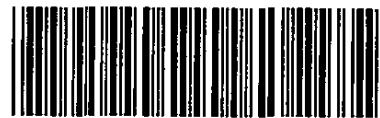


**Registered number: 03899612**

## **GOOD ENERGY LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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**GOOD ENERGY LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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**GOOD ENERGY LIMITED**  
**COMPANY INFORMATION**

**DIRECTORS**

Juliet Davenport  
Garry Peagam  
Martin Edwards

**COMPANY SECRETARY**

Nigel Tranah

**REGISTERED NUMBER**

03899612

**REGISTERED OFFICE**

Monkton Reach  
Monkton Hill  
Chippenham  
Wiltshire  
SN15 1EE

**INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
31 Great George Street  
Bristol  
BS1 5QD

## **GOOD ENERGY LIMITED**

### **DIRECTORS' REPORT**

#### **FOR THE YEAR ENDED 31 DECEMBER 2012**

The directors present their annual report and the audited financial statements of Good Energy Limited ("the company") for the year ended 31 December 2012

### **PRINCIPAL ACTIVITIES**

The company's principal activity during the year was the supply of electricity from renewable energy sources

Good Energy Limited is a private limited company incorporated in the United Kingdom under the Companies Act, and it is domiciled within the United Kingdom. Good Energy Group PLC is the parent of the company and ultimate parent of the group to which the company belongs

### **BUSINESS REVIEW**

Good Energy Limited's core retail proposition continues to be 100% renewably sourced electricity to business and domestic customers, where the company guarantees to match the electricity supplied to customers with renewable electricity from power sources over the course of a year.

The total number of customers using Good Energy Limited's services has continued to grow and its electricity customers are attracted by competitive prices, strong customer service ethos and commitment to renewable energy. Electricity customer numbers have increased by 13% to over 32,000.

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 Limited 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 a new in-house customer service system, which is expected to become operational in 2013. The delays have meant that the company hasn't seen the improvements in cost to serve as it would have liked in 2012, but commends its operations team for maintaining the high customer service ranking and grade of service throughout the year.

In order to improve the market awareness of the Good Energy brand and encourage new customers to sign up to Good Energy, the Good Energy Group has 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.

### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £1,925,585 (2011: £847,000), and the company had revenue of £23,124,951 (2011: £18,175,643).

During the year a dividend of £1,000,000, equivalent to 85.40p per share (2011: £600,000, equivalent to 51.24p per share) was paid.

## **GOOD ENERGY LIMITED**

### **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

#### **KEY PERFORMANCE INDICATORS (KPIs)**

The company is part of a group controlled by Good Energy Group PLC. The directors of Good Energy Group PLC manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Good Energy Limited. The development, performance and position of the retail division of Good Energy Group PLC, which includes the company, is discussed in the group's annual report which does not form part of this report.

#### **FUTURE DEVELOPMENTS**

The company's strategy is to continue to supply 100% renewably sourced electricity. To support this strategy, the group aims to generate around 50 per cent 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 company aims to continue to develop renewable assets to maintain this percentage as the supply side of the business grows. The company is currently focussed on onshore wind and large scale solar assets. Going forward the directors will consider small scale solar 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 carbon offsets required for the certification aspect of the company's electricity business. The company also aims to continue supporting micro-generation installations in the UK under the FIT scheme.

The company 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 AND UNCERTAINTIES**

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of the Good Energy Group PLC, which include those of the company, are discussed in the group's annual report which does not form part of this report.

#### **POLITICAL AND CHARITABLE DONATIONS**

During the year the company made charitable donations amounting to £3,000 (2011: £Nil).

## **GOOD ENERGY LIMITED**

### **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

#### **FINANCIAL RISK MANAGEMENT**

The main financial risks arising from the company's activities are commodity price risk, credit risk, liquidity risk and interest rate cash flow risk

##### **Liquidity risk**

The company's approach to managing liquidity is to ensure, as far as possible, that it has sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. It achieves this by monitoring 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

##### **Commodity price risk**

The company's operations results in exposure to fluctuations in energy prices. Management monitors energy prices and initiates instruments to manage exposure to these risks when it deems appropriate. Currently, the company has not initiated any such instruments

##### **Credit risk**

The company's exposure to credit risk arises from its receivables from customers. At 31 December 2012 and 2011, the company's trade receivables were classed as due within one year, details of which are included in note 13. The company's policy is to undertake credit checks on new customers and to provide for doubtful debts based on estimated irrecoverable amounts determined by reference to specific circumstances and past default experience. At the Statement of Financial Position date the directors have provided for specific doubtful debts and believe that there is no further credit risk

##### **Interest rate cash flow risk**

The financial risk is the risk to the company's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The company does not use derivative instruments to reduce its exposure to interest rate fluctuations. The company has borrowings in the form of a loan to the holding company and an overdraft over which interest is charged. The directors do not consider the risk from the intercompany loan interest rate to be significant

#### **DIRECTORS**

The directors of the company who served during the entire year and up to the date of signing the financial statements were

Juliet Davenport

Garry Peagam

Martin Edwards

Barney Rhys Jones (resigned 12 June 2012)

## **GOOD ENERGY LIMITED**

### **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Directors' 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements,
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

#### **DISCLOSURE OF INFORMATION TO AUDITORS**

In the case of each of the persons who are directors at the date the Directors' Report is approved, the following applies

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

#### **INDEPENDENT AUDITORS**

During the year, Calder & Co resigned as auditors of the company, and the directors have appointed PricewaterhouseCoopers LLP as auditors to the company in accordance with section 485 of the Companies Act 2006. A resolution proposing that they be reappointed will be put at a General Meeting.

This report was approved by the board on 25 September 2013 and signed on its behalf by



Director

## **GOOD ENERGY LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GOOD ENERGY LIMITED**

We have audited the financial statements of Good Energy Limited for the year ended 31 December 2012 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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 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 company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter 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.



**GOOD ENERGY LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GOOD ENERGY LIMITED**

**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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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 (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol

*30 September 2013*

**GOOD ENERGY LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	2012 £	2011 £
<b>Continuing operations</b>			
Revenue		23,124,951	18,175,643
Cost of sales	3	(15,809,516)	(11,694,288)
<b>Gross profit</b>		<b>7,315,435</b>	<b>6,481,355</b>
Administrative expenses	3	(4,949,509)	(5,362,756)
<b>Operating profit</b>		<b>2,365,926</b>	<b>1,118,599</b>
Finance income	6	33,785	18,424
Finance costs	7	(29,964)	(35,054)
<b>Profit before income tax</b>		<b>2,369,747</b>	<b>1,101,969</b>
Income tax expense	8	(444,162)	(254,969)
<b>Profit for the year and total comprehensive income for the year attributable to owners of the company</b>		<b>1,925,585</b>	<b>847,000</b>

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents

**GOOD ENERGY LIMITED**  
**REGISTERED NUMBER. 03899612**

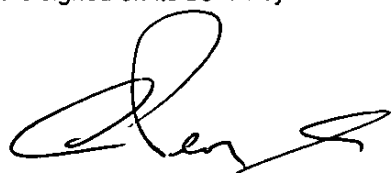
**STATEMENT OF FINANCIAL POSITION**

**31 DECEMBER 2012**

	Note	2012 £	2011 £
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Intangible assets	10	2,081,148	1,376,444
Tangible assets	9	281,696	77,442
Investments	11	2	2
		<u>2,362,846</u>	<u>1,453,888</u>
<b>CURRENT ASSETS</b>			
Stocks	12	2,258,725	3,177,576
Debtors	13	2,907,873	3,348,371
Cash at bank and in hand	15	7,278,288	180,627
		<u>12,444,886</u>	<u>6,706,574</u>
<b>TOTAL ASSETS</b>		<u><b>14,807,732</b></u>	<u><b>8,160,462</b></u>
<b>LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	1,171,002	1,171,002
Share premium account		1,150,000	1,150,000
Profit and loss account		1,484,024	558,439
		<u>3,805,026</u>	<u>2,879,441</u>
<b>CREDITORS</b>			
Creditors amounts falling due within one year	18	10,881,794	4,908,875
Creditors amounts falling due after more than one year	19	120,912	372,146
<b>TOTAL CREDITORS</b>		<u><b>11,002,706</b></u>	<u><b>5,281,021</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>14,807,732</b></u>	<u><b>8,160,462</b></u>

The note on pages 11 to 26 are an integral part of these financial statements

The financial statements on pages 8 to 26 were approved by the board of directors and authorised for issue on and were signed on its behalf by



Director

**GOOD ENERGY LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

<b>2012</b>		<b>Ordinary shares</b>	<b>Share premium</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>Note</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Balance as at 1 January 2012		1,171,002	1,150,000	558,439	2,879,441
Profit for the year		-	-	1,925,585	1,925,585
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>1,925,585</b>	<b>1,925,585</b>
Dividends	17	-	-	(1,000,000)	(1,000,000)
<b>Total contributions by and distributions to the owners of the company, recognised directly in equity</b>		<b>-</b>	<b>-</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>
<b>Balance as at 31 December 2012</b>		<b><u>1,171,002</u></b>	<b><u>1,150,000</u></b>	<b><u>1,484,024</u></b>	<b><u>3,805,026</u></b>

<b>2011</b>		<b>Ordinary shares</b>	<b>Share premium</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>Note</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Balance as at 1 January 2011		1,171,002	1,150,000	311,439	2,632,441
Profit for the year		-	-	847,000	847,000
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>847,000</b>	<b>847,000</b>
Dividends	17	-	-	(600,000)	(600,000)
<b>Total contributions by and distributions to the owners of the company, recognised directly in equity</b>		<b>-</b>	<b>-</b>	<b>(600,000)</b>	<b>(600,000)</b>
<b>Balance as at 31 December 2011</b>		<b><u>1,171,002</u></b>	<b><u>1,150,000</u></b>	<b><u>558,439</u></b>	<b><u>2,879,441</u></b>

## **GOOD ENERGY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 31 DECEMBER 2012**

##### **1. GENERAL INFORMATION**

Good Energy Limited is a private limited company incorporated in the United Kingdom under the Companies Act 2006 and is domiciled within the United Kingdom

The nature of the company's operations and its principal activities are set out in the Directors' Report. The company is not listed. The company's registered office and principal place of business is Monkton Reach, Monkton Hill, Chippenham, Wiltshire, SN15 1EE. The company's registered number is 03899612.

These financial statements are presented in pounds sterling which is the functional and presentation currency.

##### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

###### **a. Basis of preparation of financial statements**

These financial statements have been prepared on a going concern basis under the historical cost convention in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework" and applicable law.

The preparation of financial statements in conformity with UK GAAP including FRS 101 "Reduced Disclosure Framework" requires the use of certain critical accounting estimates 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(p).

###### **b. Adoption of FRS 101 disclosure exemptions**

The financial statements of the company have been prepared for the first time using the FRS 101 reduced disclosure framework as it is a member of a group where the parent of the group, Good Energy Group PLC, prepares publicly available consolidated financial statements which include this entity's financial statements. For details of where these consolidated financial statements can be obtained see note 24.

The company has adopted the following disclosure exemptions:

IFRS 7 – disclosure of financial instruments

IAS 1 – information on management of capital

IAS 7 – a cash flow statement is not required

IAS 8 – disclosures in respect of new standards and interpretations that have been issued but which are not yet effective

**GOOD ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b. Adoption of FRS 101 disclosure exemptions (continued)**

IAS 24 – disclosure of key management personnel compensation, and for related party transactions entered into between two or more members of a group (for wholly-owned subsidiaries)

The requirement to present comparatives in various roll-forward reconciliations, including movements in share capital (IAS 1), PP&E (IAS 16) and intangible assets (IAS 38)

**c Revenue recognition**

Revenue represents the fair value of the consideration received or receivable for the provision of goods and services which fall within the company's ordinary activities. All revenue and profit before tax arose within the United Kingdom. Revenue represents amounts recoverable from customers for supply of electricity and is measured at the fair value of the consideration received or receivable, stated net of discounts, returns and value added taxes. The company recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the company, and when specific criteria have been met for the company's activities, as described below.

*Power supply*

Revenue for the supply of electricity is based on industry data flows and national grid data. 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 company 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.

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.

**GOOD ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**d. Tangible assets**

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:

Leasehold improvements	over the life of the lease, until 2016
Furniture, fittings and equipment	between 3 and 5 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.

**e. Intangible assets**

*Definite Life Intangible assets*

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

*Indefinite Life Intangible assets*

Original customer investment costs are held as an indefinite life intangible according to the criteria of IAS 38 "Intangible assets". They are 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:

Finite life licences	5 years
Indefinite life licences	Not amortised
Original customer development costs	Not amortised

**GOOD ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Impairment*

The directors regularly review the intangible assets for impairment and provision is made if necessary. Assets that have an indefinite useful life 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 that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**f. 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 company's 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.

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.

**g Pensions**

The company operates a defined contribution pension scheme. Under this scheme the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company 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 company to the fund in respect of the year.

**h Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**i. Dividend distribution**

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.



**GOOD ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**j. Stocks**

*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 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 Statement of Comprehensive Income. Any gains or losses on disposal of ROCs which are in excess of the company'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.

**k. Trade debtors**

Trade debtors are amounts due from customers for electricity sold in the ordinary course of business.

Trade debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

**l. Trade creditors**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**m. Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

**n. Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

# **GOOD ENERGY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2012**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **o Current and deferred income tax**

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 company'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 utilized. Such assets and liabilities are not recognised if the temporary difference arises 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.

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 company intends to settle its current tax assets and liabilities on a net basis.

##### **p. Critical accounting estimates and assumptions**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### **i Current and deferred income tax**

The company is subject to income taxes in the United Kingdom. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

##### **ii Revenue recognition**

Revenue calculated from energy sales includes an estimate of the value of electricity 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 company takes a prudent position until final reconciliation data is available from the industry.

**GOOD ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**p. Critical accounting estimates and assumptions (continued)**

**iii Impairment of assets**

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 company 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.

**3 EXPENSES BY NATURE**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Depreciation and amortisation charges - owned by the company (Notes 9 and 10)	<b>136,922</b>	419,996
Operating lease payments	<b>149,236</b>	150,009
Auditors' remuneration	<b>12,500</b>	19,000
Auditors' remuneration - non audit	<b>4,000</b>	-
Employee benefit expense (Note 4)	<b>2,931,491</b>	2,883,157
Other expenses	<b>17,524,876</b>	13,584,882
	<b><u>20,759,025</u></b>	<b><u>17,057,044</u></b>

**4. EMPLOYEE BENEFIT EXPENSE**

Employee benefit expenses, including directors' remuneration, were as follows

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Wages and salaries	<b>2,530,272</b>	2,475,433
Social security costs	<b>254,445</b>	250,705
Pension costs	<b>146,774</b>	157,019
	<b><u>2,931,491</u></b>	<b><u>2,883,157</u></b>

**GOOD ENERGY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2012****4 EMPLOYEE BENEFIT EXPENSE (CONTINUED)**

The average number of employees, including the directors, during the year was as follows

	2012	2011
	Number	Number
Operations	63	38
Business services	67	57
	<u>130</u>	<u>95</u>

All salary costs for the group are incurred in Good Energy Limited and are recharged to subsidiary companies. The staff numbers above represent those working for the group as a whole.

**5 DIRECTORS' REMUNERATION**

The compensation paid or payable to directors for employee services is shown below

	2012	2011
	£	£
Salaries and other short-term employee benefits	446,265	215,104
Post employment benefits	28,000	16,701
	<u>474,265</u>	<u>231,805</u>

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

**6. FINANCE INCOME**

	2012	2011
	£	£
Bank interest receivable	3,869	-
Interest receivable on loans to holding company	20,015	18,424
Other interest receivable	9,901	-
	<u>33,785</u>	<u>18,424</u>

**7 FINANCE COSTS**

	2012	2011
	£	£
Bank interest payable	-	18,081
Interest payable on loans to group companies	6,287	9,496
Hire purchase and finance lease interest	23,677	7,477
	<u>29,964</u>	<u>35,054</u>

**GOOD ENERGY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**8. INCOME TAX EXPENSE**

**Analysis of tax charge in year**

	2012 £	2011 £
<b>Current tax</b>		
Current tax on profits for the year	143,411	427,377
Adjustments in respect of prior periods	(190,565)	(76,073)
Group relief charge	491,201	-
<b>Total current tax</b>	<u>444,047</u>	<u>351,304</u>
<b>Deferred tax (Note 14.)</b>		
Originating and reversing temporary differences	(6,745)	(93,963)
Adjustments in respect of prior periods	6,860	(2,372)
<b>Total deferred tax</b>	<u>115</u>	<u>(96,335)</u>
<b>Income tax expense</b>	<u>444,162</u>	<u>254,969</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is lower (2011 lower) than the standard rate of corporation tax in the UK of 24.5% (2011 26.5%). The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before tax	<u>2,369,747</u>	<u>1,101,969</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 26.5%)	580,588	292,022
<b>Tax effects of:</b>		
Expenses not deductible for tax purposes	46,839	35,754
Effects of changes in tax rate	440	5,638
Prior year adjustment - current tax	(190,565)	(76,073)
Prior year adjustment - deferred tax	6,860	(2,372)
<b>Income tax expense for the year</b>	<u>444,162</u>	<u>254,969</u>

**GOOD ENERGY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2012****8 INCOME TAX EXPENSE (CONTINUED)****Factors that may affect future tax charges**

In addition to the changes in rates of Corporation tax disclosed above a number of further changes to the UK Corporation tax system were announced in the March 2012 UK Budget Statement. A resolution passed by Parliament on 26 March 2012 reduced the main rate of corporation tax to 24% from 1 April 2012. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 was included in the Finance Act 2012. The effect of these changes has been included within these financial statements.

The March 2013 UK Budget Statement proposed further reductions to the main rate to 21% from 1 April 2014 and 20% from 1 April 2015. This had not been substantively enacted at the balance sheet date and, therefore, the effect of, is not included in these financial statements. Accordingly, the deferred tax balance has been calculated using a rate of 23%.

The overall effect of the change in the main rate to 21%, if it had applied to the deferred tax balance at the balance sheet date, would be to reduce the tax expense for the period by £1,703 and reduce the amount charged to the deferred tax asset by £1,703.

The overall effect of the change in the main rate to 20%, if it had applied to the deferred tax balance at the balance sheet date, would be to reduce the tax expense for the period by £2,554 and reduce the amount charged to the deferred tax asset by £2,554.

**9 TANGIBLE ASSETS**

	<b>Furniture, fittings and equipment</b>	<b>Leasehold improvements</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
Opening balance	543,726	91,789	635,515
Additions	252,853	17,227	270,080
<b>Balance at 31 December 2012</b>	<b>796,579</b>	<b>109,016</b>	<b>905,595</b>
<b>Accumulated depreciation</b>			
Opening balance	503,954	54,119	558,073
Charge for the year	53,091	12,735	65,826
<b>Balance as at 31 December 2012</b>	<b>557,045</b>	<b>66,854</b>	<b>623,899</b>
<b>Carrying amount</b>			
<b>At 1 January 2012</b>	<b>39,772</b>	<b>37,670</b>	<b>77,442</b>
<b>At 31 December 2012</b>	<b>239,534</b>	<b>42,162</b>	<b>281,696</b>

**GOOD ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

**10 INTANGIBLE ASSETS**

	<b>Licenses</b>	<b>Original customer investment costs</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
Opening balance	1,417,600	600,000	2,017,600
Additions	775,800	-	775,800
<b>Balance at 31 December 2012</b>	<b>2,193,400</b>	<b>600,000</b>	<b>2,793,400</b>
<b>Accumulated amortisation</b>			
Opening balance	641,156	-	641,156
Charge for the year	71,096	-	71,096
<b>Balance as at 31 December 2012</b>	<b>712,252</b>	<b>-</b>	<b>712,252</b>
<b>Carrying amount</b>			
<b>At 1 January 2012</b>	<b>776,444</b>	<b>600,000</b>	<b>1,376,444</b>
<b>At 31 December 2012</b>	<b>1,481,148</b>	<b>600,000</b>	<b>2,081,148</b>

Amortisation of intangible assets is included in administrative costs in the income statement

The carrying values of indefinite life assets included in intangible assets are Original customer development costs of £600,000 (2011 £600,000) and power supply licence of £180,000 (2011 180,000). In arriving at the conclusion that these assets have an indefinite life, management considers the fact that the company 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.

Included in Licences are assets 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 into use.

**11. INVESTMENTS**

<b>Cost and carrying amount</b>	<b>Unlisted investments</b>
	<b>£</b>
At 1 January 2012 and 31 December 2012	<b>2</b>

The directors believe that the carrying value of investments approximate their fair value.

**GOOD ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

**12 STOCKS**

	2012	2011
	£	£
Renewable Obligation Certificates	<u>2,258,725</u>	<u>3,177,576</u>

As at 31 December 2012 there were Renewable Obligation Certificates (ROCs) of £659,243 (2011 £602,500) included in the above amount that were unissued for generation that had already taken place and therefore these ROCs are not available for sale before the end of the reporting year

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £903,814 (2011 £653,917)

**13. DEBTORS**

**Due within one year**

	2012	2011
	£	£
Trade debtors	2,217,762	2,391,835
Prepayments	308,261	147,873
Loans to group companies	-	415,762
Other debtors	296,703	252,970
Deferred tax asset (note 14)	85,147	85,262
Corporation tax repayable	-	54,669
	<u>2,907,873</u>	<u>3,348,371</u>

**14 DEFERRED TAXATION**

The analysis of deferred tax assets and deferred tax liabilities is as follows

	2012	2011
	£	£
<b>Deferred tax assets:</b>		
Deferred tax asset to be recovered within 12 months	<u>85,147</u>	<u>85,262</u>

The gross movements of the deferred income tax account is as follows

	2012	2011
	£	£
At 1 January	85,262	(11,073)
Tax credit during the year	6,745	96,335
Tax charge relating to prior years	(6,860)	-
<b>At 31 December</b>	<u>85,147</u>	<u>85,262</u>

The deferred taxation asset is made up as follows



**GOOD ENERGY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2012****14 DEFERRED TAXATION (CONTINUED)**

	2012	2011
	£	£
Accelerated capital allowances	(379)	6,818
Short term timing differences	85,526	78,444
<b>Total</b>	<b>85,147</b>	<b>85,262</b>

**15. CASH AT BANK AND IN HAND**

	2012	2011
	£	£
Cash and cash equivalents	7,278,288	180,627

**16. CALLED UP SHARE CAPITAL**

At 1 January 2012 and 31 December 2012 there were 1,171,002 ordinary shares of £1 each in issue

**17. DIVIDENDS**

	2012	2011
	£	£
Equity dividends paid of 85 40p (2011 51 24p) per share	1,000,000	600,000

**18 CREDITORS AMOUNT FALLING DUE WITHIN ONE YEAR**

	2012	2011
	£	£
Loans from subsidiary company	3,049,340	34,490
Finance lease obligation	152,492	142,523
Trade creditors	1,335,294	792,884
Social security and other taxes	116,127	80,931
Accruals and amounts received in advance	4,930,304	2,997,172
Group relief payable	491,201	410,460
Other creditors	731,414	450,415
Corporation tax payable	75,622	-
	<b>10,881,794</b>	<b>4,908,875</b>

The company has provided a debenture and cross-guarantee to Lloyds Bank in respect of monies owed by Good Energy Gas Limited. At 31 December 2012, the total monies owed subject to the arrangement were £Nil (2011 £Nil)

**GOOD ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

**19. CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR**

	2012	2011
	£	£
Loans from subsidiary companies	-	98,742
Finance lease obligation	<u>120,912</u>	<u>273,404</u>
	<u><b>120,912</b></u>	<u><b>372,146</b></u>

**20 BORROWINGS**

**a. Finance lease liabilities**

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default

	2012	2011
	£	£
Gross finance lease liabilities - minimum lease payments		
No later than 1 year	166,200	166,200
Later than 1 year and no later than 5 years	124,650	290,850
Future finance charges on finance lease liabilities	<u>(17,446)</u>	<u>(41,123)</u>
<b>Present value of finance lease liabilities</b>	<u><b>273,404</b></u>	<u><b>415,927</b></u>

The present value of finance lease liabilities is as follows

	2012	2011
	£	£
Less than one year	152,492	142,523
Between one and five years	<u>120,912</u>	<u>273,404</u>
	<u><b>273,404</b></u>	<u><b>415,927</b></u>

**b. Intercompany borrowings**

Loans from fellow subsidiaries are unsecured and bear interest at 2.5% above base rate

## GOOD ENERGY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

#### 21. OPERATING LEASE COMMITMENTS

The company leases building space for its offices under non-cancellable operating lease agreements. The lease terms are for 8 year years. The future aggregate minimum lease payments under non-cancellable operating leases are as follows

	2012	2011
	£	£
Less than one year	150,009	197,257
Between two and five years	325,020	520,083
<b>Total</b>	<b>475,029</b>	<b>717,340</b>

The company also has an operating lease for the hire of telephone equipment which runs for a minimum of two years. The future aggregate minimum lease payments under non-cancellable operating leases are as follows

	2012	2011
	£	£
Less than one year	47,119	40,148
Between two and five years	6,971	47,119
More than five years	-	6,971
	<b>54,090</b>	<b>94,238</b>

#### 22. POST-EMPLOYMENT BENEFITS

The company is committed to contribute to the personal pension plans of all staff. The annual charge for the year was £146,774 (2011 £157,019). At the year end, pension contributions of £26,910 (2011 £19,890) were outstanding.

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

#### 23. RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of Good Energy Group PLC and has taken advantage of the exemption conferred by Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) not to disclose transactions with Good Energy Group PLC or its subsidiaries.

**GOOD ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

**24. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The immediate and ultimate parent undertaking and controlling party is Good Energy Group PLC, a company incorporated in England and Wales

Good Energy Group PLC is the parent undertaking of the largest and the smallest group of undertakings to consolidate these financial statements. The consolidated financial statements of Good Energy Group PLC can be obtained from

Monkton Reach  
Monkton Hill  
Chippenham  
Wiltshire  
SN15 1EE