

Name	Position	Date of contract	Notice Period	2012 salary £
Juliet Davenport	Chief Executive	2 August 2007	9 months	150,000
Garry Peagam	Group Finance Director	24 June 2010	9 months	130,000

The Company reserves the right to pay Executive Directors in lieu of notice.

#### Chairman and Non-Executive Directors

The remuneration of the Chairman of the Company and the Non-Executive Directors consists of fees that are paid monthly in arrears. The Chairman and the Non-Executive Directors did not participate in any bonus scheme or long-term incentive reward schemes, nor did they accrue any pension entitlement.

The key terms of the Non-Executives appointments are as follows:

Director	Date of appointment	Notice period	Fees paid (p.a) 2012 £
John Maltby	15 October 2012	3 months	40,000
Richard Squires	28 June 2011	3 months	36,900
Martin Edwards	7 May 2008	3 months	20,500
Francesca Escery	15 November 2012	3 months	20,500

It is the Board's policy to allow the Executive Directors to accept directorships of other companies provided that they have obtained the consent of the Board.

### Salary, annual bonus and benefits

	Salary/fees	Pension contributions	Benefits in kind	Annual Bonus	Total 2012	Total 2011
<b>Non-Executive Chairman</b>						
John Maltby	8,529	-	-	-	<b>8,529</b>	-
<b>Executive Directors</b>						
Juliet Davenport	152,880	15,000	176	75,000	<b>243,056</b>	174,308
Garry Peagam	130,000	13,000	2,709	65,000	<b>210,709</b>	152,768
<b>Non-Executive Directors</b>						
Richard Squires	36,900	-	-	-	<b>36,900</b>	28,795
Lawrence Churchill	9,157	-	-	-	<b>9,157</b>	27,414
Martin Edwards	20,500	-	-	-	<b>20,500</b>	20,458
Francesca Escery	3,056	-	-	-	<b>3,056</b>	-
<b>Total</b>	<b>361,022</b>	<b>28,000</b>	<b>2,885</b>	<b>140,000</b>	<b>531,907</b>	<b>403,743</b>

### Directors' share options

Details of the Directors' share options outstanding at 31 December 2012 are shown below:

Name	Date option granted	Number of options	Option price	Exercised	Cancelled/ surrendered	Options outstanding at 31 December 2012
Juliet Davenport	01/05/2002	200,000	£0.50	200,000	-	-
	01/05/2002	320,000	£0.50	-	-	320,000
	01/06/2004	100,000	£0.75	-	65,000	35,000
	13/02/2012	86,956	£1.15	-	-	86,956
	13/02/2012	17,390	£1.15	-	-	17,390
<b>Total</b>		<b>724,346</b>		<b>200,000</b>	<b>65,000</b>	<b>459,346</b>
Garry Peagam	18/07/2011	200,000	£1.00	-	-	200,000
	13/02/2012	100,000	£1.15	-	-	100,000
<b>Total</b>		<b>300,000</b>		<b>-</b>	<b>-</b>	<b>300,000</b>
Richard Squires	13/02/2012	75,000	£1.15	-	-	75,000
<b>Overall Total</b>		<b>1,099,346</b>		<b>200,000</b>	<b>65,000</b>	<b>834,346</b>

On the exercise of her options, J Davenport realised a gain of £96,360.

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## **Independent Auditors' Report to the Members of Good Energy Group PLC**

We have audited the group and parent company financial statements (the “financial statements”) of Good Energy Group PLC for the year ended 31 December 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Parent Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Parent Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Parent Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on pages 14 to 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 and of the group's profit and group's and parent company's cash flows for the year then ended;
  - the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
  - the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006;
  - the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.
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**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Colin Bates ACA (Senior Statutory Auditor)**

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol

8th April 2013

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## Consolidated Statement of Comprehensive Income

### For the year ended 31 December 2012

	Note	2012 (£)	2011 (£) (Re-presented)
Revenue	1, 2	<b>28,202,198</b>	21,577,469
Cost of sales	2	<b>(18,652,651)</b>	(12,885,246)
<b>GROSS PROFIT</b>		<b>9,549,547</b>	8,692,223
Administrative Expenses	4	<b>(7,524,694)</b>	(6,905,484)
<b>OPERATING PROFIT</b>	2, 4	<b>2,024,853</b>	1,786,739
Finance income	8	<b>38,547</b>	6,482
Finance costs	9	<b>(687,872)</b>	(737,316)
<b>PROFIT BEFORE TAX</b>		<b>1,375,528</b>	1,055,905
Taxation	10	<b>(191,353)</b>	(204,463)
<b>PROFIT FOR THE YEAR</b>	2	<b>1,184,175</b>	851,442
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY</b>		<b>1,184,175</b>	851,442
Earnings per share			
- Basic	11	<b>13.2p</b>	12.4p
- Diluted	11	<b>12.6p</b>	12.1p

The notes on pages 27 to 58 form part of these Financial Statements.

# Consolidated Statement of Financial Position

## As at 31 December 2012

Company registered no: 04000623

	Note	2012 (£)	2011 (£) (Re-presented)
<b>Non-current Assets</b>			
Property, plant and equipment	12	11,011,568	11,295,142
Intangible assets	13	2,938,372	2,226,896
Investments	14	58	58
<b>Total non-current assets</b>		<b>13,949,998</b>	<b>13,522,096</b>
<b>Current Assets</b>			
Inventories	15	2,676,601	3,305,196
Current tax receivable	10	-	45,668
Trade and other receivables	16	3,812,989	3,567,935
Cash and cash equivalents	17	9,535,320	2,369,721
<b>Total current assets</b>		<b>16,024,910</b>	<b>9,288,520</b>
<b>TOTAL ASSETS</b>		<b>29,974,908</b>	<b>22,810,616</b>
<b>Equity and Liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital	18	626,132	390,838
Share premium account		6,728,666	3,536,421
EBT shares		(469,652)	(537,011)
Retained earnings		4,167,098	3,313,345
<b>Total Equity</b>		<b>11,052,244</b>	<b>6,703,593</b>
<b>Non-current liabilities</b>			
Deferred taxation	19	643,531	396,024
Borrowings	20	8,658,632	9,201,557
<b>Total Non-current liabilities</b>		<b>9,302,163</b>	<b>9,597,581</b>
<b>Current liabilities</b>			
Borrowings	20	542,925	511,366
Trade and other payables	21	9,001,412	5,998,076
Current tax payable	10	76,164	-
<b>Total current liabilities</b>		<b>9,620,501</b>	<b>6,509,442</b>
<b>Total Liabilities</b>		<b>18,922,664</b>	<b>16,107,023</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>29,974,908</b>	<b>22,810,616</b>

The Financial Statements were approved by the Board of Directors and authorised for issue on 8 April 2013 and were signed on its behalf by:



Juliet Davenport  
Chief Executive  
8 April 2013

The notes on pages 27 to 58 form part of these Financial Statements.

## Parent Company Statement of Financial Position As at 31 December 2012

Company registered no: 04000623

	Note	2012 (£)	2011 (£)
<b>Non-current Assets</b>			
Investments	14	8,332,044	5,242,043
Intangible assets	13	6,699	-
<b>Total non-current assets</b>		<b>8,338,743</b>	<b>5,242,043</b>
<b>Current Assets</b>			
Current tax receivable	10	286,047	113,053
Trade and other receivables	16	36,751	17,204
Cash and cash equivalents	17	163,995	105,416
<b>Total current assets</b>		<b>486,793</b>	<b>235,673</b>
<b>TOTAL ASSETS</b>		<b>8,825,536</b>	<b>5,477,716</b>
<b>Equity and Liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital	18	626,132	390,838
Share premium account		6,728,666	3,536,421
EBT shares		(469,652)	(537,011)
Retained earnings		1,358,772	1,269,169
<b>Total Equity</b>		<b>8,243,918</b>	<b>4,659,417</b>
<b>Non-current liabilities</b>			
Borrowings	20	-	256,611
<b>Total Non-current liabilities</b>		<b>-</b>	<b>256,611</b>
<b>Current liabilities</b>			
Trade and other payables	21	581,618	561,688
<b>Total current liabilities</b>		<b>581,618</b>	<b>561,688</b>
<b>Total Liabilities</b>		<b>581,618</b>	<b>818,299</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,825,536</b>	<b>5,477,716</b>

The Financial Statements were approved by the Board of Directors and authorised for issue on 8 April 2013 and were signed on its behalf by:



Juliet Davenport  
Chief Executive  
8 April 2013

The notes on pages 27 to 58 form part of these Financial Statements.



## Consolidated Statement of Changes in Equity

### For the year 31 December 2012

	Share capital (£) (Re-presented)	Share premium (£) (Re-presented)	EBT shares (Re-presented)	Retained earnings (£)	Total (£)
At 1 January 2011	390,838	3,536,421	(537,011)	2,461,903	5,852,151
Profit for the year	-	-	-	851,442	851,442
<b>Total comprehensive income for the year</b>	-	-	-	851,442	851,442
<b>At 31 December 2011</b>	<b>390,838</b>	<b>3,536,421</b>	<b>(537,011)</b>	<b>3,313,345</b>	<b>6,703,593</b>
At 1 January 2012	390,838	3,536,421	(537,011)	3,313,345	6,703,593
Profit for the year	-	-	-	1,184,175	1,184,175
<b>Total comprehensive income for the year</b>	-	-	-	<b>1,184,175</b>	<b>1,184,175</b>
Shares issued in year	235,294	3,764,706	-	-	4,000,000
Cost of shares issued in the year	-	(572,461)	-	-	(572,461)
Purchase of shares by EBT	-	-	(49,500)	-	(49,500)
Sale of shares by EBT	-	-	116,859	(19,351)	97,508
Dividend Paid	-	-	-	(311,071)	(311,071)
<b>Total contributions by and distributions to owners of the parent, recognised directly in equity</b>	<b>235,294</b>	<b>3,192,245</b>	<b>67,359</b>	<b>(330,422)</b>	<b>3,164,476</b>
<b>At 31 December 2012</b>	<b>626,132</b>	<b>6,728,666</b>	<b>(469,652)</b>	<b>4,167,098</b>	<b>11,052,244</b>

The notes on pages 27 to 58 form part of these Financial Statements.

## Parent Company Statement of Changes in Equity

### For the year ended 31 December 2012

	Share capital (£) (Re-presented)	Share premium (£) (Re-presented)	EBT shares (Re-presented)	Retained earnings (£)	Total (£)
At 1 January 2011	390,838	3,536,421	(537,011)	940,959	4,331,207
Profit for the year	-	-	-	328,210	328,210
<b>Total comprehensive income for the year</b>	-	-	-	328,210	328,210
<b>At 31 December 2011</b>	<b>390,838</b>	<b>3,536,421</b>	<b>(537,011)</b>	<b>1,269,169</b>	<b>4,659,417</b>
At 1 January 2012	390,838	3,536,421	(537,011)	1,269,169	4,659,417
Profit for the year	-	-	-	420,025	420,025
<b>Total comprehensive income for the year</b>	-	-	-	<b>420,025</b>	<b>420,025</b>
New shares issued in year	235,294	3,764,706	-	-	4,000,000
Cost of shares issued in the year	-	(572,461)	-	-	(572,461)
Purchase of shares by EBT	-	-	(49,500)	-	(49,500)
Sale of shares by EBT	-	-	116,859	(19,351)	97,508
Dividend Paid	-	-	-	(311,071)	(311,071)
<b>Total contributions by and distributions to owners of the parent, recognised directly in equity</b>	<b>235,294</b>	<b>3,192,245</b>	<b>67,359</b>	<b>(330,422)</b>	<b>3,164,476</b>
<b>At 31 December 2012</b>	<b>626,132</b>	<b>6,728,666</b>	<b>(469,652)</b>	<b>1,358,772</b>	<b>8,243,918</b>

The notes on pages 27 to 58 form part of these Financial Statements.

## Consolidated Statement of Cash Flows

### For the year ended 31 December 2012

	Note	2012 (£)	2011 (£) (Re-presented)
<b>Cash flows from operating activities:</b>			
Operating cash flow	23	6,045,215	4,006,176
Finance income	8	38,547	6,482
Finance costs	9	(687,872)	(737,316)
Income tax received/(paid)		177,986	(34,269)
<b>Net cash flows from operating activities</b>		<b>5,573,876</b>	<b>3,241,073</b>
<b>Cash flows from investing activities</b>			
Acquisitions of property, plant and equipment	12	(275,288)	(2,088,250)
Acquisitions of intangible fixed assets	13	(786,099)	(85,760)
<b>Net cash flows used in investing activities</b>		<b>(1,061,387)</b>	<b>(2,174,010)</b>
<b>Cash flows from financing activities</b>			
Payments of dividends	22	(311,071)	-
Bank financing repaid		(368,841)	(298,374)
Capital repayments of finance leases		(142,525)	(34,073)
Proceeds from issue of shares		3,427,539	-
Purchase of own shares		(49,500)	-
Sale of own shares		97,508	-
Bank financing advanced	20	-	1,804,945
<b>Net cash flows from financing activities</b>		<b>2,653,110</b>	<b>1,472,498</b>
Net increase in cash and cash equivalents		7,165,599	2,539,561
Cash and cash equivalents at beginning of year		2,369,721	(169,840)
<b>Cash and cash equivalents at end of year</b>		<b>9,535,320</b>	<b>2,369,721</b>

The notes on pages 27 to 58 form part of these Financial Statements.

## Parent Company Statement of Cash Flows

### For the year ended 31 December 2012

	Note	2012 (£)	2011 (£) (Re-presented)
<b>Cash flows from operating activities:</b>			
Operating cash flow	23	(1,081,740)	(240,096)
Finance income	8	7,845	10,801
Finance costs	9	-	(18,424)
<b>Net cash flows from/(used in) operating activities</b>		<b>(1,073,895)</b>	<b>(247,719)</b>
<b>Cash flows from investing activities</b>			
Acquisitions of intangible fixed assets	13	(8,956)	-
Proceeds from dividends		-	800,000
<b>Net cash flows from/(used in) investing activities</b>		<b>(8,956)</b>	<b>800,000</b>
<b>Cash flows from financing activities</b>			
Payments of dividends	22	(311,071)	-
Intercompany loans		(2,023,046)	(449,568)
Proceeds from issue of shares		3,427,539	-
Purchase of own shares		(49,500)	-
Sale of own shares		97,508	-
<b>Net cash flows from/(used in) financing activities</b>		<b>1,141,430</b>	<b>(449,586)</b>
Net increase / (decrease) in cash and cash equivalents		58,579	102,695
Cash and cash equivalents at beginning of year		105,416	2,721
<b>Cash and cash equivalents at end of year</b>		<b>163,995</b>	<b>105,416</b>

The notes on pages 27 to 58 form part of these Financial Statements.

# Notes to the Financial Statements

## For the year ended 31 December 2012

### 1. Accounting Policies

#### a. General Information

Good Energy Group PLC is listed on the Alternative Investment Market of the London Stock Exchange and is incorporated and domiciled in the United Kingdom.

The nature of the Group's operations and its principal activities are set out in the Directors' Report. The Company's registered office is 2 Temple Back East, Temple Quay, Bristol, BS1 6EG and its principal place of business is Monkton Reach, Monkton Hill, Chippenham, Wiltshire, SN15 1EE. The Company's registered number is 04000623.

These Financial Statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

#### b. Basis of preparation of Financial Statements

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Financial Statements have been prepared on a going concern basis and under the historical cost convention.

The preparation of Financial Statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period.

Although these estimates are based on management's reasonable knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The critical accounting judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in note 2 and the following accounting policy notes: Revenue recognition (1.d), Intangible assets (1.e), Inventories (1.i) and Credit risk (1.l).

#### *Re-presentation of Comparative Amounts*

During the course of the preparation and admission of the Company to AIM and the subsequent preparation of the 2012 Annual Report, the Directors performed a comprehensive update and review of the disclosures required in the Annual Report and Financial Statements of the Company.

As a consequence the information for the year ended 31 December 2012 has been prepared reflecting the following presentational changes, together with re-presented figures for the year ended 31 December 2011 where necessary. There is no impact on the overall results for these periods.

- The depreciation charge in respect of the wind farm at Delabole has been reclassified as a cost of sale. In the year ended 31 December 2011 a charge of £0.49m was included in administration expenses and has been restated in these financial statements. There is no impact on operating profit or profit before tax as a result of this change.
- In respect of the year ended 31 December 2011, the cash outflow for the purchase of plant and machinery for Delabole has been increased by £2.04m and a corresponding adjustment has been made to the movement in trade creditors. There is no impact on the overall reported cash flow for the year.

## Notes to the Financial Statements For the year ended 31 December 2012

### 1. Accounting Policies (continued)

- In respect of the year ended 31 December 2011 the cash outflow for the purchase of software has increased by £0.45m and a corresponding adjustment has been made to the drawdown of finance lease funds.
- The diluted earnings per share (EPS) calculations for the year ended 31 December 2011 has been restated in accordance with IAS 33. For the year ended 31 December 2011, the diluted EPS has increased from 10.9p to 12.1p.
- In respect of the year ended 31 December 2011, ordinary shares of the company of £0.54m which are held by the Good Energy Employee Benefits Trust have been reclassified from share capital and share premium to a separate equity reserve.
- In respect of the year ended 31 December 2011, the prepaid expenses balance of £0.13m held by Good Energy Generation Limited in respect of costs incurred for ongoing projects to secure development rights and planning permission to establish power generation units on a number of different sites has been reclassified as inventory.
- In respect of the year ended 31 December 2011, the inventory balance of £0.36m held by Delabole in respect of Renewable Obligation Certificates (ROC's) not yet issued has been reclassified as accrued income.
- In respect of the year ended 31 December 2011, operating cash flows in the parent company cash flow statement have been increased by £0.45m for movements on intercompany loan balances which have been reclassified as cash flows from financing activities.

#### *Adoption of new and revised accounting standards*

The Group has adopted the following new and amended IFRSs as of 1 January 2012:

	<b>Effective Date: Accounting periods commencing on or after</b>
Amendment to IFRS 1 on hyperinflation and fixed dates	1 July 2011
Amendment to IFRS 7, Financial instruments: Transfers of financial assets	1 July 2011

The adoption of these standards and interpretations have had no material impact on the Financial Statements of Good Energy Group PLC, with relevant changes impacting on presentational aspects only.

At the date of authorisation of these Financial Statements, the following standards and relevant interpretations, which have not been applied in these Financial Statements, were in issue but not yet effective, and have not been early adopted by the Group:

# Notes to the Financial Statements

## For the year ended 31 December 2012

### 1. Accounting Policies (continued)

	Effective Date: accounting periods commencing on or after
Amendment to IAS 1, 'Presentation of financial statements' on OCI	1 July 2012
IAS 19 (revised 2011), 'Employee benefits'	1 January 2013
IFRS 13, 'Fair value measurement'	1 January 2013
Amendment to IAS 12, 'Income taxes' on deferred tax	1 January 2013
Amendment to IFRS 1, 'First time adoption' on government loans	1 January 2013
Amendments to IFRS 7 on Financial instruments asset and liability offsetting	1 January 2013
IFRIC 20, 'Stripping costs in the production phase of a surface mine'	1 January 2013
Annual improvements 2011	1 January 2013
IAS 27 (revised 2011), Separate financial statements	1 January 2014
IAS 28 (revised 2011), Associates and joint ventures	1 January 2014
IFRS 10, Consolidated financial statements	1 January 2014
IFRS 11, Joint arrangements	1 January 2014
IFRS 12, Disclosure of interests in other entities	1 January 2014

The adoption of these standards and interpretations are not expected to have a material impact on the Financial Statements of Good Energy Group PLC in the period they are applied.

#### c. Basis of Consolidation

The Group Financial Statements incorporate the Financial Statements of the Company and enterprises controlled by the Company (and its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The acquisition of subsidiaries is accounted for using the purchase method. On acquisition, the identifiable assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. The interest of non-controlling minority shareholders is stated at the minority's proportion of the fair values of the identifiable assets, liabilities and contingent liabilities recognised. Consideration payable on acquisition is measured at fair value.

For business combinations made after 1 July 2009, costs directly attributable to the business combination will not be included in the measurement of cost, but expensed in the income statement in line with IFRS 3 (revised).

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Intercompany transactions and balances between Group enterprises are eliminated on Consolidation.

#### d. Revenue recognition

Revenue represents the fair value of the consideration received or receivable for the provision of goods and services which fall within the Group's ordinary activities, excluding transactions with or between subsidiaries. All revenue and profit before tax arose within the United Kingdom.

Revenue represents amounts recoverable from customers for supply of gas, electricity or generation of power and is measured at the fair value of the consideration received or receivable, stated net of discounts, returns and value added taxes. The Group recognises

## Notes to the Financial Statements For the year ended 31 December 2012

### 1. Accounting Policies (continued)

revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the Group's activities, as described below.

#### *Power supply*

Revenue for the supply of electricity and gas is based on industry data flows and national grid data. For electricity, these include an estimate of power used based on the estimated annual consumption of each customer. This information is reconciled over a 14 month period as customer and industry meter reads are received and estimates adjusted to actual usage. The Group takes a prudent assumption of revenue based on the latest available data flow, with a final 'true-up' once the final industry supplied data flow is available (RF data flow), approximately 14 months after supply.

For gas, revenue is accrued based on information received from the Group's gas shipper, which includes details of all the sites held, their estimated annual quantities of gas used adjusted by a pre-determined weather correction factor. This information is subsequently adjusted; and invoiced based on customer and industry meter reads.

For electricity and gas supply, payment is collected either as a direct debit or paid on receipt of bill in arrears. Overdue amounts are reviewed regularly for impairment and provision made as necessary.

#### *Feed-in Tariff (FIT) administration services*

Good Energy provide FIT administration services to micro-generators who are signed up to the FIT scheme. For FIT services, revenue is earned from OFGEM for administering the scheme. It is recognised in two parts; there is an initial fee paid by OFGEM for taking on a generator, and then an ongoing amount that is received annually for provision of FIT services. The initial fee is spread over the 'take on' period for a new customer and the ongoing fee that is received is spread over the 12 month compliance period.

#### *Renewable Obligation Certificates (ROCs) revenue recognition*

ROCs are awarded to the Group from OFGEM based on generation of power. These ROCs are sold on receipt of certificates from OFGEM allowing transfer of title.

The amount of revenue recognised on sale is in accordance with a contractual agreement where the pricing is based on OFGEM's minimum ROC value (the buy-out) and a prudent estimate of the re-cycle element of the final value of a ROC once all energy suppliers have complied or paid the penalty for non-compliance with the Renewables Obligation (the recycle). A final adjustment to ROC revenue and profit is recognised once OFGEM have announced the final out-turn ROC price.

#### **e. Intangible assets and amortisation**

Goodwill represents the excess of the cost of acquisition of a business combination over the Group's share of the fair value of identifiable assets, liabilities and contingent liabilities of the business acquired at the date of acquisition and is carried as an indefinite life asset. Goodwill is initially recognised at cost. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Gains and losses on disposal of a business include the carrying amount of goodwill relating to the business sold.

At the date of acquisition, the amount of goodwill is allocated to Cash Generating Units ("CGUs") for the purpose of impairment testing and is tested annually for impairment, or more frequently if there is an indication that the value of the goodwill may be impaired.

#### *Definite Life Intangible assets*

Definite life intangible assets comprise software licences and website development costs, which meet the criteria of IAS 38 "Intangible assets". The software licences and website development costs are carried at cost less accumulated amortisation and impairment losses.



# Notes to the Financial Statements

## For the year ended 31 December 2012

### 1. Accounting Policies (continued)

Cost comprises purchase price from third parties as well as directly attributable internally generated development costs where relevant.

#### *Indefinite Life Intangible assets*

The Power Supply Licence is held as an indefinite life intangible according to the criteria of IAS 38 "Intangible assets". The Power Supply Licence is carried at cost less accumulated impairment losses. Cost comprises purchase price from third parties as well as directly attributable internally generated development costs where relevant.

#### *Amortisation*

Amortisation on definite life intangible assets is charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives for intangibles with definite lives are as follows:

Software Licenses	over the shorter of the lease term or up to 10 years
Website development costs	between 2 and 5 years

#### *Impairment*

The Directors regularly review the intangible assets for impairment and provision is made if necessary. Assets that have an indefinite useful life, for example goodwill and the Power Supply Licence are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### **f. Property, plant and equipment**

Property, plant and equipment is stated at cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Furniture, fittings & equipment	between 3 and 5 years
Leasehold improvements	over the life of the lease, until 2016
Turbines & ancillaries	24 years

The useful economic lives of assets and their residual values are reviewed on an annual basis and revised where considered appropriate. The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstance indicate that the carrying value may not be recoverable.

#### **g. Leases**

Assets financed by leasing agreements that give rights approximating to ownership (finance leases) are capitalised at their fair value and depreciation or amortisation is provided on the basis of the Group depreciation and amortisation policies. The capital elements of future obligations under finance leases are included as liabilities in the Statement of Financial Position and the current year's interest element, having been allocated to accounting periods to give a constant periodic rate of charge on the outstanding liability, is charged to the Statement of Comprehensive Income.

## Notes to the Financial Statements For the year ended 31 December 2012

### 1. Accounting Policies (continued)

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the Statement of Comprehensive Income over the term of the lease.

#### **h. Pensions**

The Group operates a defined contribution pension scheme. Under this scheme the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. The pension charge for the year represents the amounts payable by the Group to the fund in respect of the year.

#### **i. Inventories**

##### *Renewable Obligation Certificates*

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 ROCs originally issued to generators, or by making payments to OFGEM who then recycle the payments to purchasers of ROCs.

Notwithstanding that Good Energy Limited, a Subsidiary company, supplies electricity sourced entirely from renewable generation, its percentage obligation to submit ROCs is set by OFGEM. The cost obligation is recognised as electricity is supplied and charged as a cost of sale in the Consolidated Statement of Comprehensive Income. Any gains or losses on disposal of ROCs which are in excess of the Group's compliance obligations are included as an adjustment to the compliance cost included within cost of sales. ROCs are valued at the lower of purchase cost and estimated realisable value.

##### *Generation Development Sites*

The Group incurs costs in respect of generation development sites to secure development rights and planning permission to establish power generation units on a number of different sites. These are recognised as inventory at the lower of cost and net realisable value.

#### **j. Current and Deferred Taxation**

The tax expense represents the sum of the tax currently payable and Deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising in investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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# Notes to the Financial Statements

## For the year ended 31 December 2012

### 1. Accounting Policies (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority, and the Group intends to settle its current tax assets and liabilities on a net basis.

#### **k. Financial instruments**

The Group uses certain financial instruments in its operating and investing activities that are deemed appropriate for its strategy and circumstances.

Financial instruments recognised on the Consolidated Statement of Financial Position include, cash and cash equivalents, trade receivables, trade payables and borrowings. Financial assets and liabilities are recognised on the Consolidated Statement of Financial Position when the Company has become a party to the contractual provisions of the instrument.

#### **(i). Loans and receivables**

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the Consolidated Statement of Financial Position. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are shown inclusive of unbilled amounts to customers and of payments made in advance by customers, reflecting the underlying nature of customer account balances.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Consolidated Statement of Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Cash and cash equivalents comprise cash on hand and on demand deposits, and other short term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### **(ii). Financial liabilities and equity**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. Details of the Group's equity are included in note 18.

#### **(iii). Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the

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## Notes to the Financial Statements For the year ended 31 December 2012

### 1. Accounting Policies (continued)

course of ordinary business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently held at amortised cost.

#### (iv). Borrowings

The Group expenses borrowing costs in the period the costs are incurred. Where borrowing costs are attributable to the acquisition, construction or production of a qualifying asset, such costs are capitalised as part of the specific asset. Details of the Group's borrowings are included in notes 20 and 21.

### 1. Financial and capital risk management

#### (i). Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments. The Group has cash resources available to it and prepares, in the operating entities of the Group, forecasts for the forthcoming year which indicate that in the Directors' opinion it will have sufficient resources to fund the continuation of trade. The Group monitors cash flow forecasts on a 'rolling forecast' basis to ensure it has sufficient cash to meet operational needs while maintaining enough headroom on its undrawn committed borrowing facilities at all times so as not to breach borrowing limits or covenants. Details of the Group's exposure to its liabilities, including a maturity analysis, is included in note 20.

A liquidity analysis of financial instruments is provided below:

As at 31 December 2012	Less than one year	Between 1 and 2 years	Between 2 and 5 years
Finance lease liabilities	166,200	124,650	-
Bank loan	1,021,659	1,037,919	2,893,056
Trade and other payables	8,885,285	-	-
<b>Total</b>	<b>10,073,144</b>	<b>1,162,569</b>	<b>2,893,056</b>

As at 31 December 2011	Less than one year	Between 1 and 2 years	Between 2 and 5 years
Finance lease liabilities	166,200	166,200	124,650
Bank loan	1,026,769	1,021,659	2,973,917
Trade and other payables	5,998,076	-	-
<b>Total</b>	<b>7,191,045</b>	<b>1,187,859</b>	<b>3,098,567</b>

# Notes to the Financial Statements

## For the year ended 31 December 2012

### 1. Accounting Policies (continued)

#### (ii). Interest rate risk

The financial risk is the risk to the Group's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. For short term bank overdraft facilities, the Group does not use derivative instruments to reduce its exposure to interest rate fluctuations as the policy of the Group is not to rely on short term borrowing facilities for any significant duration. The Directors use interest rate swaps if they consider their exposure to interest rate risk to be material. For long term borrowings, the Group uses interest rate swaps to fix the interest rate payable on these material balances in order to mitigate the risk of any fluctuations in interest rates.

#### (iii). Commodity price risk

The Group's operations result in exposure to fluctuations in energy prices. Management monitors energy prices and analyses supply and demand volumes to manage exposure to these risks. The Group typically buys power forwards up to 3 months in order to mitigate some of the risk of commodity price fluctuations, unless it has a large fixed price contract with a customer when power is secured for the duration of that contract.

If the wholesale market has moved significantly, the Group must pass on the price risk to customers. Retail prices can be amended with 30 days advance notification to customers. The Group closely monitors movements in the wholesale market and assesses trends so it is ready to take necessary action when required.

#### (iv). Credit risk

The Group's exposure to credit risk arises from its receivables from customers. At 31 December 2012 and 2011, the Group's trade and other receivables were classed as due within one year, details of which are included in note 16. The Group's policy is to undertake credit checks where appropriate on new customers and to provide for doubtful debts based on estimated irrecoverable amounts determined by reference to specific circumstances and past default experience. Credit risk is also in part mitigated by the policy to offer direct debit as a preferred method of payment for customers. At the end of the reporting period the Directors have provided for specific doubtful debts and believe that there is no further credit risk. Should the level of bad debt increase by 0.25%, this would have an impact of £50,000 on the Statement of Comprehensive Income.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. The Directors monitor credit quality of the institutions used when considering which banks and financial institutions funds should be placed with.

#### (v). Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order, in due course, to provide returns to shareholders, and to maintain an optimal capital structure. The Group monitors capital on the basis of the gearing ratio calculated as net debt divided by total capital (equity plus net debt). The capital structure of the Group is as follows:

	Note	2012 (£)	2011 (£)
Borrowings: current	20	(542,925)	(511,366)
Borrowings: non-current	20	(8,658,632)	(9,201,557)
Cash and cash equivalents		9,535,320	2,369,721
Net funds/(debt)		333,763	(7,343,202)
<b>Total shareholders' equity</b>		<b>11,052,244</b>	<b>6,703,593</b>
<b>Gearing</b>		-	52.3%

## Notes to the Financial Statements For the year ended 31 December 2012

### 1. Accounting Policies (continued)

In 2012 the Group undertook an initial public offering of ordinary shares on the Alternative Investment Market of the London Stock Exchange which resulted in approximately £4m of equity funds raised before costs of issue. As a result at the year end the Group had a net funds balance. Based on planned investment programmes it is anticipated that the Company will return to net debt during 2013. Details of dividends made to shareholders can be found in note 22.

#### m. Share based payments

The Group applies IFRS 2 to share based payments. The Group operates a share-based payment compensation plan, under which the entity grants key employees the option to purchase shares in the Company at a specified price maintained for a certain duration. The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions; (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Consolidated Statement of Comprehensive Income, with a corresponding adjustment to equity.

When the options are exercised, and the Company issues new shares, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

#### n. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors. The Board Directors review the Group's internal reporting in order to assess performance and allocate resources.

Sales between segments are carried out at arm's length.

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# Notes to the Financial Statements

## For the year ended 31 December 2012

### 2. Critical Accounting Estimates

In the process of applying the Group's accounting policies, management has to make judgements and estimates that have a significant effect on the amounts recognised in the Financial Information. These estimates and judgements are evaluated periodically and are based on historical experience and other factors, including expectations of future events. The most critical of these accounting judgements and estimates are noted. Given the nature of the estimates and judgments made, unless explicitly stated otherwise, it is not appropriate to provide a sensitivity analysis of the judgments and estimates noted.

#### a. Revenue recognition

Revenue calculated from energy sales includes an estimate of the value of electricity or gas supplied to customers between the date of the last meter reading and the end of the reporting period. This will have been estimated by using historical consumption patterns and data available, and takes into consideration industry reconciliation processes, upon which the Group takes a prudent position until final reconciliation data is available from the industry.

#### b. Power purchase costs

Power purchase costs can typically take at least 14 months to be finalised due to the processes that the energy market has to complete in order to finalise generation and consumption data for any one particular month. Therefore there is an element of power purchase costs which needs to be estimated based on a combination of in-house and industry data that is available at any particular point in time.

#### c. Inventories

The Group carries ROCs as stock in its balance sheet. These are valued at the lower of cost or estimated realisable value. Gains or losses made on ROCs which are subsequently sold, are only recognised in the Statement of Comprehensive Income when they crystallise.

The final out-turn value of a ROC is only published by OFGEM in October following the compliance year (April to March) which may require a final adjustment to gains or losses on the sale or purchase of ROCs previously recognised in the Consolidated Statement of Comprehensive Income.

#### d. Consideration of the impairment of Goodwill

The Group test annually whether Goodwill has suffered any impairment, in accordance with the accounting policy with detailed disclosure in note 13. In assessing for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash generating unit (CGU).

The recoverable amount of the assets, or the appropriate CGU, is measured as the higher of their fair value less costs to sell and value in use. Value in use calculations require the estimation of future cash flows to be derived from the respective CGUs and to select an appropriate discount rate in order to calculate their present value. The estimation of the timing and value of underlying projected cash flows and the selection of appropriate discount rates involves management judgement. Subsequent changes to these estimates or judgements may impact the carrying value of the assets within the respective CGUs.

#### e. Provisions for bad and doubtful debt

The assessments undertaken in recognising provisions and contingencies have been made in accordance with IAS 39. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

The amount of any loss is recognised in the income statement within administrative expenses. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

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## Notes to the Financial Statements

### For the year ended 31 December 2012

#### 3. Segmental Analysis

The chief operating decision-maker has been identified as the Board of Directors (the 'Board'). The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Board considers the business from a business class perspective, with each of the main trading subsidiaries accounting for each of the business classes. The main segments are:

- Energy supply and FIT administration
- Gas supply
- Electricity generation
- Holding companies, being the activity of Good Energy Group PLC and the development of new electricity generation sites

The Board assesses the performance of the operating segments based primarily on summary Financial Statements, extracts of which are reproduced below.

An analysis of profit and loss, assets and liabilities and additions to non-current asset, by class of business, with a reconciliation of segmental analysis to reported results follows:

Year ended 31 December 2012	Electricity Supply and FIT Administration (£)	Gas Supply (£)	Electricity Generation (£)	Holding Companies (£)	Consolidation Adjustments (£)	Total (£)
<b>Revenue</b>						
Revenue from external customers	23,099,959	3,998,106	1,085,667	18,466	-	28,202,198
Inter-segment revenue	-	-	1,208,186	-	(1,208,186)	-
<b>Total revenue</b>	<b>23,099,959</b>	<b>3,998,106</b>	<b>2,293,853</b>	<b>18,466</b>	<b>(1,208,186)</b>	<b>28,202,198</b>
<b>Expenditure</b>						
Cost of sales	(15,809,516)	(3,134,317)	(917,004)	-	1,208,186	(18,652,651)
Administrative expenses	(4,883,843)	(651,435)	(118,679)	(1,729,116)	-	(7,383,073)
Depreciation & amortisation	(136,919)	-	-	(4,702)	-	(141,621)
<b>Operating profit/(loss)</b>	<b>2,269,681</b>	<b>212,354</b>	<b>1,258,170</b>	<b>(1,715,352)</b>	<b>-</b>	<b>2,024,853</b>
Net finance (costs)/income	3,821	6,286	(657,344)	(2,088)	-	(649,325)
<b>Profit before tax</b>	<b>2,273,502</b>	<b>218,640</b>	<b>600,826</b>	<b>(1,717,440)</b>	<b>-</b>	<b>1,375,528</b>
Taxation	(426,704)	(44,567)	(143,358)	423,276	-	(191,353)
<b>Net profit/(loss) for year</b>	<b>1,846,798</b>	<b>174,073</b>	<b>457,468</b>	<b>(1,294,164)</b>	<b>-</b>	<b>1,184,175</b>
<b>Segments assets &amp; liabilities</b>						
Segment assets	14,753,317	1,256,760	13,303,292	8,311,610	(7,650,071)	29,974,908
Segment liabilities	(11,002,086)	(864,903)	(10,159,957)	(746,403)	3,850,685	(18,922,664)
<b>Net assets</b>	<b>3,751,231</b>	<b>391,857</b>	<b>3,143,335</b>	<b>7,565,207</b>	<b>(3,799,386)</b>	<b>11,052,244</b>
<b>Additions to non-current assets</b>	<b>1,048,390</b>	<b>-</b>	<b>4,041</b>	<b>3,098,957</b>	<b>(3,090,001)</b>	<b>1,061,387</b>



# Notes to the Financial Statements

## For the year ended 31 December 2012

### 3. Segmental Analysis (continued)

Year ended 31 December 2011	Electricity Supply and FIT Administration (£)	Gas Supply (£)	Electricity Generation (£)	Holding Companies (£)	Consolidation Adjustments (£)	Total (£)
<b>Revenue</b>						
Revenue from external customers	18,199,428	2,391,879	986,162	-	-	21,577,469
Inter-segment revenue	-	-	1,254,829	-	(1,254,829)	-
<b>Total revenue</b>	<b>18,199,428</b>	<b>2,391,879</b>	<b>2,240,991</b>	<b>-</b>	<b>(1,254,829)</b>	<b>21,577,469</b>
<b>Expenditure</b>						
Cost of sales	(11,707,748)	(1,737,347)	(694,980)	-	1,254,829	(12,885,246)
Administrative expenses	(4,811,337)	(503,317)	(263,157)	(784,382)	-	(6,362,193)
Depreciation & amortisation	(485,847)	(45,175)	-	(12,269)	-	(543,291)
<b>Operating profit/(loss)</b>	<b>1,194,496</b>	<b>106,040</b>	<b>1,282,854</b>	<b>(796,651)</b>	<b>-</b>	<b>1,786,739</b>
Net financing (costs)/ income	(16,630)	9,016	(711,452)	(11,768)	-	(730,834)
<b>Profit before tax</b>	<b>1,177,866</b>	<b>115,056</b>	<b>571,402</b>	<b>(808,419)</b>	<b>-</b>	<b>1,055,905</b>
Taxation	(238,052)	(30,491)	(105,259)	169,339	-	(204,463)
<b>Net profit/(loss) for year</b>	<b>939,814</b>	<b>84,565</b>	<b>466,143</b>	<b>(639,080)</b>	<b>-</b>	<b>851,442</b>
<b>Segments assets &amp; liabilities</b>						
Segment assets	8,111,336	930,281	13,609,597	5,690,415	(5,531,013)	22,810,616
Segment liabilities	(5,206,901)	(512,498)	(10,908,855)	(1,195,519)	1,716,750	(16,107,023)
<b>Net assets</b>	<b>2,904,435</b>	<b>417,783</b>	<b>2,700,742</b>	<b>4,494,896</b>	<b>(3,814,263)</b>	<b>6,703,593</b>
<b>Additions to non-current assets</b>	<b>582,786</b>	<b>-</b>	<b>-</b>	<b>1,500</b>	<b>-</b>	<b>584,286</b>

All turnover arose within the United Kingdom.

Consolidation adjustments relate to intercompany sales of generated electricity and the elimination of intercompany balances.

## Notes to the Financial Statements

### For the year ended 31 December 2012

#### 4. Operating Profit and Administrative Expenses

	2012 (£)	2011 (£) (Re-presented)
<b>The Operating Profit is stated after charging:</b>		
Depreciation of property, plant and equipment	558,862	643,676
Impairment of investments	-	11,200
Amortisation of intangible assets	74,623	375,317
Operating lease rentals	263,446	222,640
<b>Auditors' Remuneration</b>		
Audit of parent and consolidated	10,000	10,000
Audit of subsidiaries	50,000	49,200
Audit related assurance services	110,000	-
<b>Subtotal (audit)</b>	<b>170,000</b>	<b>59,200</b>
Other services	10,000	4,550
Tax	15,000	7,500
<b>Subtotal (non-audit)</b>	<b>25,000</b>	<b>12,050</b>
<b>The Administrative Expenses comprise the following:</b>		
Staff costs	4,099,189	3,600,781
Rent and office costs	1,248,246	1,055,509
Marketing costs	697,079	466,157
Professional fees and bank charges	761,968	524,886
Bad debts	576,594	714,860
Depreciation and amortisation	141,618	532,091
Impairment	-	11,200
<b>Total</b>	<b>7,524,694</b>	<b>6,905,484</b>

The 2011 audit fees relate to the predecessor auditors, Calder and Co. The 2012 auditor fees for audit related assurance services relates to the reporting accountant work for the admission of the Company to AIM.

#### 5. Profit of the Parent Company

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the Parent Company is not presented as part of these Financial Statements. The Parent Company's profit for the financial year was £420,025 (2011:£328,210)

# Notes to the Financial Statements

## For the year ended 31 December 2012

### 6. Staff costs

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

	2012 (£)	2011 (£)
Wages and salaries	3,472,210	3,087,733
Social security costs	419,215	331,032
Other pension costs	207,764	182,016
<b>Total</b>	<b>4,099,189</b>	<b>3,600,781</b>

Details of share based payments can be found in note 24.

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

	2012 (Number)	2011 (Number)
Operations	63	38
Business services	67	57
<b>Total management and administration</b>	<b>130</b>	<b>95</b>

### 7. Directors' and Key Management Remuneration

	2012 (£)	2011 (£)
Aggregate emoluments	503,907	408,349
Contributions to money purchase pension schemes	28,000	22,995

Key management are considered to be the Directors and hence no separate disclosure has been provided of key management remuneration.

During the year retirement benefits were accruing to 2 Directors (2011: 2) in respect of money purchase pension schemes.

In respect of the highest paid Director, the Group paid remuneration of £228,056 (2011: £162,572), and made contributions to the money purchase pension scheme of £15,000 (2011: £11,736).

Individual remuneration for the Directors is set by the Remuneration Committee of the Board which consists entirely of Non-Executive Directors. Appropriate Keyman insurance policies are in place.

As disclosed in note 24, the impact of share based payments in the year was immaterial to the Financial Statements.

Further details of Directors' emoluments can be found in the Directors' Remuneration Report on page 16 and 17.

### 8. Finance income

	2012 (£)	2011 (£)
Bank and other interest receivable	38,547	6,482

## Notes to the Financial Statements

### For the year ended 31 December 2012

#### 9. Finance costs

	2012 (£)	2011 (£)
On bank loans and overdrafts	664,195	729,839
Other interest payable	23,677	7,477
<b>Total</b>	<b>687,872</b>	<b>737,316</b>

#### 10. Taxation

	2012 (£)	2011 (£)
<b>Analysis of tax charge in year</b>		
<b>Current tax</b> (see note below)		
UK Corporation Tax on profits for the year	75,622	-
Adjustments in respect of prior years	(131,776)	(76,072)
<b>Total current tax</b>	<b>(56,154)</b>	<b>(76,072)</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	258,197	312,268
Adjustments in respect of prior years	(10,690)	(31,733)
<b>Total deferred tax</b> (see note 19)	<b>247,507</b>	<b>280,535</b>
<b>Tax on profit on ordinary activities</b>	<b>191,353</b>	<b>204,463</b>

#### Factors affecting the tax charge for the year

The tax assessed for the year is lower (2011:lower) than the standard weighted average rate of Corporation Tax in the UK of 24.5% (2011:26.5%). The differences are explained as follows:

	2012 (£)	2011 (£)
Profit before tax	1,375,528	1,055,905
Profit before tax multiplied by the weighted average rate of Corporation Tax in the UK of 24.5% (2011: 26.5%)	337,004	279,815
<b>Adjustments</b>		
Expenses not deductible for tax purposes	28,201	50,939
Research and development enhanced relief	(14,547)	-
Effects in changes in tax rate	(16,839)	(18,736)
Prior year adjustment - current tax	(131,776)	(76,072)
Prior year adjustment - deferred tax	(10,690)	(31,733)
Deferred tax movements not recognised	-	250
<b>Total tax charge for year (see note above)</b>	<b>191,353</b>	<b>204,463</b>

#### Factors that may affect future tax charges

During the year, as a result of the changes in the UK main corporation tax rate to 24% that was substantively enacted on 26 March 2012 and that was effective from 1 April 2012, and to 23% that was substantively enacted on 13 July 2012 and that will be effective from 1 April 2013, the relevant deferred tax balances have been re-measured.

# Notes to the Financial Statements

## For the year ended 31 December 2012

### 10. Taxation (continued)

A further reduction to the main rate was proposed to reduce the rate from 23% to 21% from 1 April 2014 and a further reduction is proposed to reduce the rate to 20% from 1 April 2015. These changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements.

By way of illustration, the impact of the proposed changes on the net deferred tax position would result in a credit to the Statement of Comprehensive Income of £55,959 in 2014.

#### Corporation tax payable/(recoverable) as per Statement of Financial Position

	Parent Company		Consolidated	
	2012 (£)	2011 (£)	2012 (£)	2011 (£)
UK Corporation Tax payable/(receivable)	(286,047)	(113,053)	76,164	(45,668)

### 11. Earnings per Ordinary Share

The calculation of basic earnings per share at 31 December 2012 was based on the net profit attributable to owners of the Parent of £1,184,175 (2011: £851,442) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2012 of 8,991,576 (2011: 6,871,337) after excluding the shares held by Clarke Willmott Trust Corporation Limited in trust for the Good Energy Group Employee Benefit trust.

The calculation of diluted earnings per share at 31 December 2012 was based on the net profit attributable to owners of the parent of £1,184,175 (2011: £851,442) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2012 of 9,375,514 (2011: 7,064,275), calculated as follows:

	2012 (Number)	2011 (Number) (Re-presented)
Basic weighted average number of ordinary shares	8,991,576	6,871,337
Dilutive potential Ordinary Shares:	383,938	192,938
<b>Weighted average number of Ordinary Shares (diluted)</b>	<b>9,375,514</b>	<b>7,064,275</b>

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares. The Company has one category of dilutive potential ordinary shares, share options. For the share options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated in this way is compared with the number of shares that would have been issued assuming exercise of the share options.

## Notes to the Financial Statements

### For the year ended 31 December 2012

#### 12. Property, Plant and Equipment

<b>Consolidated Year ended 31 December 2012</b>	<i>Leasehold improvements (£)</i>	<i>Furniture, fittings &amp; equipment (£)</i>	<i>Turbines and ancillaries (£)</i>	<i>Total (£)</i>
At 1 January 2012	93,560	545,226	11,725,101	12,363,887
Additions	17,336	253,911	4,041	275,288
<b>At 31 December 2012</b>	<b>110,896</b>	<b>799,137</b>	<b>11,729,142</b>	<b>12,639,175</b>

<b>Accumulated depreciation</b>				
At 1 January 2012	(55,890)	(503,954)	(508,901)	(1,068,745)
Depreciation	(12,843)	(54,152)	(491,867)	(558,862)
<b>At 31 December 2012</b>	<b>(68,733)</b>	<b>(558,106)</b>	<b>(1,000,768)</b>	<b>(1,627,607)</b>

<b>Carrying amount</b>				
At 1 January 2012	37,670	41,272	11,216,200	11,295,142
<b>At 31 December 2012</b>	<b>42,163</b>	<b>241,031</b>	<b>10,728,374</b>	<b>11,011,568</b>

<b>Consolidated Year ended 31 December 2011</b>	<i>Leasehold improvements (£)</i>	<i>Furniture, fittings &amp; equipment (£)</i>	<i>Turbines and ancillaries (£)</i>	<i>Total (£)</i>
At 1 January 2011	87,495	502,765	11,977,094	12,567,354
Additions	6,065	42,461	-	48,526
Adjustment of overprovision of prior year additions	-	-	(251,993)	(251,993)
<b>At 31 December 2011</b>	<b>93,560</b>	<b>545,226</b>	<b>11,725,101</b>	<b>12,363,887</b>

<b>Accumulated depreciation</b>				
At 1 January 2011	(44,422)	(358,647)	(22,000)	(425,069)
Depreciation	(11,468)	(145,307)	(486,901)	(643,676)
<b>At 31 December 2011</b>	<b>(55,890)</b>	<b>(503,954)</b>	<b>(508,901)</b>	<b>(1,068,745)</b>

<b>Carrying amount</b>				
At 1 January 2011	43,073	144,118	11,955,094	12,142,285
<b>At 31 December 2011</b>	<b>37,670</b>	<b>41,272</b>	<b>11,216,200</b>	<b>11,295,142</b>

The assets of the Company's subsidiary, Good Energy Delabole Wind Farm Limited, have been pledged as security against its bank loan liability.

# Notes to the Financial Statements

## For the year ended 31 December 2012

### 13. Intangible Assets

Consolidated Year ended 31 December 2012	Power supply Licences (£)	Software Licences (£)	Website development costs (£)	Goodwill (£)	Total (£)
At 1 January 2012	180,000	1,398,482	123,306	1,446,453	3,148,241
Additions	-	777,143	8,956	-	786,099
<b>At 31 December 2012</b>	<b>180,000</b>	<b>2,175,625</b>	<b>132,262</b>	<b>1,446,453</b>	<b>3,934,340</b>

Accumulated amortisation					
At 1 January 2012	-	(798,039)	(123,306)	-	(921,345)
Depreciation	-	(72,366)	(2,257)	-	(74,623)
<b>At 31 December 2012</b>	<b>-</b>	<b>(870,405)</b>	<b>(125,563)</b>	<b>-</b>	<b>(995,968)</b>

Carrying amount					
At 1 January 2012	180,000	600,443	-	1,446,453	2,226,896
<b>At 31 December 2012</b>	<b>180,000</b>	<b>1,305,220</b>	<b>6,699</b>	<b>1,446,453</b>	<b>2,938,372</b>

Consolidated Year ended 31 December 2011	Power supply Licences (£)	Software Licences (£)	Website development costs (£)	Goodwill (£)	Total (£)
At 1 January 2011	180,000	862,722	123,306	1,446,453	2,612,481
Additions	-	535,760	-	-	535,760
<b>At 31 December 2011</b>	<b>180,000</b>	<b>1,398,482</b>	<b>123,306</b>	<b>1,446,453</b>	<b>3,148,241</b>

Accumulated amortisation					
At 1 January 2011	-	(487,629)	(58,399)	-	(546,028)
Depreciation	-	(310,410)	(64,907)	-	(375,317)
<b>At 31 December 2011</b>	<b>-</b>	<b>(798,039)</b>	<b>(123,306)</b>	<b>-</b>	<b>(921,345)</b>

Carrying amount					
At 1 January 2011	180,000	375,093	64,907	1,446,453	2,066,453
<b>At 31 December 2011</b>	<b>180,000</b>	<b>600,443</b>	<b>-</b>	<b>1,446,453</b>	<b>2,226,896</b>

## Notes to the Financial Statements

### For the year ended 31 December 2012

#### 13. Intangible Assets (continued)

Goodwill comprises £1,060,996 (2011: £1,060,996) arising from the original acquisition of Good Energy Limited, and £385,457 (2011: £385,457) from the original acquisition of the Group's generation business.

The carrying values of indefinite life assets included in intangible assets are: Goodwill of £1,446,453 (2011: £1,446,453) and power supply licence of £180,000 (2011: £180,000) which relates to the subsidiary, Good Energy Limited. In arriving at the conclusion that these assets have an indefinite life, management considers the fact that the Group is a profitable business and expects to hold and support these assets for an indefinite period.

An impairment review is undertaken annually or more frequently using value-in use calculations, based on pre-tax cash flow projections over a five year period approved by management and discounted at appropriate rates.

The result of this review was that no impairment is required in respect of the carrying values of the indefinite life assets. The key assumptions for value-in use are as follows:

Value-in use assumptions	2012	2011
Gross margin	30%	35%
Growth rate in years 1-5	2%	4%
Discount rate	14%	11%

Based on these assumptions the Directors consider there to be significant headroom and the assumptions accordingly, not sensitive.

Included in software licences is an asset held under finance lease agreements with a carrying value at 31 December 2012 of £450,000 (2011: £450,000). This asset will be amortised over the shorter of its useful economic life or the term of the lease when it is brought in to use.

Parent Company Year ended 31 December 2012	Website development costs (£)
<b>Cost</b>	
At 1 January 2011 and 31 December 2011	-
Additions	8,956
<b>At 31 December 2012</b>	<b>8,956</b>
<b>Accumulated amortisation</b>	
At 1 January 2011 and 31 December 2011	-
Depreciation	(2,257)
<b>At 31 December 2012</b>	<b>(2,257)</b>
<b>Carrying amount</b>	
At 1 January 2011 and 1 January 2012	-
<b>At 31 December 2012</b>	<b>6,699</b>



# Notes to the Financial Statements

## For the year ended 31 December 2012

### 14. Investments and Subsidiaries

Parent Company Year ended 31 December 2012	Shares in Group undertakings (£)	Loans to Group undertakings (£)	Unlisted Investments (£)	Total (£)
<b>Cost and Net book value</b>				
At 1 January 2012	4,645,839	596,149	55	5,242,043
Advances	-	3,283,639	-	3,283,639
Repayments	-	(193,638)	-	(193,638)
<b>At 31 December 2012</b>	<b>4,645,839</b>	<b>3,686,150</b>	<b>55</b>	<b>8,332,044</b>

Parent Company Year ended 31 December 2011	Shares in Group undertakings (£)	Loans to Group undertakings (£)	Unlisted Investments (£)	Total (£)
<b>Cost and Net book value</b>				
At 1 January 2011	4,645,839	215,716	55	4,861,610
Advances	-	380,433	-	380,433
Repayments	-	-	-	-
<b>At 31 December 2011</b>	<b>4,645,839</b>	<b>596,149</b>	<b>55</b>	<b>5,242,043</b>

Consolidated Year ended 31 December 2012	Unlisted Investments (£)
<b>Cost</b>	
At 1 January 2012 and 31 December 2012	11,258
<b>Accumulated impairment</b>	
At 1 January 2012 and 31 December 2012	(11,200)
<b>Net book value</b>	
At 1 January 2012 and 31 December 2012	58

Consolidated Year ended 31 December 2011	Unlisted Investments (£)
<b>Cost</b>	
At 1 January 2011 and 31 December 2011	11,258
<b>Accumulated impairment</b>	
At 1 January 2011	
Impairments	(11,200)
<b>At 31 December 2011</b>	<b>(11,200)</b>
<b>Net book value</b>	
At 31 December 2011	58
At 31 December 2010	11,258

## Notes to the Financial Statements For the year ended 31 December 2012

### 14. Investments and Subsidiaries (continued)

#### Subsidiaries for Group and Parent

##### The principal activities of the subsidiaries are as follows:

Good Energy Ltd (100% owned):	supply of renewably sourced electricity & FIT Administration
Good Energy Generation Ltd (100% owned):	an investor in potential new generation sites
Good Energy Gas Ltd (100% owned):	supply of gas
Good Energy Delabole Wind Farm Ltd (100% owned):	generation of electric power by wind turbine machinery

### 15. Inventories

	Parent Company		Consolidated	
	2012 (£)	2011 (£)	2012 (£)	2011 (£) (Re-presented)
Renewable Obligation Certificates	-	-	<b>2,258,725</b>	3,177,576
Generation development sites	-	-	<b>417,876</b>	127,620
<b>Total</b>	-	-	<b>2,676,601</b>	3,305,196

As at 31 December 2012 there were Renewable Obligation Certificates (ROCs) of £1,006,964 (2011: £542,250) included in the above amount that were unissued for generation that had already taken place and therefore these ROCs were not available for sale before the end of the reporting period.

As at 31 December 2012, £669,231 of ROCs (2011: £419,104) was pledged as security under the ROC repurchase agreement (ROC REPO) with a trading counterparty.

The ROC REPO adopts the principles of the Global Master Repurchase agreement commonly used in the energy sector for lending securities. The ROC REPO therefore allows the Group to use its inventory of ROCs as security.

Costs shown in respect of Generation development sites are for ongoing projects to secure development rights and planning permission to establish power generation units on a number of different sites. At 31 December 2012, a provision of £106,931 (2011: £nil) had been made against these sites.

# Notes to the Financial Statements

## For the year ended 31 December 2012

### 16. Trade and other receivables

	Parent Company		Consolidated	
	2012 (£)	2011 (£)	2012 (£)	2011 (£) (Re-presented)
Gross trade receivables	-	-	3,788,283	3,692,152
Provision for impairment/non payment of trade receivables	-	-	(839,207)	(708,620)
Net trade receivables	-	-	2,949,076	2,983,532
Prepayments	26,956	-	538,140	401,604
Value added tax recoverable	9,795	5,122	325,773	182,799
Interest from Group companies	-	12,082	-	-
<b>Total</b>	<b>36,751</b>	<b>17,204</b>	<b>3,812,989</b>	<b>3,567,935</b>

The Group has a provision in place to set aside an allowance to cover potential impairment and non-payment of trade receivables. Those debts which are neither past due nor impaired are considered to be good and are expected to be recoverable. Trade receivables are with customers who do not have externally available credit ratings.

The movements on the provision for impairment and non-payment of trade receivables is shown below:

Movement on the provision for impairment and non-payment of trade receivables	2012 (£)	2011 (£)
Balance at 1 January	708,620	557,156
Increase in allowance for impairment/non-payment	576,594	714,860
Impairment/non-payment losses recognised	(446,007)	(563,396)
Balance at 31 December	839,207	708,620

Ageing analysis of trade receivables	2012 (£)	2011 (£)
Current and not past due	2,589,749	2,596,774
1 to 2 months	206,193	279,132
2 to 3 months	102,170	86,479
Over 3 months	50,964	21,147
<b>Total</b>	<b>2,949,076</b>	<b>2,983,532</b>

## Notes to the Financial Statements

### For the year ended 31 December 2012

#### 17. Cash and cash equivalents

	Parent Company		Consolidated	
	2012 (£)	2011 (£)	2012 (£)	2011 (£)
Cash at bank and in hand	163,995	105,416	4,402,717	2,369,721
Short-term bank deposits	-	-	5,132,603	-
<b>Total</b>	<b>163,995</b>	<b>105,416</b>	<b>9,535,320</b>	<b>2,369,721</b>

As part of the bank loan agreement, the Lender requires a minimum cash balance to be held in separate debt service reserve accounts. At the end of the year the amount was £632,603 (2011: £630,634), which is included in short-term bank deposits in 2012.

Included within cash at bank and in hand for both the parent company and the consolidated position is £81,006 (2011:£nil) in respect of monies held by the Good Energy Employee Benefits Trust.

The credit quality of cash and cash equivalents can be assessed by reference to external credit ratings as follows:

	Parent Company		Consolidated	
	2012 (£)	2011 (£)	2012 (£)	2011 (£)
AA-	81,006	-	81,006	-
A	-	-	7,473,980	794,777
BBB+	82,989	105,416	1,980,334	1,574,944
<b>Total</b>	<b>163,995</b>	<b>105,416</b>	<b>9,535,320</b>	<b>2,369,721</b>

# Notes to the Financial Statements

## For the year ended 31 December 2012

### 18. Called-Up Share Capital

	Parent Company		Consolidated	
	2012 (£)	2011 (£)	2012 (£)	2011 (£)
<b>Authorised</b>				
20,000,000 Ordinary Shares of 5p each	<b>1,000,000</b>	<i>1,000,000</i>	<b>1,000,000</b>	<i>1,000,000</i>

	Parent Company		Consolidated	
	2012 (£)	2011 (£)	2012 (£)	2011 (£)
<b>Ordinary Shares of 5p each</b>				
Total shares issued	<b>626,132</b>	<i>390,838</i>	<b>626,132</b>	<i>390,838</i>

	Parent Company		Consolidated	
	2012 (Number)	2011 (Number)	2012 (Number)	2011 (Number)
<b>Ordinary Shares of 5p each</b>				
Total shares issued	<b>12,522,649</b>	<i>7,816,767</i>	<b>12,522,649</b>	<i>7,816,767</i>

During the year the Company issued 4,705,882 (2011:nil) ordinary shares of 5p each for total consideration of £4,000,000 (2011:£nil) resulting in a share premium of £3,764,706 (2011:£nil). Costs of £572,461 (2011:£nil) were incurred as a result of this issue and these have been debited against the share premium account.

Clarke Willmott Trust Corporation Limited holds in trust for the present and the future beneficiaries of the Good Energy Group Employee Share Option Scheme 776,430 (2011:945,430) ordinary shares of the Company. These are deducted from equity as shown in the Consolidated and Parent Company Statements of Changes in Equity. During the year the trust disposed of 200,000 (2011:nil) shares as a result of options exercised and acquired 48,000 (2011:nil) shares.

## Notes to the Financial Statements

### For the year ended 31 December 2012

#### 19. Deferred Taxation

The provision for Deferred Taxation is made up as follows:

	2012 (£)	2011 (£)
At 1 January	396,024	115,489
Charged/(credited) to the Consolidated Statement of Comprehensive Income	247,507	280,535
<b>At 31 December</b>	<b>643,531</b>	<b>396,024</b>

	2012 (£)	2011 (£)
Deferred tax asset to be recovered after more than 12 months	-	(107,414)
Deferred tax asset to be recovered within 12 months	(103,236)	(42,750)
<b>Total</b>	<b>(103,236)</b>	<b>(150,164)</b>

	2012 (£)	2011 (£)
Deferred tax liabilities to be recovered after more than 12 months	746,767	546,188
Deferred tax liabilities to be recovered within 12 months	-	-
<b>Total</b>	<b>746,767</b>	<b>546,188</b>
<b>Total net deferred tax</b>	<b>643,531</b>	<b>396,024</b>

Deferred tax assets	2012 (£)	2011 (£)
On short term timing differences	103,236	82,194
Losses	-	67,970
<b>Total</b>	<b>103,236</b>	<b>150,164</b>

Deferred tax liabilities	2012 (£)	2011 (£)
On accelerated capital allowances	746,767	546,188

Deferred tax assets / (liabilities)	Accelerated capital allowances (£)	Short-term timing differences (£)	Losses (£)	Total (£)
At 1 January 2011	(119,363)	3,874	-	(115,489)
(Charged)/Credited to the income statement	(426,825)	78,320	67,970	(280,535)
At 31 December 2011	(546,188)	82,194	67,970	(396,024)
(Charged)/Credited to the income statement	(200,579)	21,042	(67,970)	(247,507)
<b>At 31 December 2012</b>	<b>(746,767)</b>	<b>103,236</b>	<b>-</b>	<b>(643,531)</b>

The Company has unutilised capital losses of £130,822 (2011: £130,822) and unutilised management charges of £19,261 (2011: £19,261) resulting in a deferred tax asset which has not been recognised.

# Notes to the Financial Statements

## For the year ended 31 December 2012

### 20. Borrowings and other financial liabilities

	Parent Company		Consolidated	
	2012 (£)	2011 (£)	2012 (£)	2011 (£)
<b>Current:</b>				
Bank loan	-	-	390,434	368,843
Finance lease obligation	-	-	152,491	142,523
Loans from Group companies	-	256,611	-	-
<b>Total</b>	-	256,611	542,925	511,366

	Parent Company		Consolidated	
	2012 (£)	2011 (£)	2012 (£)	2011 (£)
<b>Non Current:</b>				
Bank loan	-	-	8,537,720	8,928,153
Finance lease obligation	-	-	120,912	273,404
<b>Total</b>	-	-	8,658,632	9,201,557

The Group has undrawn bank overdraft facilities of £4m (2011: £4m) as at 31 December 2012.

The bank loan relates to the Company's subsidiary, Good Energy Delabole Wind Farm Limited, and is secured by a mortgage debenture on that Company dated 16 January 2010 incorporating a fixed and floating charge over all current and future assets of that subsidiary. The facility will be repaid from future cash flows arising from the wind farm of this Company.

On 7 January 2011, the loan balance was transferred from the build phase to the repayment phase, with repayments of Capital and Interest scheduled bi-annually over 15 years.

As part of the facility Good Energy Delabole Wind Farm Limited entered into a floating rate interest to fixed rate interest swap. They were entered into at the same time and in contemplation of one another, have the same counterparty, relate to the same risk and amortise concurrently. Given these circumstances and the fact that there is no economic need or substantive business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction these instruments are treated as one fixed rate loan instrument in accordance with IAS 39. The fixed rate interest is payable at an annual rate of 7.15%.

## Notes to the Financial Statements

### For the year ended 31 December 2012

#### 20. Borrowings and other financial liabilities (continued)

Consolidated	Finance lease (£)	Bank loan (£)	Total (£)
<b>31 December 2012:</b>			
Due less than 1 year	152,491	390,434	542,925
Due between 1 and 5 years	120,911	1,703,148	1,824,059
Due more than 5 years	-	6,834,572	6,834,572
<b>Total</b>	<b>273,402</b>	<b>8,928,154</b>	<b>9,201,556</b>

Consolidated	Finance lease (£)	Bank loan (£)	Total (£)
<b>31 December 2011:</b>			
Due less than 1 year	142,523	368,843	511,366
Due between 1 and 5 years	273,404	1,649,002	1,922,406
Due more than 5 years	-	7,279,151	7,279,151
<b>Total</b>	<b>415,927</b>	<b>9,296,996</b>	<b>9,712,923</b>

The estimated fair value of the bank loan is £9,093,975 (2011: £11,216,582). The fair value has been calculated taking into account the interest rate risk inherent in the loan.

The fair value of the finance lease and current borrowings equal the carrying amount as the impact of the discounts is not significant. The fair values are based on the cash flows discounted using a rate based on the borrowing rate of 7.15%.

Consolidated	2012	2011
<b>Gross finance lease liabilities - minimum lease payments:</b>		
Due less than 1 year	166,200	166,200
Due between 1 and 5 years	124,650	290,850
Due more than 5 years	-	-
<b>Total</b>	<b>290,850</b>	<b>457,050</b>
Future finance charges on finance lease liabilities	(17,448)	(41,123)
<b>Present value of finance lease liabilities</b>	<b>273,402</b>	<b>415,927</b>



# Notes to the Financial Statements

## For the year ended 31 December 2012

### 21. Trade and other payables

	Parent Company		Consolidated	
	2012 (£)	2011 (£)	2012 (£)	2011 (£)
Trade payables	15,465	63,106	2,091,963	1,437,549
Accruals and deferred income	539,018	324,556	5,825,367	3,886,198
Interest payable to Group companies	-	174,026	-	-
Social security and other taxes	-	-	116,127	80,931
Other payables	27,135	-	967,955	593,398
<b>Total</b>	<b>581,618</b>	<b>561,688</b>	<b>9,001,412</b>	<b>5,998,076</b>

### 22. Dividends

Amounts recognised as distributions to shareholders in the year (based on the number of shares in issue at the record date):

	2012 (£)	2011 (£)
Final dividend prior year of 2.75p per share (2011: Nil p)	214,962	-
Interim dividend current year of 1.00p per share (2011: Nil p)	125,226	-
<b>Sub-total</b>	<b>340,188</b>	<b>-</b>
Dividends waived	(29,117)	-
<b>Total</b>	<b>311,071</b>	<b>-</b>

Dividends waived represent dividends that would have accrued on shares held by the Good Energy Group Employee Benefits Trust were they not held by the Trust.

## Notes to the Financial Statements

### For the year ended 31 December 2012

#### 23. Cash flows

Reconciliation of net income to net cash provided by operating activities:

	Parent Company		Consolidated	
	2012 (£)	2011 (£) (Re-presented)	2012 (£)	2011 (£) (Re-presented)
Profit before tax	133,978	222,780	1,375,528	1,055,905
Finance income	(38,373)	-	(38,547)	(6,482)
Finance costs	20,015	-	687,872	737,316
Operating profit	115,620	222,780	2,024,853	1,786,739
<b>Adjustment:</b>				
Depreciation	2,257	-	558,862	643,676
Amortisation	-	-	74,623	375,317
Impairments	-	-	-	11,200
Dividends received	(1,200,000)	(800,000)	-	-
Decrease/(increase) in inventories	-	-	628,595	(472,352)
(Increase)/decrease in trade and other receivables	(19,547)	3,217	(245,054)	767,460
Increase in trade and other payables	19,930	333,907	3,003,336	894,136
<b>Net cash (outflow)/inflow from operations</b>	<b>(1,081,740)</b>	<b>(240,096)</b>	<b>6,045,215</b>	<b>4,006,176</b>

#### 24. Share Based Payments

In order to retain the services of key employees and to incentivise their performance, the Parent Company operates the Good Energy Employee Share Option Scheme under which certain employees of the Group are granted options to acquire Ordinary 5p Shares at future dates. No costs were recognised in the Consolidated Statement of Comprehensive Income in respect of these options as the fair value at the date of grant was assessed to be immaterial. As at 31 December 2012, the following options had been issued:

	Number of options		Weighted average exercise price		Total exercise consideration	
	2012 (Number)	2011 (Number)	2012 (£)	2011 (£)	2012 (£)	2011 (£)
Outstanding at the beginning of the year	1,496,400	1,496,400	0.73	0.73	1,097,300	1,097,300
Granted	562,946	200,000	1.15	1.00	647,388	200,000
Exercised	(200,000)	-	0.50	-	(100,000)	-
Cancelled/surrendered	(200,000)	(200,000)	1.00	1.00	(200,000)	(200,000)
Outstanding at the end of the year	1,659,346	1,496,400	0.87	0.73	1,444,688	1,097,300

In order to partially fulfil the options granted, 776,430 (2011: 945,430) shares representing approximately 47% (2011: 63%) of the options outstanding have already been issued and are held by Clarke Willmott Trust Corporation Limited as the Trustee of the Good Energy Group Employee Benefits Trust. Dividends have been waived on these shares.

The options expire at various dates between June 2014 and February 2022.

## Notes to the Financial Statements

### For the year ended 31 December 2012

#### 25. Pensions

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 £207,764 (2011: £182,016).

Contributions totalling £26,910 (2011: £19,890) were payable to the fund at the end of the reporting period and are included in other payables.

The Group has no further pension liability either realised or contingent and in line with the Group's environmental position all employer contributions are invested within a suitable fund.

#### 26. Operating Lease Commitments

Rentals payable over the life of non-cancellable operating leases are as follows:

Land and Buildings	2012 (£)	2011 (£)
<b>Leases as lessee</b>		
Less than one year	200,249	200,249
Between one and five years	525,980	675,989
More than five years	150,720	200,960
<b>Total</b>	<b>876,949</b>	<b>1,077,198</b>

Other operating leases	2012 (£)	2011 (£)
<b>Leases as lessee</b>		
Less than one year	47,119	47,248
Between one and five years	6,971	45,054
More than five years	-	-
<b>Total</b>	<b>54,090</b>	<b>92,302</b>

Details of commitments under variable term operating leases are contained in note 27.

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## Notes to the Financial Statements For the year ended 31 December 2012

### 27. Related Party Transactions

The Company's significant subsidiary undertakings, including the name and proportion of ownership interest for each, are disclosed in note 14. Transactions between subsidiaries and between the Company and its subsidiaries are eliminated on consolidation. During the year the Company had intercompany balances with its subsidiaries. Interest is charged on these balances at 2.5% above the Bank of England base rate. Details of the amounts outstanding and received during the year are contained in notes 14, 16, 20 and 21.

In January 2010 Good Energy Delabole Wind Farm Limited, a subsidiary company, entered into an agreement with Windelectric Management Limited, a company in which Martin Edwards (a director of the company) has a controlling interest, to provide site management for the new wind farm at Delabole. The amount payable each year is £75,000 index linked. The amount payable under this agreement during the current year was £75,367 (2011: £75,000), made at arms length. Of these figures no amounts were outstanding at the end of the reporting period (2011: £nil).

In January 2010, Good Energy Delabole Wind Farm Limited entered into a 25 year lease with Martin Edwards and other parties, in respect of the land which some of the new turbines occupy. For the first 10 years of operation the rent will be the higher of an annual base rent of £50,240 or 3.25% of gross income from the wind farm and from the 10th anniversary onwards it will be 4.5% of gross income from the wind farm.

The amount payable under this agreement during the current year was £55,732 (2011: £72,631), made at arm's length. Of these figures no amounts were outstanding at the end of the reporting period (2011: £nil).

During the year the Good Energy Employee Benefits Trust acquired 31,000 ordinary shares from Juliet Davenport for £34,100. In the prior year the trust committed to acquire 17,000 ordinary shares from Martin Edwards for £15,400. This transaction was completed in 2012.

From September 2012, Good Energy Limited commissioned on an arm's length basis, services in connection with generation development activities from Shire Oak Energy Limited, a company wholly owned by Mark Shorrock who is the husband of Juliet Davenport, to the value, up until 31st December 2012, of £46,468. The amount outstanding to Shire Oak Energy Limited at 31st December was £10,588.

### 28. Subsequent events

On 10 January 2013 the Group acquired a consented onshore wind farm site for a consideration of up to £3.0 million. It is Good Energy's intention to construct a wind farm with a generation capacity of approximately 8.2MW.

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# “You’re such a great company to deal with”

Alison, Good Energy electricity customer, October 2012

Perhaps it’s because all our electricity comes from clean, natural sources like sunshine, wind and water. Or that we usually cost less than the Big Six’s standard dual fuel tariffs. Maybe it’s our Energy Saving Trust-endorsed energy efficiency advice.

Whatever the reason, it’s comments like Alison’s that have just helped us top the Which? customer satisfaction survey for the second year in a row.

Image: Andrew, Customer Care Advisor



Together we do this  
0845 456 1640  
goodenergy.co.uk



The wind turbines pictured are on  
Mackie's Farm in Scotland.

It's part of a growing community of  
independent suppliers we support  
across Britain, all harnessing natural  
power from the sunshine, wind, water  
or sustainable biogeneration.

We think all energy should be like this.

**Local, natural, everlasting.**

**This is Good Energy.**

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