

*good energy*

# ANNUAL REPORT & FINANCIAL STATEMENTS 2016

Good Energy plc  
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www.goodenergy.co.uk

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# Contents

## **Annual Report**

<b>Good Energy - 2016 highlights</b>	<b>1 – 5</b>
<b>Strategic Report</b>	<b>6 – 21</b>
Chairman's Statement	7 – 8
Strategic Review	9 – 12
Corporate Responsibility	13 – 14
Chief Executive's Review	16 – 18
Chief Financial Officer's Review	19 – 20
Approval of Strategic Report	21
<b>The Good Energy Group PLC Board</b>	<b>22 – 23</b>
<b>Directors' Report</b>	<b>26 – 30</b>
Corporate Governance Report	31 – 39
Directors' Remuneration Report	40 – 47
<b>Independent Auditors' Report to the members of Good Energy Group PLC</b>	<b>48 – 51</b>

## **Financial Statements**

Consolidated Statement of Comprehensive Income	53
Consolidated Statement of Financial Position	54
Parent Company Statement of Financial Position	55
Consolidated Statement of Changes in Equity	56
Parent Company Statement of Changes in Equity	57
Consolidated Statement of Cash Flows	58
Parent Company Statement of Cash Flows	59
Notes to the Financial Statements	60 – 103
Directors and Corporate Resources	104

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# ≡ 2016 ACHIEVEMENTS ≡

All our energy became  
carbon neutral



NET PROMOTER  
SCORE +45

EMPLOYEE  
ENGAGEMENT  
INCREASED TO

82%



SELECTRICITY  
BUSINESS PROPOSITION

Good Energy launched the UK's first peer to peer platform for buying and selling renewable electricity, enabling commercial customers and renewable generators to trade electricity online themselves.



OUR COMPETITIVE  
ADVANTAGE

Story & Brand

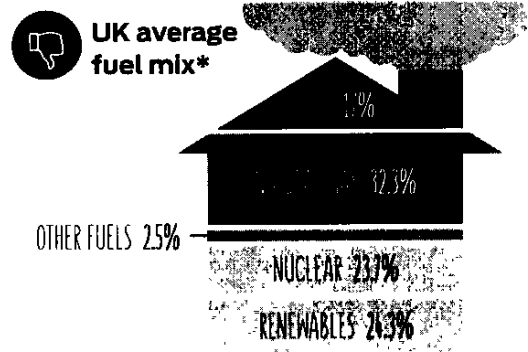
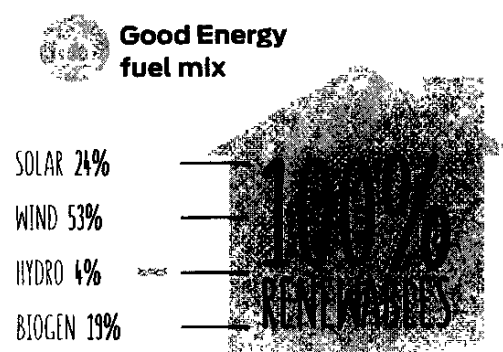
Green Credentials

Innovation

\*2016 average net promoter score

## Who are we?

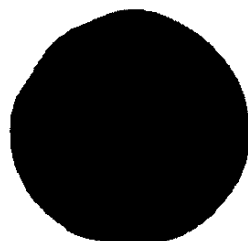
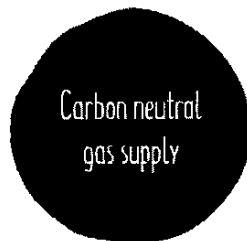
Good Energy is a fast growing, 100% renewable electricity supply and generation company, offering award-winning customer service.



\*1st April 2015 - 31st March 2016  
Source: DBEIS fuel mix disclosure table

## Good Energy's purpose

To tackle climate change and help the UK achieve energy security



## Good Energy's ambition

To accelerate a zero carbon future through improved profitable growth and growth of the supply business and increasing our customer propositions.

## Our objectives

In 2015

We set a five year growth target expressed as customers (household equivalents)

2020 Growth target of:

900K\*

\*Domestic Customer Equivalents

In 2016

We revised our target after concluding it should be:



Sustainable profit growth



Enhanced customer service

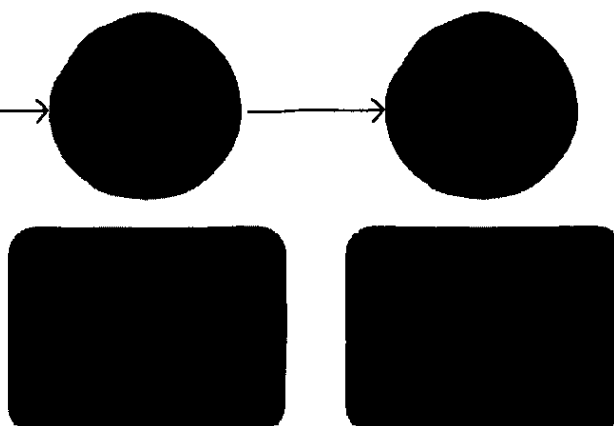
## Our focus

2017  
+ Beyond

Streamline our operating model, continue to grow the supply business, change the focus for our generation business and offer new propositions meeting customers' demands.

Protect & Grow  
Core Business

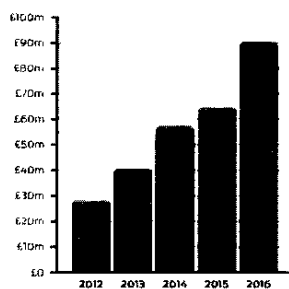
- Optimise our new CIS
- Refine operational model
- Smart & digital upgrades
- SME customer growth



## Good Energy - 2016 financial highlights

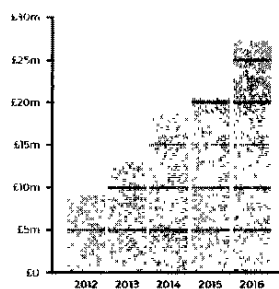
Revenue:

up 41%  
to £90.4m



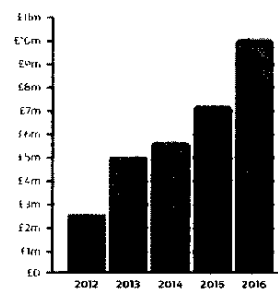
Gross profit:

up 38%  
to £28.2m



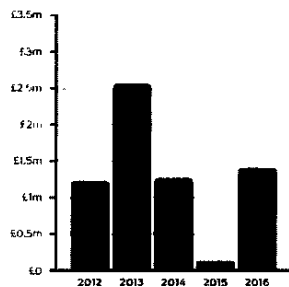
EBITDA:

up 39%  
to £10.1m



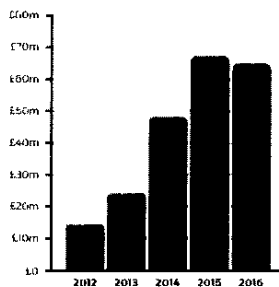
PBT:

up to £1.4m



Non current assets:

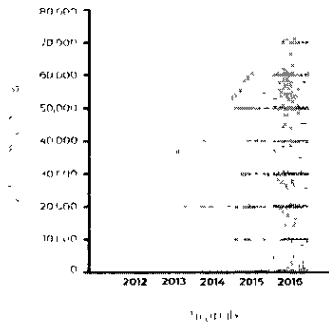
at £65.3m



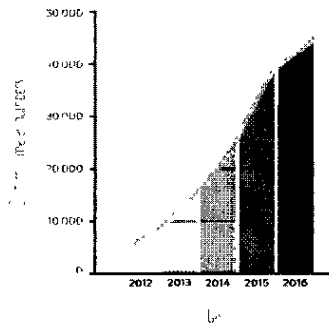
“We have strengthened our financial position and improved cash generation”

- Cash balance up to £6.3m (2015: £4.8m)
- Net debt down to £52.2m (2015: £54.0m)
- Basic earnings/ (loss) per share 9.1p
- Total dividend for the year maintained at 3.3p

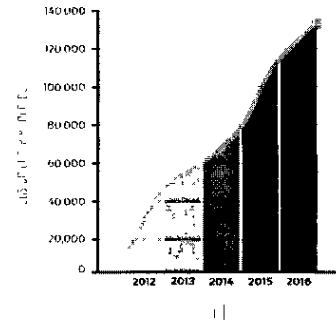
## Customer meter growth



- Electricity customer numbers grew to 71,486



- Gas customer numbers rose 14% to 44,107



- Feed-in Tariff administration sites grew 18% to 133,012

## Generation & Development

- 52MW of fully operating generation assets

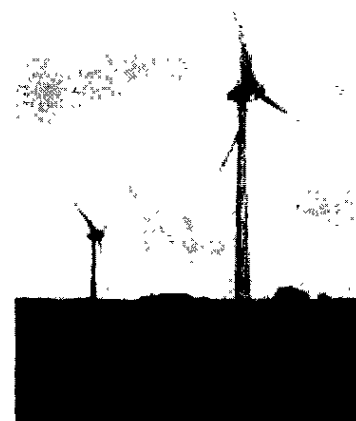
- Wrotham Heath sold for a £0.5m profit

- Over 150MW of assets developed

- Newton Downs connected in December 2016

- 80.76Wh exported in 2016 – a 5% increase

- Oaklands sale agreed for £5.8m in December 2016



- Our customer meter numbers have continued to grow as we focused on investing in new systems to support future growth, whilst maintaining gross margin levels and realising value from our generation portfolio



# Strategic Report

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Chairman's Introduction 7 - 8

Chairman's Report 9 - 12

Chairman's Responsibility 13 - 14

Chairman's Review 15 - 18

Chief Financial Officer's Review 19 - 20

Approval of Strategic Report 21

6-21



Our Strategic Report for 2016 contains contributions from Good Energy's Chairman, its Chief Executive and its Chief Financial Officer, in addition to a strategic review. Detailed financial information and data can be found in later sections of the document.

## Chairman's Statement

In 2016, Good Energy delivered a robust financial performance in line with market expectations and increased customer meter numbers and engagement, while continuing to invest in the Company to achieve its purpose to tackle climate change in the UK.

Revenue rose 41% to £90.4 million on 13% customer meter growth; operating profit grew 41% to £6.0 million and profit before tax increased from £0.1m to £1.4m, delivering basic earnings per share of 9.1 pence.

Climate change remains a priority for the developed and developing world, with 129 countries ratifying the 2015 Paris Climate agreement including the UK, USA, China and India. The UK has now taken the next steps and approved the fifth carbon budget.

In the UK, there continues to be a high level of public support for renewables, and in 2016 wind generated more electricity than coal. There is continued Government support for innovation in the UK energy market, and the recent alignment of energy and business strategy in the Business Energy and Industrial Strategy Department (BEIS) means there should be a more joined up approach from policy makers.

As the UK energy market evolves, Good Energy continues to invest in the Company. The focus for 2016 has been to improve our digital capabilities. This year, we updated our customer website and delivered the first stage of our new customer information and billing system (Customer System), with additional Customer System rollouts planned throughout 2017. This combination will allow Good Energy to reduce cost, deliver an improved customer experience, test new marketing channels for investment in growth and support the Company's roll out of the Smart Metering program.

In the final quarter of 2016, the UK energy market experienced a period of heightened volatility, driven

“We are focussed on growing profitably, understanding our customers' needs and delivering 100% renewable and carbon neutral solutions to more UK customers”

by a number of internal and external market factors, which in part led to the collapse of GB Energy. While Good Energy is not immune from these conditions, our vertically integrated business model, together with a prudent hedging policy, helped to mitigate the impact of these factors, enabling the Company to deliver a profit before tax of £1.4m, in line with market expectations.

Good Energy was set up to help people tackle climate change through their choice of energy supplier, and we remain a purpose and customer led organisation. We demonstrate this through our continued commitment to 100% certified renewable electricity and our launch, in 2016, of a carbon neutral gas offering; our customer advocacy or average net promoter score (NPS) of 45; and our oversubscribed retail share offering where we welcomed over 1,800 shareholders from our £3.1m share raise in June 2016.

In 2015, Good Energy outlined growth targets that would be built off a combination of improving efficiency and developing customer focussed propositions and innovation. In 2016, the Company continued to make strides to prepare itself for further growth through continued investment in systems, and generation portfolio, the launch of Selectricity and our successful share raise, as highlighted in the 2016 Progress Report.

Good Energy recognises that its growth target is ambitious. While other market participants have delivered high growth rates through low pricing, this comes with risks. Good Energy's focus is on growing profitably through efficiency, new propositions and innovation, all underpinned by an understanding of our customers' needs. Through profitable growth Good Energy will deliver 100% renewable and carbon neutral solutions to more UK customers, further reducing the UK carbon footprint in line with the Company's purpose.

Therefore, the Board has concluded that it is more appropriate to express its ambition in terms of delivering sustainable profitable growth and enhanced customer service, as this is more aligned to our focus on delivering increased shareholder value. As a result, Good Energy will look to streamline its operating model to drive further improvements in costs to serve, above and beyond that which comes from economies of scale from additional revenue growth, which has meant some changes in our senior leadership team and will mean that David Brooks, Managing Director - Supply, will leave Good Energy on April 7th. We would like to thank David for the significant contribution he has made since joining Good Energy and wish him all the best.

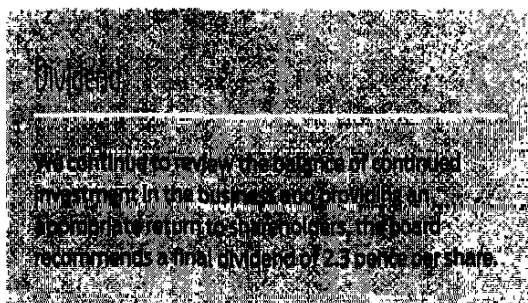
In line with this focus, Good Energy continues to invest in the leadership and capability of our management team and Corporate Governance. Ensuring the team has the right skills and capability to support our employees is important in order for us to achieve our ambitions, and the Company continues to shape and develop this as we grow and mature.

Francesca Ecsery has informed the Board of her intention to step down as a Non-Executive Director over the coming year. As part of ongoing succession planning, the Nominations Committee has commissioned a search for a new Non-Executive Director and this is well-advanced. Francesca will remain a member of the Board until her successor is appointed. Francesca joined the Board in 2012, since then the Company has benefitted from her consumer expertise and strategic counsel. The Board would like to thank Francesca for her valuable contribution and wishes her well in the future.

In addition, Good Energy has made good progress in 2016 on our Corporate Governance practices. This combination is key to the future success of Good Energy.

We have had an encouraging start to 2017, with the completion of the sale of Oaklands and trading in line with market expectations.

The UK Energy market remains an attractive sector, with exciting opportunities in the future, and Good Energy continues to deliver sound financial, operational and strategic performance. This would not have been possible without the commitment of all of Good Energy's employees and the continued support from our customers and shareholders. On behalf of the Board, I would like to thank you all.



**John Maltby**

Chairman  
27 March 2017

## Strategy Review

In 2015, we set a five year growth ambition which was expressed in terms of achieving a target number of customers (household equivalents). The Board has now concluded that it is more appropriate to express its ambition in terms of delivering sustainable profitable growth and enhanced customer service, as this is more aligned to our focus on delivering increased shareholder value.

In 2015 and 2016, we have focussed on building the capability and systems required to support the

delivery of sustainable profitable growth, through strengthening our capability in sales & marketing, and with the investment in systems, including the first stage roll out of our new Customer System in January 2017. One of the focuses for 2017 and beyond is to streamline the operating model of the business and to drive further improvements in costs to serve above and beyond that which comes from economies of scale from additional revenue growth.

### Strategic pillar

### 2016 Progress

**Drive down cost to serve, improve customer experience**

Improved customer experience with investments in new Customer System, middleware and website

**Build a platform for 2020 growth**

Sold the 5MW Wrotham Heath solar site for £0.5m profit and announced the sale of Oaklands solar site for £5.8m, reinvesting the proceeds into our development portfolio, appointed Head of Digital Marketing and Brand

**Create compelling and differentiated propositions**

Launched Selectricity, published our first Progress Report on environmental performance, launched Green Gas

**Drive scale, brand awareness and profitability**

Connected Newton Downs solar farm, REA customer service and company of the year awards, successfully completed an oversubscribed customer share offer

Initiatives are underway to simplify the operating model and to align it to support the strategic focus of the business. These changes reflect the focus on continuing to grow the supply business, building on our strong customer franchise and a change in the focus for our generation business, where we will move away from looking at new developments and instead deliver security of renewable energy supply from partnering with other providers and introducing new sources of renewable energy into our mix.

As a consequence of these changes, we will deliver improved efficiencies, enhanced customer service, focussed risk management and create the capacity to invest in areas where we see opportunities for future growth.

Our ambition, and these initiatives, are supported by our strategic pillars of: driving down cost to

serve, improving customer experience; building a platform for 2020 growth; creating compelling and differentiated propositions; and driving scale, brand awareness and profitability.

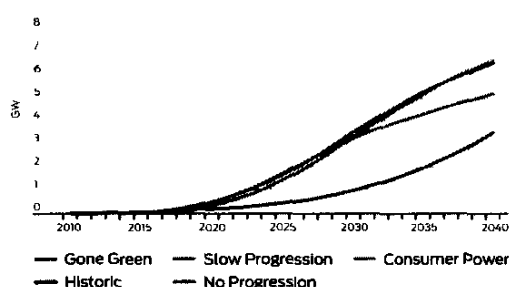
Over the period, the Company has continued to make progress towards delivering on our ambitions in each of the strategic pillars.

The UK energy market is competitive. In 2007 there were eight domestic suppliers, by the end of 2016 this had risen to 50, an increase of over 500%. Good Energy has always sought to differentiate itself in the market not just by offering 100% certified renewable electricity, but through our focus on the customer and our people. We continue to see demand in the UK energy market for ethical companies that offer a value based proposition for sustainable energy.

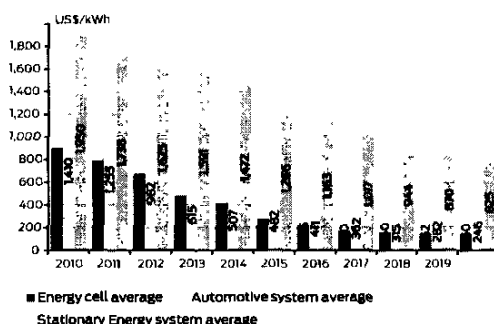
Since 2014, the UK's cumulative installed renewable capacity has increased by 35% to over 33GW. While the trajectory of renewable generation growth may flatten in the short to medium term as a result of changes in Government policy, the UK renewable energy market continues to evolve due to the:

- decreasing cost of renewable generation and battery storage;
- electrification of heat and transport networks;
- roll out of Smart Meters; and
- sustainability ambitions of large corporates as demonstrated by the RE100.

#### EVs' peak demand



#### Lithium-ion battery costs are falling



These trends, combined with Good Energy's customer focus, Feed-in-Tariff (FIT) customer base and competitive advantage, present opportunities. In order to take advantage of these opportunities, Good Energy will continue to focus on our strengths, efficiencies and customers relationships.

A key component of improving Good Energy's efficiency and customer relationships will be expanding our digital footprint.

With the first phase of the Customer System in place, Good Energy is focussed on implementing the next phases through 2017. Once the Customer System is fully operational, Good Energy will be able to test different marketing channels, enhance our customer experience, offer innovative tariffs to the market and drive internal efficiencies.

Good Energy's brand, compelling proposition and history of Innovation mean that the Company is well placed to provide personalisation to its different customer segments and develop tech savvy propositions for its customer base. Good Energy is trusted by its customer base, and new smart technology is an area in which over 25% of Good Energy customers surveyed have said they are interested.

#### Key Performance Indicators

Good Energy measures its progress with a number of key performance indicators (KPIs). We have highlighted nine KPIs across the four key areas of Customer, Operations, Financial and People, which enable us to report on and track our progress. In 2016 we added the ratio of revenue per employee to the Operations KPIs, and operating margin to the Financial KPIs.

#### Customer

Customer KPIs monitor how the Company is delivering its growth strategy, as well as customer advocacy and focuses on growth, annualised average customer churn and average NPS.

Customer KPIs	2016	2015
Net customer meter growth	13%	44%
Average annualised churn	<8.5%	<8.0%
Average NPS	45	42

2016 net customer growth was lower than 2015, due to the Company taking the decision to slow its growth in the final quarter of 2016 as the first phase of the Customer System was implemented, and the impact of the Big Deal customers who joined Good Energy as part of the 2015 collective switch.

The collective switch in November 2015 was the first by Good Energy, adding approximately

10,000 customers. It presented Good Energy with an opportunity to test and learn about collective switching as we look to grow in the future. As expected, the collective switch customers did see higher churn, as the business model of collective switching agents is to continually switch customers. Good Energy will be considering how to use collective switches in the future, depending on the final outcome.

The impact of the collective switch customers and lower growth meant that our average annualised customer churn rose slightly for the 2016 period, to below 8.5% from less than 8.0% in 2015.

NPS measures how likely a customer is to recommend Good Energy, our products and services. It is a key indicator of customer advocacy, and Good Energy is extremely proud of the increase in its average NPS score from 42 to 45.

## Operations

Operational KPIs focus on the efficiency of the Company. While internally we continue to monitor cost to serve and cost per acquisition, we also monitor administration cost (including depreciation and amortisation) growth and the ratio of revenue per employee, which enables us to review performance and assess operational efficiency.

Operations KPIs	2016	2015
Administration cost (including depreciation and amortisation) growth	27%	14%
Revenue per employee	£284k	£233k

Administration cost (including depreciation and amortisation) growth should be compared with gross and operating profit growth to understand how growth in the business is being supported

Over the period, Good Energy has grown gross and operating profit 29% and 41% respectively, while administration costs have only grown 27%. The 2016 administration cost growth is a mix of:

- 12% variable and semi-variable overheads;
- 6% costs associated with investment for growth, such as the Customer System; and

- 9% for other fixed overheads.

The increase in growth of operating profit, compared to gross profit, implies that Good Energy is leveraging our cost base.

The ratio of revenue per employee is compared to our average NPS to make sure that the balance between efficiency and customer advocacy is appropriate.

This is the first time we have outlined this figure and in 2016 this implied a ratio of £284k per employee, an improvement of £51k per employee on 2015, and is particularly pleasing given the increase in average NPS over the period.

## Financial

Financial KPIs focus on the profitability of Good Energy, as the Company seeks to deliver profitable growth to our stakeholders.

Financial KPIs focus on revenue growth, gross and operating margins.

Financial KPIs	2016	2015
Revenue growth	41%	12%
Gross margin	30%	33%
Operating margin	7%	7%

2016 has seen robust revenue growth, a decrease in gross margins and maintenance of our operating margin.

Revenue growth was driven by the full year impact of the 2015 collective switch customers, growth in FIT customers and business volumes.

Our 2016 gross margin decreased due to an increase in lower margin business customers, reduced wind output and volatile trading conditions in Q4 2016.

Our operating margin was maintained as the Company grew and invested for the future.

## People

People KPIs focus on Good Energy employee engagement. This is an important factor, as we look to attract the best people to support our customer service proposition and achieve our ambitions.

People KPIs	2015	2016
Employee engagement	82%	78%

As a customer focussed organisation, it is critical that our employees are engaged and feel a connection to the Company's values, purpose and strategy.

In 2015, Good Energy performed its first employee engagement survey. The survey included Gallup 12 questions, which are used by the Times Top 100 Companies, and gives the Company information to benchmark itself with other organisations across different industries and identify areas for improvement. We have used the feedback to help us improve in certain practical areas like working environment, systems and training, and we are pleased with the improvement between 2015 and 2016.

“We continue to strengthen our operational platform through investing in Smart, digital capabilities and new customer propositions”



## Corporate Responsibility

Good Energy is committed to doing the right thing. This means that we seek to make a positive difference to the environment, communities, customers, investors and our people, and this commitment extends to all parts of the business. In practice, it's about living up to our own ethical standards in everything we do, for example by:

- treating customers fairly;
- investing in local communities;
- managing the environmental impacts of our own operations and supply chain;
- looking after the wellbeing and development of employees.

We do this because it's the right thing to do, but also because it helps protect our reputation, is core to our purpose and sets us apart from other suppliers in an increasingly competitive 'green energy' market.

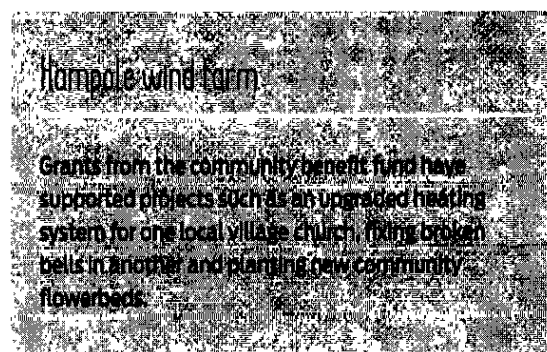
### Customers

Our customers are the key to our business, its growth and success, so we put them at the heart of every decision we make and action we take. We listen to our customers to ensure that we fully understand their needs, and act on the information provided to ensure that we always do our best to meet the needs of both the customers and our business.

### Communities

- **Supporting education and employment:** We are working with Wiltshire College and local schools to support education and employment in the local area. We hosted a group of business students from the college to give them a taste of what working at Good Energy is like, and have introduced a new apprenticeship scheme which offers exciting opportunities to join our teams.

- **Bath Rugby HITZ:** Participants from Bath Rugby Foundation HITZ visited us to hear about our renewable purpose, before visiting a solar farm. The HITZ programme works with young people near Bath who are not in education, employment or training, helping to build their confidence and get them back on track.
- **Investing in communities:** Wherever we work, we strive to have a positive impact on local communities and the environment. Around Woolbridge solar farm in Dorset, we ensured a full biodiversity programme was in place, including 2,000 new trees, 7,000 hedgerow plants, bird and bat boxes, a wildlife hibernaculum and a new grassland and wildflower meadow. We also fitted solar PV systems at three local primary schools. We provide community benefit funds through a '£ per megawatt' formula at all of our wind and solar farms, which support local charitable and community projects for the lifetime of the solar or wind farm. For each fund, a committee of local people review the funding applications and recommend how the grants should be allocated. The Hampole wind farm in South Yorkshire will generate investment in the local community worth more than £200,000 over its lifetime.



Hampole wind farm

Grants from the community benefit fund have supported projects such as an upgraded heating system for one local village church, fixing broken bells in another and planting new community flowerbeds.

## Suppliers

As an ethical business, we select and perform due diligence on potential suppliers to ensure that their business practices promote and support our purpose: consideration is given to price, quality, timeliness of delivery and the ethical credentials of each potential supplier.

Good Energy is committed to reducing resource consumption across the business. We avoid the use of printed material where possible by encouraging digital forms of communication, purchasing paper that is certified by the Forest Stewardship Council as being made from wood pulp sourced from sustainably managed forests and is totally chlorine-free or processed chlorine-free and, where possible, our print suppliers use vegetable-based printing inks and avoid use of Volatile Organic Compounds, for print press cleaning and other harmful chemicals.

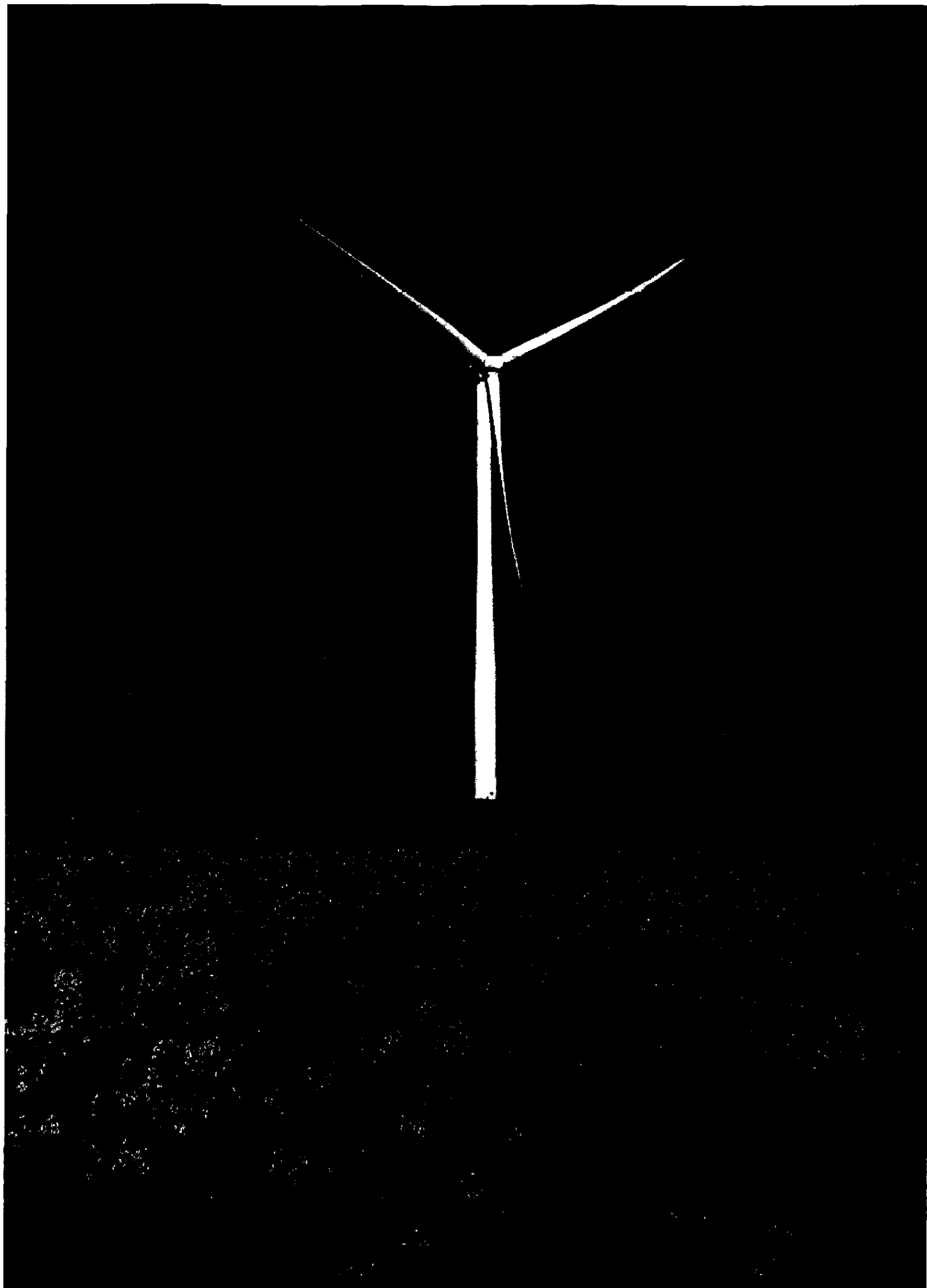
## Our people

**Health and wellbeing:** From lunchtime sports clubs, to providing fresh fruit each week, we do what we can to keep our employees healthy and happy. Good Energy offers subsidised gym memberships, as well as lunchtime football, badminton and squash.

**Active travel:** Our Active Travel Champions have been trained by Sustrans, the sustainable travel charity, to promote cycling and walking. They organise lunchtime bike rides, safety training, run our folding bike scheme and encourage staff to make the most of pedal power. Good Energy operates the Bike to Work scheme which helps employees spread the cost of a new bike.

**Training and development:** As part of the induction process, every new starter visits one of our solar farms, learns about our unique trading process and takes part in a values workshop, which provides a solid foundation and understanding of who we are and what we do. During 2016, we introduced a learning library and series of "lunch'n'learns" covering a broad range of topics. We also launched our Leadership Development Plan, to allow all leaders to continue to develop their skills. We are often able to fill roles internally, and many of our employees began in entry level roles and have progressed to management or leadership positions within the Company. Our "Pathways to Progress" career development tool enables employees to follow a clear and structured career journey within the Company.

**Gender equality:** We are committed to attracting women to work across the energy sector, and are proud that our Board and the Executive team have an equal split of men and women, with the female to male ratio across the Group being even higher at 52:48. We are working to ensure that we provide all employees with equal opportunities to achieve their full potential.



## Chief Executive's Review

In 2016, Good Energy delivered growth of 41% in revenue, 29% in gross profit and 41% in operating profit, while managing the challenges of an increasingly competitive UK energy market and volatile wholesale energy market.

By being a customer focussed organisation, Good Energy has created a business model that is delivering financial returns for our shareholders, allowing us to invest in our people and systems, and deliver on our purpose.

Good Energy's key competitive advantages can be split into five areas:

- Our story and brand - since 1999 we have been offering customers the opportunity to combat climate change through their choice of energy supplier;
- Our green credentials – we offer 100% certified renewable energy and carbon neutral gas;
- Our customer focus – affordable energy delivered with excellent customer service;
- Our people and values – through our employee engagement score; and
- Our track record in innovation – since our inception we have successfully launched HomeGen, Renewable Heat Incentive Scheme and Selectricity.

These provide the basis for the future growth of Good Energy, with the principal risks and uncertainties faced by the business set out on pages 27 and 28 of the Directors' Report.

## Supply

In 2016, total customer meter numbers grew 13% to 248,605 (2015: 219,479), with electricity customer meters growing 5% to 71,486 (2015: 68,024), gas customer meters growing 14% to 44,107 (2015: 38,838) and FIT customer meters up 18% to 133,012 (2015: 112,617).

While total customer meter growth in 2016 was lower than 2015, Good Energy delivered significant growth in business supply volumes of over 95% and added over 20,000 new FIT customers in 2016.

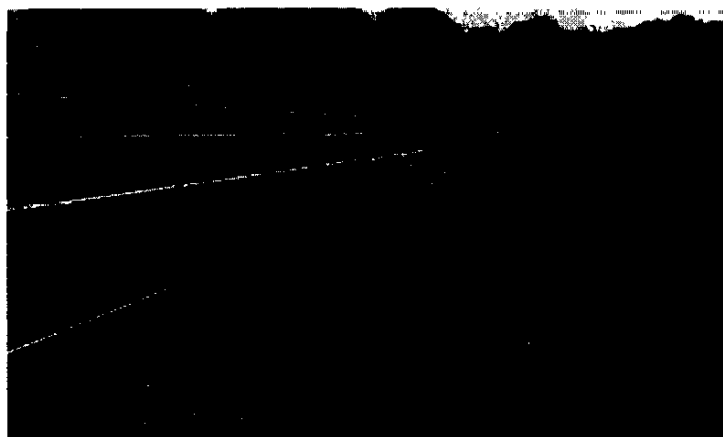
During the year, the UK experienced heightened volatility in the short term UK power trading market due to several market factors, including unplanned maintenance work with French nuclear plants combined with lower than normal renewables generation and some irregular generation activities. As an electricity trader, Good Energy was operating in this challenging market. However, the Company's risk management and hedging policy mitigated the impact on the Company.

To support our growth, Good Energy has continued to invest in systems with over £1.7m invested in our Customer System and the relaunch of our customer website to improve our customers' experience, and in people with the appointment of Hannah Darby as the Head of Digital, Marketing and Brand.

Further phases of the Customer System will be implemented through 2017 and, once complete, Good Energy will have a system that is capable of driving scalable growth and internal efficiencies. The system will also allow Good Energy to test new marketing channels and assist us to meet our Smart obligations, as well as offering a platform for future customer propositions.

Good Energy's growth targets are ambitious. While UK energy market participants have traditionally used price as the primary driver for growth, the consequence of this has caused some companies to exit with volatile market conditions

In order to achieve our ambitions and deliver on our purpose, Good Energy needs to protect and grow its core business, build momentum in new business, and generate future business opportunities. All of this is underpinned by developing deeper relationships with our customers.



Good Energy recognises that growth will be in an evolving UK energy market, but this is nothing new for us. Good Energy is well placed to protect and grow our core business with our vertically integrated business model, customer focus, brand, green credentials, trading capability and track record of innovation.

The Company has identified the following three areas to build momentum in new business and generate future business opportunities. These are:

- battery storage - developing and delivering propositions for our business customers and renewable generators;
- electric vehicle network development - to enable customers to be able to experience the full benefits of electric vehicles (EVs); and
- green business consultancy - traditionally not a target audience for Good Energy to supply, due to their large size or operating domain, but with our commitment to reducing carbon with our expertise in trading and generation, we are well placed to support businesses looking to meet their sustainability goals.

These areas play to Good Energy's competitive advantages and will support the Company's growth ambitions, as well as lowering the UK's carbon footprint, which is our purpose.

Alongside Good Energy's robust 2016 financial performance, the Company has also increased its average NPS and employee engagement KPIs. As a customer focussed organisation, these KPIs are important. They provide feedback on customer advocacy and how Good Energy employees are engaged with our purpose and values, and it is heartening to see the increase in these measures over the year.

## Generation and development

In 2016, Good Energy continued to develop, manage and review its wind and solar generation sites to both secure access to long term power and realise value where appropriate, enabling us to reinvest in our portfolio.

Export from Good Energy's owned sites increased 5% to 80.7GWh in 2016, from a portfolio of 52MW made up of solar (35MW) and wind (17MW) assets. While wind output was down approximately 16% compared to 2015 due to lower wind resource, solar output increased 54% due to full year production from sites connected during 2015.

“Our focus is on protecting and growing our core business and on delivering new propositions for electric vehicles, storage and business consultancy”

Good Energy continued to develop and actively manage our generation sites to both secure access to long term power, and realise value where appropriate, to enhance returns. During 2016, we have been constructing two 5MW solar sites, with Newton Downs connected at the end of the year, and Brynwhilach expecting to be connected before the end of March 2017.

Good Energy successfully sold Wrotham Heath pre construction to Trina Solar Group for a profit of £0.5m in 2016, and agreed the sale of our 5MW Oaklands solar site to Eneco UK Limited for £5.8m in December 2016, with the transaction completing in January 2017.

Oaklands was the first sale of a site fully constructed and developed by Good Energy and clearly showcased the capabilities of our generation team. Good Energy will continue to provide management services to Oaklands, and we retain an option to purchase up to 50% of the site's power.

Over the short to medium term, Good Energy will continue to develop its wind assets in Cornwall and Scotland, as well as to look to realise value from its existing solar development portfolio.

Good Energy was pleased with the conclusions of the Rt Hon Charles Hendry's independent review into the feasibility and practicality of tidal lagoon energy in the UK. The report concluded that tidal lagoons have a vital role to play in powering UK homes and businesses. Good Energy's investment in Swansea Bay Tidal Lagoon plc allows us to purchase up to 10% of the output from the scheme, and we look forward to the Government incorporating tidal lagoons into their industrial and renewable strategies in response to the 5th Carbon Budget.

## Research partnerships and innovation development

*Good Energy has a history of innovation.*

In 2016, we continued this tradition with the launch of Selectricity, the UK's first peer to peer platform for buying and selling renewable electricity, enabling commercial customers and renewable generators to trade electricity online themselves. Selectricity commercialised following the successful trial in late 2015 and early 2016 between Open Utility and Good Energy.

In 2016, Good Energy signed a Memorandum of Understanding with the UK clean fuel company, ITM Power, and is supplying 100% certified renewable electricity to one of ITM's refuelling stations. We are also working with the Smart Fintry Project to deliver affordable sustainable energy to Fintry residents by enabling the purchase of power directly from nearby renewable energy generators.

As the UK energy market evolves, Good Energy will continue to develop innovative partnerships and projects to broaden our offering to customers.

## Sustainable development goals

Good Energy is committed to serving all of its stakeholders, fulfilling our responsibilities to society and delivering sustainable returns to our shareholders, while also ensuring that the Company is a social and environmental force for good.

Like other progressive, values-driven businesses, Good Energy has undertaken some early work to consider the relevance of the United Nations

Sustainable Development Goals (SDGs). For example, the Company has started to use the SDGs to inform the evolution of the Good Energy brand and to guide formal decision-making in the business.

Where Good Energy is considering doing something new or differently, we believe the SDGs can be a helpful reference point. Good Energy has also started to test the SDGs as a framework for external reporting as part of our most recent annual submission to the Social Stock Exchange.

## Outlook

2016 was focussed on investment in systems to support the continued growth of the business, maximising the value of the generation assets and continuing to build capability in key areas of the Company.

The end of 2016 and the beginning of 2017 have seen price rises from a number of UK energy companies as a result of upward pressure on wholesale, regulatory and transportation costs.

In 2017 we will look to simplify our operating model, deliver further efficiencies in cost to serve, grow the supply business and reduce activity in our generation business. This will be done by continuing our digital journey with the full rollout of the Customer System, streamlining processes enabling us to invest in Smart and the areas where we see potential for growth in an evolving marketplace.



**Juliet Davenport**

Chief Executive  
27 March 2017



# Chief Financial Officer's Review

## Financial performance overview

Good Energy has continued to deliver customer meter growth, albeit at a slower level than in previous years, as we focused on investing in new systems to support future growth, maintaining gross margins and realising value from its generation portfolio.

It delivered a profit before tax of £1.4m, up £1.3m on 2015 which was in line with market expectations. Revenue grew by 41%, reflecting the addition of Big Deal customers in the second half of 2015 and continued growth in generation revenue. Underlying customer growth was steady at 13%, and gross margin remained strong at 30%. Total assets grew by 10% reflecting the continued growth of the supply business. The Company had cash balances of £6.3m at the year end and borrowings were in line with 2015 levels at £61m.

Total administration costs (including depreciation and amortisation) grew 27%, with growth in variable and semi variable costs of 12%, investments for growth of 6% and an increase in fixed overheads of 9%.

Profit before tax of £1.4m was up £1.3m on 2015, with strong growth in profitability of 35% in the Supply Business.

## Financial performance by segment

The Supply business delivered a profit before tax of £5.0m in 2016, up by £1.3m from 2015. Revenue grew by 41%, with gross margin down 1% to 28%. Overall customer meter numbers grew by 13%, with the underlying customer base (excluding the Big Deal) growing at 16%, reflecting continued strong growth in business customer volumes and an increase in the market share of our Feed in Tariff customer meters. Retention remained strong, as average annualised churn for domestic customers was below 8.5%.

In the period from the end of October to the end of November, we saw an exceptional level of volatility in power prices, reflecting lower supply as a consequence of the French nuclear generators being taken out of action, and lower wind generation than in previous years. Although we operate a prudent hedging policy, these exceptional trading conditions impacted the performance of the Supply business in this period and, together with the strong growth in lower margin business sales, contributed to the reduction in gross margin.

The Supply business generated a positive cash flow in 2016.

The Generation business delivered a loss before tax of £2.2m, compared to a loss before tax of £0.6m in 2015. This reflects lower wind output in 2016 than in 2015 and the removal of the benefit of levy exemption certificates (LECs) from 1st August 2015, which had a full year cost impact of £0.4m. Overall, Generation revenue grew by 5%.

The Development business reported a loss before tax of £0.6m, an improvement of £1.5m on 2015. The results for 2016 included a profit from the sale of Wrotham Heath of £0.5m and write offs of £0.2m. The 2015 results included profit before tax of £0.1m in relation to site sales, and a write-off of £0.6m for sites no longer to be developed.

As a result of the strategic review undertaken during 2015, the Development team has been reduced in size going forward to reflect the change in focus, with a reduction in investment in solar development anticipated in the future.

## Financial position and financing

In 2016, we began the construction of two further solar sites with one connecting in December 2016 and the other expected to be completed ahead of the 31 March 2017 subsidy deadline. The sale of the 5MW Oaklands solar farm to Eneco UK Limited, with the option to purchase 50% of the power, reflects our strategic focus to optimise value from our renewable asset portfolio.

In March 2016 we agreed an increase in our overdraft facility with Lloyds Bank from £5.0m to £7.5m. This had £0.7m drawn against it as at 31 December 2016, but gives us flexibility to support the growth and seasonality of the cash flows of the business.

A new loan facility was also agreed with RBS to finance the investment in the new billing system. No further drawdowns have been made against the long term fixed rate funding facility.

Good Energy's 4-year bond, issued in November 2013, is due to mature in November 2017. The Company has the option to redeem this bond, replace it with another bond or roll on the bond for another 12 months, subject to any redemption

notices that may be received from bondholders, and is currently reviewing the most appropriate option. As a consequence of the existing bond's terms ending within the next twelve months, the facilities' outstanding balance of £15.1m has been reclassified as a current liability and the balance sheet, as a result, shows a net current liability position of £3.4m as at 31 December 2016, compared to a net current asset position of £5.8m in 2015. The balance sheet is expected to return to a net current asset position for the year ended 31 December 2017.

In June 2016, we launched a share offer which raised £3.1m gross, and was oversubscribed. This reflects our continued commitment to encourage customer ownership of the business. Following the share raise, the yearend gearing ratio for the business is 71% compared to 76% in 2015.

Good Energy continually reviews the funding requirements for the business to ensure that it can meet its strategic growth objectives with appropriate funding products, taking into account the cost of capital, duration and overall gearing levels.

In 2016, the Company implemented the first phase of our Customer System, and commenced *Investment in improving our digital capability*. Good Energy's focus in 2017 is to complete the rollout and full implementation of the Customer System to provide a strong platform for customer growth, improve customer experience and investigate new revenue channels, as the UK energy market continues to evolve.

Good Energy has seen significant growth in customer meter numbers and financial scale over the last five years, and has maintained its gross margin and customer satisfaction throughout this period. There are opportunities to deliver further efficiencies in both our costs to serve, and our overhead costs, by simplifying our processes and structures, and this will be a strong focus for 2017. This will provide us with a more efficient core

operating business, and create capacity for us to invest in our Smart program and in opportunities for growth in future revenue channels to support our changing customer demands.

## Dividends

The Board's dividend policy is to ensure that there is an underlying dividend cover of at least three times in the Supply business and that any dividend payment, and the amount thereof, is balanced against the need to continually invest in the business for its long term growth.

The Board is pleased to recommend a final dividend of 2.3p per Ordinary Share.

Key financial highlights	2016	2015	Movement
Revenue	£90.4m	£64.3m	+£26.1m
Gross profit	£27.5m	£21.3m	+£6.2m
Operating profit	£6.0m	£4.2m	+£1.8m
Profit before tax and exceptional items	£1.4m	£0.1m	+£1.3m
Net debt	£52.2m	£54.0m	-£1.8m
Basic earnings per share	9.1p	-1.4p	+10.5p



*Denise*

**Denise Cockrem**

Chief Financial Officer  
27 March 2017

## Approval of Strategic Report

A report of the Group's performance during the year, and future developments, is given in the Chairman's Statement on pages 7 and 8, Chief Executive's Review on pages 16 to 18 and Chief Financial Officers' Review on pages 19 to 20.

These areas form the required elements of the Strategic Report presented on pages 6 to 21, and have been approved by the Board of Directors and signed on its behalf by:

The Directors use a number of key performance indicators to manage the business, which are disclosed in the Strategy Review on pages 9 to 12.



A handwritten signature in black ink, reading 'Juliet Davenport'.

**Juliet Davenport**

Chief Executive  
27 March 2017

## Introducing the Good Energy Group PLC Board



**Joined Board:**  
October 2012

**Responsibilities:**  
Member of Audit &  
Risk Committee  
Member of Nominations &  
Remuneration Committee

John Maltby - Non-Executive Chairman (Independent)

John holds a number of roles in UK and international companies including Chairman of the Swedish bank BlueStep Bank, Non-Executive Director of Bank of Ireland UK, and Non-Executive Director and Chairman of Risk & Audit for Tandem Bank plc. Previous roles include CEO of Williams & Glyn, Senior Advisor to Corsair Capital, Group Director of Commercial Banking at Lloyds Banking Group, Group Chief Executive of Kensington Group plc and several senior positions in the financial services sector, including NatWest Group, Barclays Bank and Abbey National.

**Skills and Expertise:** Has a wealth of experience with small businesses and publicly listed companies and a reputation for delivering growth, which is invaluable to the Company as it continues its development.



**Appointed CFO:**  
May 2014

Denise Cockrem - Chief Financial Officer

Denise has held senior finance roles in FTSE 100 companies in the financial services sector including Finance Director for RSA Insurance Group's UK & Western Europe region. She worked as Finance Director for Direct Line Insurance, and her career includes finance roles with Royal Bank of Scotland, Barclays Bank and Ernst & Young. Denise is also a Trustee on the Board of Macintyre, a charity providing learning, support and care for more than 900 children and adults with learning disabilities. She is a member of the CBI South West Council and a Non-Executive Director of Skipton Building Society.

**Skills and Expertise:** A Chartered Accountant with an MA in Law from Oxford, and broad experience in the financial services sector over the last 20 years.



**Appointed CEO:**  
2002

Juliet Davenport - Chief Executive Officer

Juliet started her career in renewable energy at Energy for Sustainable Development Ltd (ESD) in 1995 and was appointed Executive Director of both ESD (now CAMCO) and ESD Ventures Ltd in 1996. Passionate about renewable energy and its potential to impact on climate change, in 2013 she was awarded the OBE for services to the sector. Juliet is highly regarded in the renewable energy industry and has held positions on many strategic and advisory boards, including DECC's Renewable Advisory Board, OFGEM's Environmental Advisory Committee, Ministerial Smart Metering, and Regen SW. She is also a council member of NERC.

**Skills and Expertise:** Worked for a year at the European Commission on European energy policy, then at the European Parliament on carbon taxation and holds a masters in environmental economics.



**Joined Board:**  
September 2016

David Brooks - Managing Director

David joined the Company in September 2015 and is Managing Director of Good Energy's supply business. He was previously at AXA, as Managing Director for the self-investor business and Distribution Director for AXA Sunlife.

**Skills and Expertise:** Has extensive experience of transforming business performance through his leadership of both commercial strategy and his development of people and organisations.



**Joined Board:**  
November 2012

**Responsibilities:**  
Member of Audit &  
Risk Committee  
Member of Nominations &  
Remuneration Committee

### Francesca Ecsery - Non-Executive Director (Independent)

Francesca is an experienced Non-Executive Director with 23+ years' experience in directing both blue chip companies and start-ups in the digital, retail, FMCG, leisure and travel industries. She is an investor in a number of start-ups, acts as advisor in the leisure, travel, retail and digital marketing sectors and is a commercial coach to several entrepreneurs. Francesca is also the founder and Director of Advantage Portugal. Previously, Francesca worked as Global Business Development Director and UK General Manager at Cheapflights Media. Francesca is a Director of Marshall Motor Holdings, Advantage Portugal LLP, Foreign & Colonial Investment Trust plc, Share plc, The Share Centre Limited, Sharefunds Limited and VISTA (Logistik Holdings Ltd).

**Skills and Expertise:** Has extensive experience encompassing consultancy with McKinsey & Co, marketing with PepsiCo, and general management in a range of blue-chip travel companies.



**Joined Board:**  
June 2000

**Responsibilities:**  
Member of Nominations &  
Remuneration Committee

### Martin Edwards - Non-Executive Director

Martin was appointed as a Director of Good Energy Group at its formation. He was instrumental in taking Delabole wind farm – the UK's first commercial wind farm – from concept to completion in the 1990s. Delabole wind farm was acquired by Good Energy Group in 2002 and Martin continued to direct all local operations, maintenance and contract negotiations associated with it. He also played a key role in implementing the £12 million redevelopment of the site during 2010/11. Martin is also a Director of Windelectric Ltd and Windelectric Management Ltd.

**Skills and Expertise:** Has commercial awareness and valuable knowledge of the renewable generation business and key aspects of getting developments completed.



**Joined Board:**  
March 2008

**Responsibilities:**  
Chairman of Audit & Risk  
Committee

### Rick Squires - Non-Executive Director (Independent)

Rick holds a number of Non-Executive board directorships of companies with investments in the renewable energy sector, including Green Investment Bank Financial Services, Milford Haven Port Authority and Green Energy For Education Limited. Until 2009, Rick was the Non-Executive Chairman of Eclipse Energy Company Ltd, a UK-based privately owned wind power company with a development portfolio of approximately 250MW. Rick is also the founder of PiEnergy Ltd providing consultancy and management education services to the energy sector. He has held senior commercial positions with Royal Dutch Shell Group and InterGen, a US-based power developer and producer.

**Skills and Expertise:** Has extensive Non-Executive Director experience, and an overview of the international energy sector with specific focus on the development, construction and operation of renewable energy assets.



**Joined Board:**  
September 2016

**Responsibilities:**  
Chair of Nominations &  
Remuneration Committee

### Emma Tinker - Non-Executive Director (Independent)

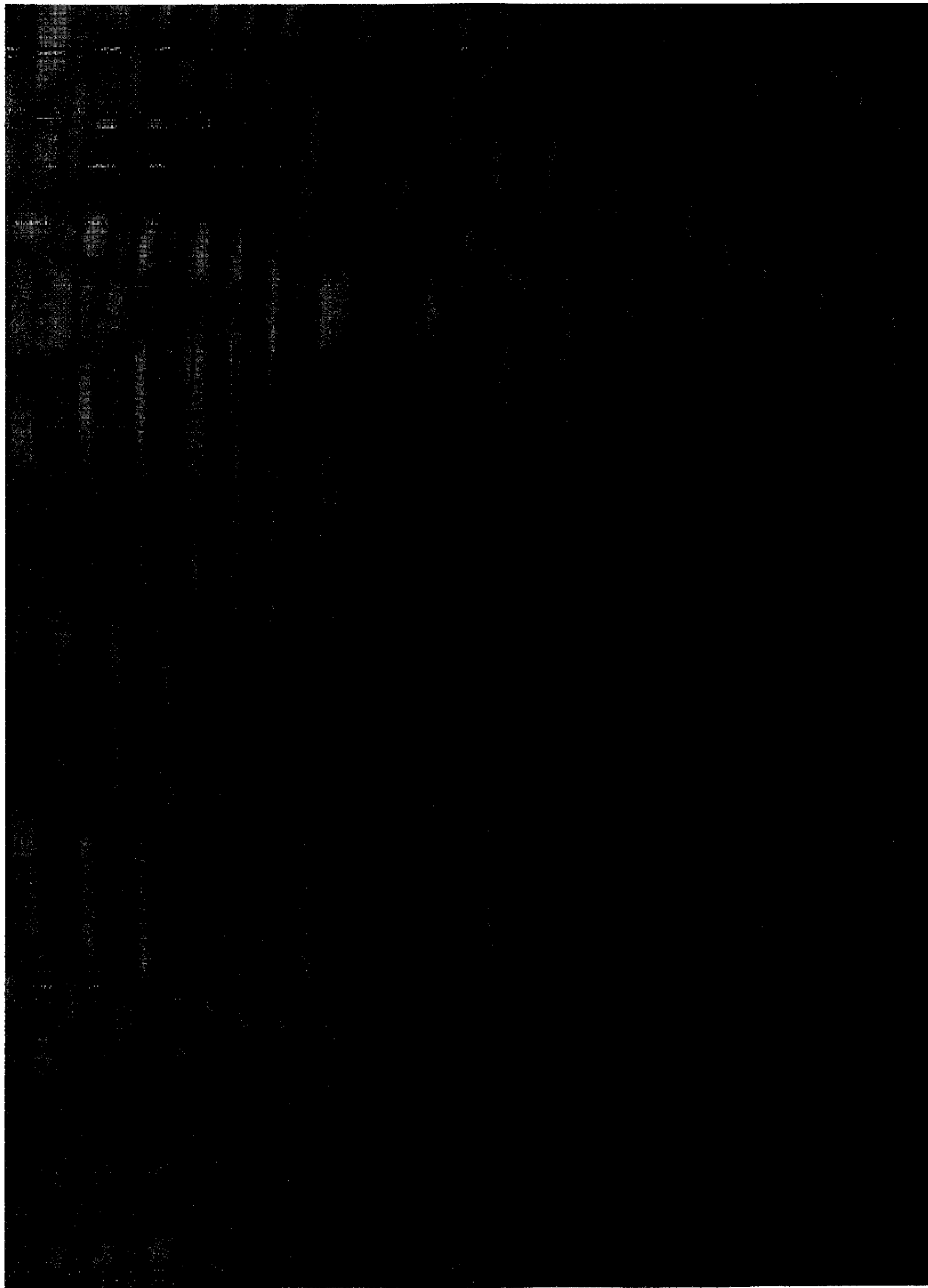
Emma is a private equity investment Director who brings a wealth of investment experience. She is a Director of numerous renewable energy companies, established the renewable energy business at HG Capital in 2002 and founded Asper Investment Management in 2016 as the spin-out of that business. She has been a Director for renewable developers and independent power producers, working across a range of renewable technologies. Emma is also a Director of Gardeners' Royalty Benevolent Society.

**Skills and Expertise:** Has substantial commercial experience spanning the entire lifecycle of investments in energy businesses, and has worked across a range of renewable technologies.



Our agreement with DONG  
Energy will help us meet  
ever-increasing demand for  
100% renewable electricity  
as our customer base  
continues to grow





## Directors' Report

The Directors submit their report, together with the audited consolidated financial statements of the Good Energy Group of companies, for the year ended 31 December 2016.

The Company is required to set out a fair review of the Group's activities and a description of the principal risks and uncertainties facing the business. This requirement includes an analysis of the development and performance of the Company's business during the financial year, and the position of the Group at the end of the reporting period consistent with its size and complexity.

The Directors' Report has been prepared and is published in accordance with, and with reliance upon, applicable English company law and the liabilities of the Directors in relation to that report are subject to the limitations and restrictions provided by such law.

### General company information

Good Energy Group PLC is a public limited company incorporated in the United Kingdom under the Companies Act 1985. The Company is listed on the Alternative Investment Market (AIM) of the London Stock Exchange, is a founding member of the Social Stock Exchange (SSE) and its shares have been trading on the Social Impact segment of the NEX Growth Market since 5 January 2016.

The Company's registered office and principal place of business is: Monkton Reach, Monkton Hill, Chippenham, Wiltshire, SN15 1EE and the registered number is 04000623.

### Risk Management Approach

Good Energy recognises that effective risk management is critical to enable it to meet its strategic objectives.

The Company has a clear framework for identifying and managing risk, both at an operational and strategic level. Its risk identification and mitigation processes have been designed to be responsive to the changing environment in which it operates. The impact of emerging risks on the Company's business model are also considered and used to make informed decisions, including as to the delivery and evolution of the Group's strategy.

### The Board's review of internal control

The Board retains overall responsibility for the Company's risk management and internal controls framework. While the Board reviews the suitability of the internal controls annually, responsibility for reviewing the effectiveness of internal controls is delegated to the Audit and Risk Management Committee.

The Audit and Risk function is responsible for Good Energy's risk management activities, and for provision of its internal audit service. As such, its activities include ensuring the regular review of internal controls relating to key risks, reporting on risk events to the Audit and Risk Management Committee, and reviewing and testing the effectiveness of internal controls through audit reviews.

In 2015, the Audit and Risk function led a Group-wide initiative to upgrade the control environment - the Group's Code of Conduct, a 'Guiding Principles' approach that is appropriate for a fast-growing business. This helped to ensure that everyone who works at Good Energy adheres to a way of working together that reflects the Company's ethos.

#### Registered office details

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 04000623.

The Guiding Principles provide a framework which empowers all Good Energy employees to make informed decisions that are in the best interests of the Company, its customers and other stakeholders, reflect the environment in which the Company operates, mitigates risk, and provides clarity on where advice can be sought. The Guiding Principles demonstrate the Group's commitment to working with honesty, respect and transparency, and include policies relating to, amongst other things, customer service, data handling, health & safety, approvals & authorities, procurement, and corporate responsibility.

## Principal risks and uncertainties

**Political risk:** Under the Cameron government there was a systematic removal of renewable support and increasing support for nuclear, gas and fracking which put the Company at odds with the government agenda. Further withdrawals of support could lead to operating conditions that might require increased capital expenditure, increased operating costs or otherwise hinder the development of the renewable energy industry.

Parliament has since approved the 5th carbon budget – this means we have a trajectory out to 2030 for emissions (this will impact energy as well as other industries e.g. transport).

The 2016 Autumn Statement was a low-key event, particularly from an energy point of view. Climate change and renewable energy were not mentioned at all.

Following the decision to exit the EU, the UK remains in a period of uncertainty which may continue for at least the next two years. However, the Company is adaptable and well placed to meet any regulatory changes. "Brexit" may lead to higher energy prices for UK households and businesses, as a possible decline in the value of sterling and new trade tariffs could make imported energy relatively more expensive. However, this could have a positive impact on UK renewables, the costs of which would become increasingly competitive as the costs of imported energy rise.

The election of Donald Trump in the US, and the appointments made to the new administration, raise questions about the future of international environmental agreements, including the 2015 Paris Agreement. It is possible that other countries, including the UK, could react to the US' new stance by lowering their own ambitions, although equally

possible that they continue to honour previous commitments.

Good Energy has developed strong relationships with stakeholders including Department for Business, Energy and Industrial Strategy (BEIS), HM Treasury (HMT), Department for Communities and Local Government, OFGEM (Office of Gas and Electricity Markets) and a range of other stakeholders including think-tanks, academics, opposition parties etc.

The Company has continued its efforts to influence policy makers through data driven research and proposals, responding to relevant consultations and working through trade associations. The Company has also sought to diversify its portfolio where possible, for example through its investment in Tidal Lagoon, Swansea Bay: a scheme which received independent backing from a government-commissioned review in January 2017.

**Regulatory risk:** There have been a significant number of changes to the regulations governing the energy industry and businesses generally (e.g. SMART, Nexus, CMA, EU General Data Protection Regulation etc.). These regulations require the Company to make various changes to its procedures within set timelines, and have already led and will continue to lead to the Company incurring additional time and cost in order to ensure compliance with these new regulations. A significant volume of regulatory change is a risk to the Company as it can divert time and resource away from growth initiatives as well as the risk of not meeting regulatory deadlines.

Some targeted investment has been made to strengthen the regulatory and compliance function and has enabled the Company to respond effectively to the volume of change, thereby reducing the risk.

**Wholesale market and price volatility:** Margin from energy sales may be affected by fluctuations in price of wholesale gas and electricity and the associated costs with buying in any volatile marketplace. This impacts the price the Company can offer to customers and could result in a significant loss of customers if other energy suppliers were able to absorb more of these costs before needing to alter customer prices. The fourth quarter of 2016 saw greater volatility in the market, of a nature that the Company could not fully mitigate through existing counterparty relationships.

This risk is mitigated partly through the benefits of its vertical integration, and partly via the Company's forward-looking and prudent hedging policy.

The Company is also diversifying its portfolio of counterparty relationships.

**Weather, forecasting demand and generation:** On the supply side, temperature drives demand and customer behaviour. From a generation perspective, the annual variability of wind speeds and solar radiation can result in year-to-year fluctuations. Any material reduction could have an adverse impact on financial results and, potentially, the future prospects for the business.

Accurate forecasting is key, in the long term, to informed hedging and thus mitigating against adverse market movements, and in the short term to avoiding imbalance risk. Investment in forecasting systems has provided Good Energy with improved visibility and improved forecasting performance.

**Cyber-attack:** As with many businesses, a successful cyber-attack on Good Energy's network could result in the Company being unable to deliver service to its customers, potentially damaging its reputation, and leading to consequential customer and revenue loss. It could also lead to the imposition of financial penalties.

Good Energy continually assesses its security policies, standards and procedures and adjusts them so they are proportionate to the threat profile the Company faces.

**Data management:** Good Energy receives, processes and stores confidential, personal and commercially sensitive information. Failure to protect or correctly use this data could result in unintentional loss of, or unauthorised access to, customer data which could lead to enforcement action being taken and/or the imposition of financial penalties, and could adversely affect the reputation of the Company and the trust of our customers, employees, shareholders, bondholders and other stakeholders.

An organisation wide project is underway to implement the changes required to be compliant against the new EU General Data Protection Regulations which come into force on 25th May 2018. In addition to personal data, Good Energy holds commercially sensitive information in terms of energy trading, financial statements and investment records.

Good Energy takes the security of all personal data very seriously and manages the risk in a number of ways to ensure our customer and employee data is protected. There are a number of controls in place to minimise the risks, such as system access rights, mandatory training for all employees upon induction with periodic refresher training appropriate to the employee's role. A schedule of assurance reviews and internal audit is planned on a yearly cycle to test our processes, security measures and general awareness of data protection. Our Guiding Principles set the requirements for all employees and contractors which include consequences for non-adherence.

**Financial risk management:** This has been considered within note 3.1 in the Notes to the Financial Statements.

## Capital structure

The Group is financed through both equity share capital and debt instruments.

As at 31 December 2016, the Company's issued share capital was 16,484,703 Ordinary Shares of 5p each. Ordinary Shares in the Group carry rights to dividends and Ordinary shareholders are entitled to attend and vote at general meetings.

The Company's share register is maintained and managed by Computershare Investor Services PLC for which contact details can be found in our Directors and Corporate Resources section on page 104.

The Company does not have shareholder authority to acquire its own shares. The Good Energy Group PLC EBT (administered by Clarke Willmott Trust Corporation Limited) holds 495,739 (2015: 521,989) Ordinary Shares of the Company in trust for current and future beneficiaries of the Good Energy Group Employee Share Option Scheme. These are deducted from equity as shown in the Consolidated and Parent Company Statements of Changes in Equity.

During 2016, the trust disposed of 26,250 (2015: 197,000) Ordinary Shares as a result of exercised options and the long service awards of shares made to employees.

## Significant shareholders

Significant shareholders holding over 3% of the issued share capital as at 31 December 2016, other than any Directors and their family as defined in the AIM rules, are detailed below:

Shareholder	No. shares held as at 31 December 2016	%age of issued share capital
Ecotricity Group Limited	4,169,948	25.30
Schroder & Co	743,874	4.51
Good Energy Group PLC EBT	495,739	3.01

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

Details of the Company's Directors who served during the year and up to the date of approval of this report (unless otherwise stated) are detailed on page 31. The interests (all of which are beneficial unless otherwise stated) of the Directors and their families as defined in the AIM Rules in the issued share capital of Good Energy Group plc are <sup>1</sup>:

	No. shares as at 31 December 2016	%age of issued share capital	No. shares as at 31 December 2015	%age of issued share capital
Martin Edwards <sup>2</sup>	669,827	4.06	686,827	4.47
Juliet Davenport <sup>3</sup>	569,086	3.45	592,810	3.96
John Maltby <sup>4</sup>	122,703	0.74	120,000	0.80
Richard Squires <sup>5</sup>	39,759	0.24	36,000	0.24
Francesca Ecsery <sup>4,6</sup>	3,328	0.02	2,400	0.02
Denise Cockrem <sup>4</sup>	2,703	0.02	-	-
Emma Tinker <sup>4,6</sup>	1,461	0.01	-	-

## Notes

- 1 Certain of the Directors hold share options for which details are set out in the Directors' Remuneration Report (on pages 46 and 47)
- 2 In addition to Martin Edwards' shareholding noted above, his father Peter Dixon Edwards holds 123,450 Ordinary Shares as trustee of a discretionary trust under which Martin is one of the potential beneficiaries. Martin previously held 17,000 Ordinary Shares on behalf of the Good Energy Group PLC EBT. These shares are now held by the Good Energy Group PLC EBT.
- 3 Juliet Davenport holds 524,810 Ordinary Shares in the Company in her own name. Her husband owns 43,000 Ordinary Shares. One daughter owns 638 Ordinary Shares, and Juliet holds a further 638 Ordinary Shares on behalf of another daughter.
- 4 John Maltby, Francesca Ecsery, Denise Cockrem and Emma Tinker purchased Ordinary Shares in the Company as a result of their participation in the share offer in June 2016.
- 5 Richard Squires holds 37,046 Ordinary Shares in the Company. His shareholding increased during the year as a result of participation in the scrip dividend. His wife holds 2,713 Ordinary Shares as a result of her participation in the share offer in June 2016 and the scrip dividend.
- 6 Francesca Ecsery and Emma Tinker's shareholdings increased as a result of their participation in the scrip dividend scheme.

## Directors' Indemnity Statement

As permitted by the Company's Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors and Officers.

## Financial instruments

The Group's financial instruments include bank loans and other borrowings, a corporate bond, overdraft and revolving credit facilities.

The principal objective of these instruments is to raise funds for general corporate purposes and to manage financial risk. Further details of these instruments are given in Note 23 in the Financial Statements.

## Future developments

Details of future developments are given in the Chief Executive's Review on pages 16 to 18.

## Research and development

Given the nature of the Group's activities it does not carry out any material research and development work. However, the Company does invest in small-scale R&D projects, often grant-funded, as it believes innovation is key to the future development of its business proposition.

## Dividends

Details relating to the proposed 2016 final dividend are set out in the Chairman's Statement on page 8.

By order of the Board



*S Rosser*

**Stephen Rosser**

Company Secretary  
27 March 2017

# Corporate Governance Report

The Group recognises the importance of good corporate governance practices and seeks to embed good governance at the heart of the business. Although the Company is not required to comply with the UK Corporate Governance Code (the Code) since it is AIM listed, the Directors have decided to provide certain corporate governance disclosures that would be required of a fully listed company. The Group considers the Code as a benchmark for best practice and seeks, where it considers it to be appropriate, to comply with the Code.

The Board has implemented a number of governance enhancements through the period, as more particularly described in this section.

## The Board and its committees

### Board changes

The Board was pleased to announce the appointment during the year of Emma Tinker as Non-Executive Director. Emma's skills were

specifically sought out following a review of the composition of the Board and the balance of skills and experience of the Directors during the 2015 Board Evaluation process. Emma is a private equity investment director who brings a wealth of investment and commercial experience spanning the entire lifecycle of investments in energy businesses. The Board appointed a recruitment consultant to assist with the recruitment of Emma Tinker as an independent Non-Executive Director.

David Brooks joined Good Energy in 2015 with extensive experience in transforming business performance. The Board welcomed David Brooks as Managing Director, Supply during the year. As described earlier in this report, streamlining Good Energy's operating model will result in changes to the senior leadership team and will mean that David will leave Good Energy on April 7th.

The Board comprises the following individuals:

### Board of Directors

#### Executive Directors

Juliet Davenport	Chief Executive
Denise Cockrem	Chief Financial Officer
David Brooks <sup>2</sup>	Managing Director, Supply

#### Non-Executive Directors

John Maltby <sup>1</sup>	Non-executive Chairman of the Board; Member of Audit & Risk Committee; Member of Nominations & Remuneration Committee
Richard Squires <sup>1</sup>	Chair of Audit & Risk Committee
Martin Edwards	Member of Nominations & Remuneration Committee
Francesca Ecsery <sup>1,2</sup>	Member of Audit & Risk Committee, Member of Nominations & Remuneration Committee
Emma Tinker <sup>1</sup>	Chair of Nominations & Remuneration Committee

## Notes

1. Independent Non-Executive Directors
2. Will leave Board during 2017

## Independence of the Board

The Chairman was independent upon appointment to the Board in October 2012. All of the Board's Non-Executive Directors are independent with the exception of Martin Edwards, who has served as a Director for more than nine years, having been appointed to the Board in June 2000.

The Board considers Richard Squires, who holds 75,000 share options in the Company, to be independent. The share options were issued to Richard in March 2012, before the Company listed

on AIM. These options were disclosed as part of the AIM listing and have also been reported in the Annual Report & Accounts each year since they were issued. Since the Company listed on AIM, Richard has purchased shares in the Company himself. The share options were granted at market value as part of Richard's appointment as interim Chairman and represented the most effective method of incentivising performance aligned to the interests of the Company and shareholders.

## Board and Committee meetings and attendance

	Board	Audit and Risk Committee	Nominations and Remuneration Committee
<b>Executive Directors</b>			
Juliet Davenport <sup>3</sup>	8/8	-	-
Denise Cockrem <sup>3</sup>	8/8	-	-
David Brooks <sup>1,3</sup>	3/3	-	-
<b>Non-Executive Directors</b>			
Francesca Ecsery	8/8	4/4	3/3
Martin Edwards	8/8	-	3/3
John Maltby	8/8	4/4	3/3
Richard Squires <sup>2</sup>	7/8	3/4	-
Emma Tinker <sup>1</sup>	3/3	-	2/2

## Notes

1. Appointed 2 September 2016
2. Richard Squires was unable to attend the Board and subsequent Audit Committee meeting due to family illness
3. The Executive Directors are not members of either of the Committees, and attend by invitation only. As such, their attendance at Committee meetings is not noted in this table



## Operations of the Board

The roles of Chief Executive and Chairman have always been split, with the Chairman operating in a Non-Executive capacity. The Chief Executive is responsible for the day-to-day management and running of the business and is supported by an Executive team which during the year included a Chief Financial Officer, Managing Director - Supply, Director of Trading & Origination, Director of People & Culture, General Counsel & Company Secretary, IT and Transformation Director and Customer Service Director.

Details of the number of scheduled Board meetings and attendance of Directors is set out in the table opposite. The Group's performance is reviewed at these scheduled meetings and the Board is responsible for agreeing and reviewing the strategy for the Group, for which it maintains both short term (12 months) and longer-term (five years) plans. In addition, it is responsible for matters relating to employee recruitment and remuneration, strategy, health and safety and other specific subjects.

Where relevant, members of the Executive team and other senior leaders within the business attend Board and Committee discussions. Members of the Board also engage with members of the Executive team and other senior leaders directly on relevant initiatives. *During 2016, the Board hosted a number of evening events, particularly where Board and Committee meetings spanned consecutive days. Those attending any of the Board or Committee meetings on those days were invited to participate, and attendance was high.*

In addition, the Board or relevant Committees held regular informal discussions on a variety of topics to consider impacts of macro-economic events and provide guidance and insight to support the Company in delivering its objectives. The Board conducts an off-site strategy discussion at least annually, at which all Board members and all of the Executive team are present.

Board packs are generally circulated one week ahead of scheduled Board and/or Committee meetings to give Directors adequate time to review information and prepare. The Chairman and Non-Executive Directors regularly convene briefing sessions in advance of scheduled Board and Committee meetings, and de-brief afterwards.

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 for each month against a pre-agreed set of performance targets operating within the delegated authorities, which are reviewed annually by the Board, or as and when changes are required.

In addition, the Board receives information obtained through 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.

The Board has a formal list of Matters Reserved for the Board, which is reviewed and, if required, updated annually by the Board. During the year, approximately half of the matters on this list were considered by the Board. There is a formal Delegated Authorities policy incorporated within the Guiding Principles which includes a detailed authorisation matrix covering financial limits and approvals needed when conducting business on behalf of the Company, as well as those business decisions that need to be approved by the Board.

The Board has access to the services of the Company Secretary and external advisers as necessary.

## Board Performance Evaluation

The Board is committed to continually improving its performance.

During 2015, the Board implemented an annual board performance evaluation. Evaluations are carried out internally, and the Board is reviewing the potential benefits of introducing periodic externally facilitated reviews. For internal reviews, Board members and other regular Board attendees respond to a detailed questionnaire. Board members are also interviewed. In 2015, the Chairman co-ordinated the evaluation of the Board, and the Chairman of the Audit & Risk Committee co-ordinated the evaluation of the Chairman. In 2016, the Company Secretary collated and analysed questionnaire responses and the Chairman discussed feedback with individual Board members as appropriate.

Non-Executive Directors meet without the presence of Executive Directors to evaluate the performance of the Executive Directors. The Chairman's performance is reviewed by the Non-Executive Directors. The time commitment required from Non-Executive Directors is reviewed as part of the annual performance evaluation.

Areas for improvement and/or key objectives for the Board are identified and discussed, including the training and development needs of the Directors, and objectives for the forthcoming financial year are agreed and set. The table below sets out certain key objectives set during the 2015 evaluation process and how those objectives were achieved during 2016.

The Board is discussing the insights gained through the 2016 evaluation process and corresponding objectives for 2017. Themes include: (i) ensuring that the Board is able to draw upon an effective balance of skills and experience to deliver the Company's strategic objectives, (ii) supporting the delivery of strategic objectives through clear and effective prioritisation of investment and resources, (iii)

#### 2016 Objectives

#### 2016 Achievements

Supplement the Board's expertise through appointment of an independent Non-Executive Director with corporate finance experience

Emma Tinker was appointed as Independent Non-Executive Director in September 2016.

Review Chairmanship of all Board Committees

Following the review, Emma Tinker succeeded Martin Edwards as Chair of the Remuneration Committee in September 2016.

Ensure all Board and Committee Terms of Reference are up to date and fit for purpose

The Board adopted new Terms of Reference in the first quarter of 2016, including an up to date list of Matters Reserved for the Board.

The existing Terms of Reference for the Audit & Risk Committee were reviewed and remain up to date and fit for purpose.

The Board adopted updated Terms of Reference for the Remuneration Committee in the first quarter of 2016.

Review Board appointment processes and consider establishment of Nominations Committee

As an intermediate step, the Board resolved to expand the scope of the existing Remuneration Committee to include the functions of a Nominations Committee. New Terms of Reference for the dual-purpose Nominations and Remuneration Committee were adopted during the final quarter of 2016.

Improve consistency of the Company's remuneration for Executive and Non-Executive Directors and improve clarity and transparency of remuneration for Executive Directors

Non-Executive Director fees have been calibrated against an external benchmark and changes implemented.

Previous bonus and incentive schemes for Executive Directors were replaced with a new bonus structure and long-term incentive plan, as detailed in the *Directors' Remuneration Report*.

Increase participation of senior leaders from across the business in Board proceedings wherever relevant and appropriate

Members of the Executive team and other senior leaders across the business regularly present directly to the Board or relevant Committee. Informal events also took place throughout the year.

continuing to enhance the Company's approach to corporate governance, including whether there may be a requirement to appoint a senior independent director, and (iv) improving transparency of the corporate governance improvements the Board is pursuing. The Board will be pleased to report further developments in due course.

## The Nominations and Remuneration Committee

The members of the Nominations and Remuneration Committee are Emma Tinker (Chair), John Maltby, Francesca Ecsery and Martin Edwards. Emma Tinker was appointed as Chair of the Committee on 2 September 2016 and succeeds Martin Edwards, who remains a member of the Committee.

Details of the number of Committee meetings and the attendance of Committee members during the year ended 31 December 2016 are set out in the table on page 32.

Following the appointment of Emma Tinker and David Brooks to the Board during the year, the Board recognised the need to establish a Nominations Committee to deal specifically with matters such as succession planning, and the recruitment and appointment of new Directors. The members of the Nominations Committee being the same as the members of the Remuneration Committee, the Board decided to form one Committee responsible for dealing with both Nominations and Remuneration, with formal Terms of Reference for this Committee clearly setting out separately the duties relating to Nominations and Remuneration. This change to the Remuneration Committee was established during the year.

The primary duty of the Nominations and Remuneration Committee is to ensure there is a formal, rigorous and transparent process for the appointment of new Directors to the Board, that the Group considers and develops appropriate succession plans, and to determine the Group's approach to the remuneration of the Executive Directors and senior managers of the Group, on behalf of the Board. No Director may be involved in any decisions as to their own remuneration.

### Nominations

The Committee will keep under review the composition of the Board, the mix of skills and experience of the Directors and the needs of the

business, having due consideration for the benefits of diversity, and support the Group in developing appropriate succession plans to meet its needs. The Board remains focussed on gender diversity across the organisation and notes in particular the 1:1 ratio of women and men amongst Board Directors and the Executive team.

The Committee is responsible for reviewing the time commitments of each Director both prior to all appointments and annually, as part of the Board Evaluation process, to ensure that all Directors devote sufficient time to the Company to discharge their duties effectively.

### Remuneration

Further details of the work of the Nominations and Remuneration Committee during the year in relation to Company's remuneration policy are set out in the Directors' Remuneration Report on pages 40 to 47.

## Audit and Risk Management Committee

The members of the Audit and Risk Management Committee are Richard Squires (Chair), John Maltby and Francesca Ecsery. John Maltby is considered to have recent, relevant financial experience. The Chief Executive and Chief Financial Officer attend meetings of the Committee by invitation only. Details of the number of meetings held during the year and attendance of Committee members are set out in the table on page 32.

The primary duty of the Audit and Risk Management 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 and Risk Management Committee also meets at least annually with the Group's external auditors to review and agree the auditor services being provided to the Group, including any non-audit services. It also meets with external auditors, without management being present, to discuss the audit process.



During the year, Good Energy announced that its partnership with the National Trust would continue for a further two years

## Risk management and internal controls

The Board has overall responsibility for the Group's system of internal controls. The responsibility for reviewing the effectiveness of its internal control system has been delegated to the Audit and Risk Management Committee, which reviews this on an annual basis. The system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives.

### Internal audit function

The Company recognised the need to have an internal audit function in 2014, and appointed a Head of Internal Risk and Audit who reports directly to the Chief Financial Officer.

The Company's internal audit function seeks to build on initiatives such as the Company's Guiding Principles, which were designed to enhance the control environment. Reporting into the Audit and Risk Management Committee, the function has carried out audit activity to provide assurance that key risks are being identified and mitigated, and associated controls are operating effectively.

## Whistleblowing Policy

The Group's whistleblowing policy is supported by a clear process, which includes a secure, independent third party helpline, through which any person, including employees, consultants, contractors, interns, casual or agency workers, may raise concerns about wrong doing, poor practices and/or dangers in relation to the Company's business dealings or activities, including bribery, fraud (or other criminal activity), miscarriages of justice, health and safety risks, damage to the environment and any breach of legal or professional obligations.

The Whistleblowing Policy is reviewed annually by the Audit and Risk Management Committee. Any whistleblowing incidents and their outcomes are reported to the Committee. No reports were made during 2016.

## Referral Arrangements

The Company has operated and continues to operate referral arrangements with certain political parties. It considers these to be commercial arrangements, with a referral payment made for each customer referred to Good Energy. However, the Companies Act 2006 definitions of the making of political donations or the incurring of political expenditure are capable of a wide interpretation. In the interests of transparency, the Company obtained shareholder approval for the referral arrangements at its Annual General Meetings in 2015 and 2016, and anticipates requesting that authorisation be refreshed at the Annual General Meeting in 2017.

## 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. Consideration has also been given to the net current liabilities position as at 31 December 2016, as set out on pages 19 to 20 and in Note 2.2 to the Financial Statements. 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 2016 financial statements. Further details on this can be found in Note 2.2 to the Financial Statements.

## Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group and parent company for that period. In preparing the financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and parent company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Directors' report confirm that, to the best of their knowledge:

- the parent company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and result of the Company;

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and parent company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and parent company's auditors are aware of that information.

## 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 him/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## Audit fees

The Audit and Risk Management Committee has reviewed the remuneration received by PricewaterhouseCoopers LLP for non-audit work conducted during the year. The fees for non-audit work were lower than the audit fee. For further details regarding fees paid, see note 6 to the financial statements on page 77.

## Auditor independence

The Audit and Risk Management Committee monitors the Company's safeguards against compromising the objectivity and independence of the external auditors by performing an annual review of non-audit services provided to the Group and

their cost, reviewing whether the auditors believe there are any relationships that may affect their independence and obtaining written confirmation from the auditors that they are independent.

For the financial year ended 31 December 2016, the Committee has conducted its review of the auditors' independence and concluded that no conflict of interest exists between PricewaterhouseCoopers LLP audit and non-audit work, and that their involvement in non-audit matters, which mainly comprised advice in respect of the Company's Performance Share Plan, was the most effective way of conducting the Company's business during the year.

## Auditor appointment policy

The Audit and Risk Management Committee has reviewed its policy for awarding non-audit work. The Company has used PricewaterhouseCoopers LLP for advice in relation to the design and implementation of the new Performance Share Plan which was implemented during the year. The Committee considered whether this constituted a threat to independence and confirmed that it was comfortable that there were appropriate safeguards in place. The Committee will consider whether to re-tender the audit after a five year period, or earlier if appropriate.

## Reappointment of Auditors

PricewaterhouseCoopers LLP acted as auditors for the financial year to 31 December 2016. A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the Annual General Meeting.

## Communications with Shareholders

The Company engages with institutional shareholders via investor road shows which are held twice a year, after release of the Company's interim and full year results. Meetings are held with current and prospective shareholders, seeking their input as to what initiatives they wish to hear more about and gathering feedback as to what additional information they would like the Company to provide and what they would like to see the Company

do. In addition to these meetings, the Company's brokers provide feedback to the Company from any institutional investors who use the brokers' services to buy or sell shares in the Company.

A large proportion of the Company's shareholder base is comprised of private shareholders, many of whom are customers of the Company. The Company takes steps to ensure that communications with private shareholders are effective and appropriate for that group. Following a survey of bondholders and customers, the results of which indicated that there was high demand to invest further in the Company, the Company conducted a share offer in June 2016 for which take-up was oversubscribed.

The Company is mindful of AIM Rules, MIFID and Market Abuse Regulations when communicating with its shareholders.

differences are valued creates a more productive, innovative and effective organisation. Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of the business. Communication with all employees continues through a variety of mechanisms, including regular team briefs and twice-yearly off-site all-company meetings. A network of Company champions was established during 2015 to encourage grassroots involvement and has made a significant contribution to all aspects of working at Good Energy during the year.

Further details relating to employees are set out in the Corporate Responsibility report on pages 13 to 14.

By order of the Board

## Employees

The Group's employment policies follow best practice based on equal opportunities for all employees, irrespective of race, gender, nationality, colour, sexual orientation, disability, marital status, religion or age. All decisions relating to employment are objective, free from bias and based upon work criteria and individual merit. The Company operates on the principle that a workplace where people's



*Stephen Rosser*

**Stephen Rosser**

Company Secretary  
27 March 2017

# 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 2016. 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.

Following a review of the Company's remuneration policy, the Remuneration Committee determined that the existing bonus and share-based incentive schemes should be replaced with new schemes that align with current best practice and which are designed to motivate and incentivise key talent to assist the Company in achieving its strategic aims. The Remuneration Committee conducted a tender process and, subsequently, appointed PricewaterhouseCoopers LLP as external remuneration consultant to assist with the review of the Company's remuneration policy and the implementation of a new share-based incentive scheme for Executive Directors.

The Company consulted with its largest ten shareholders with regard to the implementation of:

- a revised Annual Bonus Plan that encompasses both financial and non-financial annual performance targets, details of which are set out on page 43, and
- a new Performance Share Plan for Executive Directors and members of the senior management team, details of which are set out on page 45.

## Remuneration Committee and policy

Details of the Company's Remuneration Committee are set out on page 35.

The Remuneration Committee has designed a remuneration policy to ensure that the Company is able to attract, retain and motivate its Executive Directors and senior management.

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

The Group aims to align the interests of shareholders with those of Executive 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

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 opposite. 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. Following the publication in August 2015 of HMRC's express confirmation of the travel rules that apply to Non-Executive Directors, the Company reimburses Non-Executive Directors' travel expenses between home and the Company's Head Office. The key terms of the Non-Executives Directors' appointments are set out in the table below.

The Committee carried out a Non-Executive Director fees benchmarking exercise during the year, as a result of which the Committee determined that Non-Executive Director fees should be updated and aligned. With effect from 1 April 2016, the annual fee payable to the Chairman shall be £45,000, to all Non-Executive Directors the annual fee shall be £25,000, and an additional fee of £5,000 shall be payable for chairing a Committee.

Executive salaries were also benchmarked during the year against AIM company data, adjusted to reflect the size of the Company. Juliet Davenport's salary was increased by 4.5% as a result, which increase was broadly in line with pay rises across the Group.



Name	Position	Date of contract	Notice period	Annual Salary / Fee (£)
<b>Executive Directors</b>				
Juliet Davenport	Chief Executive	02 August 2007	9 months	200,000
Denise Cockrem	Chief Financial Officer	22 January 2014	6 months	182,000
David Brooks	Managing Director	02 September 2016	6 months	175,000
<b>Non-Executive Directors</b>				
John Maltby		15 October 2012	3 months	45,000
Richard Squires		28 June 2011	3 months	30,000
Martin Edwards		07 May 2008	3 months	25,000
Francesca Ecsery		15 November 2012	3 months	25,000
Emma Tinker		02 September 2016	3 months	30,000

Salaries/fees, annual bonus and benefits (Audited)

	Salary / fee 2016 (£)	Pension 2016 (£)	Benefits in kind 2016 (£)	Annual Bonus 2016 (£)	Total 2016 (£)	Total 2015 (£)
<b>Executive Directors</b>						
Juliet Davenport	198,942	25,000	12,009	42,963	278,914	222,740
Denise Cockrem	182,000	18,200	11,592	40,950	252,742	211,957
David Brooks <sup>1</sup>	58,333	5,833	4,043	12,000	80,209	-
Total	439,275	49,033	27,644	95,913	611,865	434,697
<b>Non-Executive Directors</b>						
John Maltby	43,950	-	-	-	43,950	41,303
Richard Squires	29,513	-	-	-	29,513	28,050
Martin Edwards	24,750	-	-	-	24,750	24,000
Francesca Ecsery	23,977	-	-	-	23,977	20,910
Emma Tinker <sup>1, 2</sup>	21,000	-	-	-	21,000	-
Total	143,190	-	-	-	143,190	114,263
Overall total	582,465	49,033	27,644	95,913	755,055	548,960

Notes

1. Pro-rated for period of directorship. Joined the Board on 2 September 2016

2. Includes an additional fee for work carried out by Emma Tinker to assist the Corporate Finance team with asset funding options

## Annual Bonus scheme

### Operation of the scheme

In previous years, the Company has operated a bonus pool that was generated from profits and distributed based on grade and performance. The Remuneration Committee determined that a new bonus scheme should be implemented to better suit the size and culture of the Company, and ensure that performance against the Company's key performance indicators is rewarded. The new annual bonus scheme, which operates across the Group for employees at all levels, was implemented during the year and has effect in respect of the year ended 31 December 2016.

All bonuses under the new scheme are individually capped. A maximum potential bonus of 75% of Executive Directors' salary is payable in relation to the Company's performance against four key performance metrics. The performance metrics and their relative weightings are shown in the table below.

Maximum bonus will only be payable in the event that stretch targets for all four of these performance metrics are met. Performance against the targets is measured on a sliding scale basis between the

achievement of threshold, on-target and stretch targets, starting with one third of the potential bonus being payable where threshold targets are met. No bonus will be payable unless the Group's profit before tax meets the threshold targets unless the Remuneration Committee, in its discretion, determines otherwise.

The Committee also retains discretion, under the bonus scheme rules, to adjust any payments in line with individual performance.

Individual performance targets are set annually and reviewed at the end of the relevant financial year, and annual targets for each of the four Company performance metrics will be set by the Remuneration Committee prior to commencement of each financial year.

The targets for 2017 are deemed to be commercially sensitive and are not therefore disclosed. However, retrospective disclosure of performance against targets will be provided in the Company's Remuneration Report for the year ending 31 December 2017.

Measure	Strategic objective	Weighting
Group profit before tax	Deliver profit growth	60%
Absolute net promoter score	Maintain customer satisfaction ratings	20%
Employee engagement	Attract and retain employees with the right skills, knowledge and mind-set to help deliver the Company's growth plans	10%
Corporate CO2 reduction	Help to reduce carbon emissions	10%

## 2016 targets and performance

The Company's performance against targets and actual outturn for the financial year ended 31 December 2016 are set out in the table below.

Although the Group profit before tax was below threshold for 2016, the Remuneration Committee considered that the profit on the sale of Oaklands site, which exchanged on 21 December 2016 and completed on 3 January 2017, should be taken into account when considering whether or not a bonus should be paid. Accordingly, the Remuneration Committee has approved payment to eligible participants of a bonus of approximately 20% of

salary, which will be charged against the gain on sale reported in the 2017 results. These items will be excluded for the purpose of calculating whether financial targets have been met for 2017 bonus purposes.

No Executive bonus costs in respect of 2016 performance have been reflected in the results for 31 December 2016. A bonus payment was paid during the year relating to the completion of a site sale during 2016 which commenced during 2015. This profit on sale is reflected in the results for 31 December 2016, however the profit and related bonus costs were excluded for the purpose of calculating whether 2016 financial targets were met.

Measure	2016 outturn	2015 outturn	2016 performance against target
Profit before tax	£ 1.4m	£ 0.1m	Below threshold
NPS	45	40	Stretch
Employee engagement	82%	78.5%	Between on target and stretch
Corporate CO2 reduction	To create a baseline for carbon footprint of operations	N/A	Threshold

## Performance Share Plan ("PSP")

### Operation of the scheme

This new scheme, implemented during 2016 following consultation with the Company's ten largest shareholders, is designed to enhance alignment between Executive Directors and shareholders, and better reflect current market practice, including the addition of performance conditions for the vesting of awards, which are described in detail below, where previously there were none.

Usual policy is to grant awards to Executive Directors over shares worth up to 50% of salary at the time of grant. The maximum limit of an award to any individual under the PSP in any financial year would be 100% of annual salary, subject to the Remuneration Committee's discretion to increase to 150% of salary in exceptional circumstances.

Awards granted under the scheme shall vest three years from the date of grant, subject to continued employment and satisfaction of performance criteria which shall be measured over a three year period.

Performance against targets is measured on a sliding scale, with 20% of the relevant part of the award vesting at threshold level, 50% vesting for on-target performance through to 100% vesting for achieving stretch targets. No award will vest unless Total Shareholder Return is positive over the three year measurement period.

The Committee has, exceptionally, approved the grant of awards equivalent to 100% of salary for both the Chief Executive Officer and the Chief Financial Officer during 2016 to reflect the fact that no awards were granted in respect of 2015.

The Committee may, at any time up to and including vesting, reduce the vesting level of awards where there has been, amongst other things, a material mis-statement in the accounts, an error in any information on which performance targets were based, gross misconduct or fraud by the employee.

### Performance targets

The performance metrics and their relative weightings for the 2016 grant of awards are shown in the table below. The targets themselves are deemed to be commercially sensitive and are not therefore disclosed. However, retrospective disclosure of performance against targets will be provided at the end of the relevant measurement period.

Measure	Strategic objective	Weighting
Earnings Per Share	Drive shareholder value	60%
Relative net promoter score (relative to 'Big 6' energy companies)	Maintain higher customer satisfaction ratings than 'Big 6' energy firms	20%
Customer CO2 reduction	Ensure long term sustainability of our own operations	20%

## Directors' share options

Details of the Directors' share options outstanding at 31 December 2016 are shown below.

Name	Date option granted	Number of options outstanding as at 31 December 2016	Option price	Exercised during 2016	Cancelled/surrendered during 2016
Juliet Davenport	01/06/2004	35,000	£0.75	-	-
Juliet Davenport	13/02/2012	86,956	£1.15	-	-
Juliet Davenport	13/02/2012	17,390	£1.15	-	-
Juliet Davenport	18/09/2012	189,052	£0.50	-	-
Juliet Davenport	13/07/2013	144,000	£1.25	-	-
Juliet Davenport <sup>1</sup>	07/07/2015	80,350	£0	-	-
Juliet Davenport	22/04/2016	88,496	£0.05	-	-
Total	-	641,244	-	-	-

## Notes

- <sup>1</sup> These awards shall vest 2 years from the date of grant. The reason for this is that, although the Remuneration Committee resolved to grant the awards during the summer of 2014, as the Company was in a close period for a prolonged period of time and there were a number of changes in the Company Secretariat function, the awards were not granted until July 2015.

## Directors' share options continued

Name	Date option granted	Number of options outstanding as at 31 December 2016	Option price	Exercised during 2016	Cancelled/surrendered during 2016
Denise Cockrem <sup>1</sup>	07/07/2015	21,822	£0	-	-
Denise Cockrem <sup>1</sup>	07/07/2015	200,000	£2.285	-	-
Denise Cockrem	22/04/2016	80,531	£0.05	-	-
Total	-	302,353	-	-	-
David Brooks	15/10/2015	100,000	£2.265	-	-
David Brooks	22/04/2016	38,717	£0.05	-	-
Total	-	138,717	-	-	-
Richard Squires	13/02/2012	75,000	£1.15	-	-
Overall Total	-	1,018,597	-	-	-



**Emma Tinker**

Chair of Nominations and Remuneration Committee  
27 March 2017

# Independent Auditors' Report

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to the members of Good Energy Group PLC

48-51



# Independent auditors' report to the members of Good Energy Group PLC

## Report on the financial statements

### Our opinion

In our opinion:

- Good Energy Group PLC's group financial statements and parent company financial statements (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 2016 and of the group's profit and the group's and the parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("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; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Consolidated and Parent Company Statements of Financial Position as at 31 December 2016;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Parent Company Statements of Cash Flows for the year then ended;
- the Consolidated and Parent Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is 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, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group, the parent company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

## Other matters on which we are required to report by exception

### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the directors

As explained more fully in the Directors' responsibilities statement set out on pages 37 & 38, 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) ("ISAs (UK & 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 parent 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.

## What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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 the 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.



### Colin Bates (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol  
27 March 2017

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

# Consolidated Statement of Comprehensive Income

## For the year ended 31 December 2016

	Note	2016 £000's	2015 £000's
<b>REVENUE</b>	5	<b>90,437</b>	<b>64,281</b>
Cost of Sales	5	<b>(62,905)</b>	<b>(42,982)</b>
<b>GROSS PROFIT</b>		<b>27,532</b>	<b>21,299</b>
Administrative Expenses	6	<b>(21,582)</b>	<b>(17,065)</b>
<b>OPERATING PROFIT</b>	6	<b>5,950</b>	<b>4,234</b>
Finance Income	10	<b>18</b>	<b>23</b>
Finance Costs	11	<b>(4,534)</b>	<b>(4,129)</b>
<b>PROFIT BEFORE TAX</b>		<b>1,434</b>	<b>128</b>
Taxation	12	<b>(51)</b>	<b>(323)</b>
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>1,383</b>	<b>(195)</b>
<b>OTHER COMPREHENSIVE INCOME:</b>			
Other comprehensive income for the year, net of tax		-	-
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR</b>		<b>1,383</b>	<b>(195)</b>
<b>ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY</b>		<b>1,383</b>	<b>(195)</b>
Earnings/(Loss) per share			
- Basic	13	<b>9.1p</b>	<b>(1.4p)</b>
- Diluted	13	<b>8.8p</b>	<b>(1.4p)</b>

The notes on pages 60 to 103 form part of these Financial Statements.

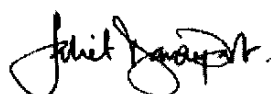
# Consolidated Statement of Financial Position

## As at 31 December 2016

Company registered no: 04000623

	Note	2016 £000's	2015 £000's
<b>Non-current assets</b>			
Property, plant and equipment	14	58,247	60,984
Intangible assets	15	3,801	3,317
Restricted deposit accounts	3	2,831	2,803
Available-for-sale financial assets	16b	500	500
<b>Total non-current assets</b>		<b>65,379</b>	<b>67,604</b>
<b>Current assets</b>			
Inventories	17	9,799	9,482
Trade and other receivables	18	16,204	11,598
Current tax receivable	12	167	126
Cash and cash equivalents	19	6,289	4,751
Current assets held for sale	20	5,095	-
<b>Total current assets</b>		<b>37,554</b>	<b>25,957</b>
<b>TOTAL ASSETS</b>		<b>102,933</b>	<b>93,561</b>
<b>Equity and Liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital	21	825	748
Share premium account	21	12,546	9,786
EBT shares	21	(1,015)	(1,074)
Retained Earnings		8,689	7,483
<b>Total equity attributable to members of the parent company</b>		<b>21,045</b>	<b>16,943</b>
<b>Non-current liabilities</b>			
Deferred taxation	22	684	567
Borrowings	23	40,277	55,911
<b>Total non-current liabilities</b>		<b>40,961</b>	<b>56,478</b>
<b>Current liabilities</b>			
Borrowings	23	20,981	5,626
Trade and other payables	24	19,936	14,514
Current liabilities held for sale	20	10	-
<b>Total current liabilities</b>		<b>40,927</b>	<b>20,140</b>
<b>Total liabilities</b>		<b>81,888</b>	<b>76,618</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>102,933</b>	<b>93,561</b>

The Financial Statements on pages 53 to 103 were approved by the Board of Directors on 27 March 2017 and signed on its behalf by:



Juliet Davenport  
Chief Executive  
27 March 2017

The notes on pages 60 to 103 form part of these Financial Statements.

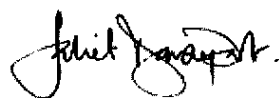
# Parent Company Statement of Financial Position

## As at 31 December 2016

Company registered no 04000623

	Note	2016 £000's	2015 £000's
<b>Non-current assets</b>			
Property, plant and equipment		387	-
Investments	16a	42,256	35,206
<b>Total non-current assets</b>		<b>42,643</b>	<b>35,206</b>
<b>Current assets</b>			
Trade and other receivables	18	74	22
Cash and cash equivalents	19	266	234
<b>Total current assets</b>		<b>340</b>	<b>256</b>
<b>TOTAL ASSETS</b>		<b>42,983</b>	<b>35,462</b>
<b>Equity and Liabilities</b>			
<b>Capital and reserves</b>			
Share capital	21	825	748
Share premium account	21	12,546	9,786
EBT shares	21	(1,015)	(1,074)
Retained Earnings		6,997	4,713
<b>Total Equity</b>		<b>19,353</b>	<b>14,173</b>
<b>Non-current liabilities</b>			
Borrowings	23	211	14,646
<b>Total non-current liabilities</b>		<b>211</b>	<b>14,646</b>
<b>Current liabilities</b>			
Borrowings	23	23,089	6,511
Trade and other payables	24	330	132
<b>Total current liabilities</b>		<b>23,419</b>	<b>6,643</b>
<b>Total liabilities</b>		<b>23,630</b>	<b>21,289</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>42,983</b>	<b>35,462</b>

The Financial Statements on pages 53 to 103 were approved by the Board of Directors on 27 March 2017 and signed on its behalf by:



Juliet Davenport  
Chief Executive  
27 March 2017

The notes on pages 60 to 103 form part of these Financial Statements.

# Consolidated Statement of Changes in Equity

## For the year ended 31 December 2016

	Note	Called Up Share Capital £000's	Share Premium Account £000's	EBT Shares £000's	Retained Earnings £000's	Total Equity £000's
<b>At 1 January 2015</b>		<b>733</b>	<b>9,077</b>	<b>(127)</b>	<b>8260</b>	<b>17,943</b>
Loss for the year		-	-	-	(195)	(195)
Other comprehensive income for the year		-	-	-	-	-
<b>Total comprehensive expense for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(195)</b>	<b>(195)</b>
Share based payments	27	-	-	-	51	51
Tax charge relating to share option scheme	22	-	-	-	(151)	(151)
Issue of ordinary shares	21	15	709	-	-	724
Purchase of ordinary shares by EBT	21	-	-	(1,150)	-	(1,150)
Sale of shares by EBT	21	-	-	203	(4)	199
Dividend Paid	25	-	-	-	(478)	(478)
<b>Total contributions by and distributions to owners of the parent, recognised directly in equity</b>		<b>15</b>	<b>709</b>	<b>(947)</b>	<b>(582)</b>	<b>(805)</b>
<b>At 31 December 2015</b>		<b>748</b>	<b>9,786</b>	<b>(1,074)</b>	<b>7,483</b>	<b>16,943</b>
<b>At 1 January 2016</b>		<b>748</b>	<b>9,786</b>	<b>(1,074)</b>	<b>7,483</b>	<b>16,943</b>
Profit for the year		-	-	-	1,383	1,383
Other comprehensive income for the year		-	-	-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,383</b>	<b>1,383</b>
Share based payments	27	-	-	-	230	230
Tax charge relating to share option scheme	22	-	-	-	98	98
Issue of ordinary shares	21	77	2,760	-	-	2,837
Sale of shares by EBT	21	-	-	59	(14)	45
Dividend Paid	25	-	-	-	(491)	(491)
<b>Total contributions by and distributions to owners of the parent, recognised directly in equity</b>		<b>77</b>	<b>2,760</b>	<b>59</b>	<b>(177)</b>	<b>2,719</b>
<b>At 31 December 2016</b>		<b>825</b>	<b>12,546</b>	<b>(1,015)</b>	<b>8,689</b>	<b>21,045</b>

The notes on pages 60 to 103 form part of these Financial Statements.

# Parent Company Statement of Changes in Equity

## For the year ended 31 December 2016

	Note	Share Capital	Share Premium Account	EBT Shares	Retained Earnings	Total Equity
		£000's	£000's	£000's	£000's	£000's
<b>At 1 January 2015</b>		<b>733</b>	<b>9,077</b>	<b>(127)</b>	<b>4,071</b>	<b>13,754</b>
<b>Profit for the year and total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,124</b>	<b>1,124</b>
Issue of ordinary shares	21	15	709	-	-	724
Purchase of shares by EBT	21	-	-	(1,150)	-	(1,150)
Sale of shares by EBT	21	-	-	203	(4)	199
Dividend Paid	25	-	-	-	(478)	(478)
<b>Total contributions by and distributions to owners of the parent, recognised directly in equity</b>		<b>15</b>	<b>709</b>	<b>(947)</b>	<b>(482)</b>	<b>(705)</b>
<b>At 31 December 2015</b>		<b>748</b>	<b>9,786</b>	<b>(1,074)</b>	<b>4,713</b>	<b>14,173</b>
<b>At 1 January 2016</b>		<b>748</b>	<b>9,786</b>	<b>(1,074)</b>	<b>4,713</b>	<b>14,173</b>
<b>Profit for the year and total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>2,789</b>	<b>2,789</b>
Issue of ordinary shares	21	77	2,760	-	-	2,837
Sale of shares by EBT	21	-	-	59	(14)	45
Dividend Paid	25	-	-	-	(491)	(491)
<b>Total contributions by and distributions to owners of the parent, recognised directly in equity</b>		<b>77</b>	<b>2,760</b>	<b>59</b>	<b>(505)</b>	<b>2,391</b>
<b>At 31 December 2016</b>		<b>825</b>	<b>12,546</b>	<b>(1,015)</b>	<b>6,997</b>	<b>19,353</b>

The notes on pages 60 to 103 form part of these Financial Statements.



# Consolidated Statement of Cash Flows

## For the year ended 31 December 2016

	Note	2016 £000's	2015 £000's
<b>Cash flows from operating activities</b>			
Cash generated from operations	26	10,656	1,590
Finance income		18	23
Finance cost		(4,208)	(3,277)
Income tax received		133	59
<b>Net cash flows generated from/(used in) operating activities</b>		<b>6,599</b>	<b>(1,605)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(4,958)	(17,748)
Purchase of intangible fixed assets	15	(1,851)	(492)
Deposit into restricted accounts		(29)	(2,803)
<b>Net cash flows used in investing activities</b>		<b>(6,838)</b>	<b>(21,043)</b>
<b>Cash flows from financing activities</b>			
Payments of dividends	25	(491)	(451)
Proceeds from borrowings		387	24,749
Repayment of borrowings		(951)	(10,348)
Capital repayments of finance lease		(50)	-
Proceeds from issue of shares		2,837	-
Purchase of own shares		-	(453)
Sale of own shares		45	199
<b>Net cash flows generated from financing activities</b>		<b>1,777</b>	<b>13,696</b>
Net increase/(decrease) in cash and cash equivalents		1,538	(8,952)
Cash and cash equivalents at beginning of year		4,751	13,703
<b>Cash and cash equivalents at end of year</b>		<b>6,289</b>	<b>4,751</b>

The notes on pages 60 to 103 form part of these Financial Statements.

# Parent Company Statement of Cash Flows

## For the year ended 31 December 2016

	Note	2016 £000's	2015 £000's
<b>Cash flows from operating activities</b>			
Cash used in operations	26	(1,725)	(1,204)
Finance income		-	786
Finance cost		(977)	(1,195)
Income tax paid		-	(20)
<b>Net cash flows used in operating activities</b>		<b>(2,702)</b>	<b>(1,633)</b>
<b>Cash Flows from Investing activities</b>			
Purchase of property, plant and equipment		(387)	-
<b>Net cash flows used in investing activities</b>		<b>(387)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Payment of dividends	25	(491)	(451)
Repayment of borrowings		-	(35)
Intercompany loans movement		780	2,098
Capital repayments of finance lease		(50)	-
Proceeds from issue of shares		2,837	-
Purchase of own shares		-	(453)
Sale of own shares		45	199
<b>Net cash generated from financing activities</b>		<b>3,121</b>	<b>1,358</b>
Net increase/(decrease) in cash and cash equivalents		32	(275)
Cash and cash equivalents at beginning of year		234	509
<b>Cash and cash equivalents at end of year</b>		<b>266</b>	<b>234</b>

The notes on pages 60 to 103 form part of these Financial Statements.

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 1. 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 principal activities of Good Energy Group PLC are those of a holding and management company to the Group and a lender to, and seller of, generation development sites.

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

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.

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.

### 2. Summary of Significant Accounting Policies

#### 2.1 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 IFRS Interpretations Committee (IFRSIC) 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 or historic cost modified by revaluation of financial assets and financial liabilities held at fair value through profit or loss.

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 financial year.

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 judgements, 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 4 and the following accounting policy notes: revenue recognition (2.5), property, plant and equipment (2.7), inventories (2.11) including generation development sites (2.11.3) and credit risk (3.1.3).

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 2. Summary of Significant Accounting Policies (continued)

#### 2.2 Going concern

The Group meets its day to day capital requirements through positive cash balances held on deposit or through its bank facilities. The current economic conditions continue to create opportunities and uncertainties which can impact the level of demand for the Group's products and the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of the possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities.

After making enquires, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowings can be found in note 23.

Good Energy's 4 year bond issued in November 2013, is due to mature in November 2017. The Company has the option to redeem this bond, replace it with another bond or roll on the bond for another 12 months (subject to redemption requests by bondholders) and is currently reviewing the most appropriate option. As a consequence of the existing bond's terms ending within the next twelve months, this facility has had to be reclassified as a current liability and the balance sheet, as a result, shows a net current liability position of (£3.4m) as at 31 December 2016, compared to a net current asset position of £5.8m in 2015. The balance sheet is expected to return to a net current asset position for the year ended 31 December 2017.

#### 2.3 Change in accounting policies and disclosures

There have been a number of new standards and interpretations issued in 2016, none of which are yet effective. At this stage, management have not applied these new standards in the preparation of these consolidated financial statements. Management has yet to fully assess the impact of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers which are both effective for the Group for its 2018 financial statements.

There are no other standards or interpretations that are not yet effective, that are expected to have a material effect on the Group's net assets or results.

#### 2.4 Basis of consolidation

The Group financial statements incorporate the financial statements of the company and its subsidiaries 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 on the date of acquisition. Consideration payable on acquisition is measured at fair value.

For business combinations made after 1 July 2009, costs directly attributable to the business combination are not 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.

Inter-company transactions and balances between Group enterprises are eliminated on consolidation.

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 2. Summary of Significant Accounting Policies (continued)

#### 2.5 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 electricity, gas, generation of power and sale of generation development sites 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 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.

##### 2.5.1 Power supply

Revenue for the supply of electricity is accrued 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. Accrued income is superseded when customer meter reads are received at which point estimates are adjusted to actual usage.

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.

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

Good Energy Group Plc provides 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. For FIT services, revenue 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.

##### 2.5.3 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 certificate 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.*

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 2. Summary of Significant Accounting Policies (continued)

#### 2.5.4 Generation development site revenue recognition

Revenue is recognised on the completion date of the sale and purchase agreement pertaining to each site sold. Where there is contingent revenue included in the sale and purchase agreement, revenue is recognised based on management's assessment of the likelihood of the contingent revenue being received based on latest information available.

#### 2.6 Goodwill, 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 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.

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

##### 2.6.2 Indefinite life intangible assets

The Power Supply Licence is held as an indefinite life intangible asset 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.

##### 2.6.3 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	between 3 and 10 years
Website development costs	between 2 and 5 years

Amortisation of intangible assets is included in the Consolidated Statement of Comprehensive Income in 'administrative expenses'.

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 2. Summary of Significant Accounting Policies (continued)

#### 2.6.4 Impairment

The Directors regularly review intangible assets for impairment and provision is made if necessary. Assets with an indefinite useful life, eg 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 circumstance 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.

#### 2.7 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:

Fixtures, fittings and equipment	between 3 and 5 years
Leasehold improvements	over the life of the lease
Generation assets	between 24 and 29 years
Assets under construction	not depreciated

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.

#### 2.8 Investments

An undertaking is regarded as a subsidiary undertaking if the company has control over its operating and financial policies. Investments in subsidiary undertakings that are directly owned by the company are stated at cost less amounts written-off for any permanent diminution in value.

#### 2.9 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 over the lower of the useful life and term of the lease. 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 financial 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 on a straight-line basis over the term of the lease.

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 2. Summary of Significant Accounting Policies (continued)

#### 2.10 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 in respect of the year.

#### 2.11 Inventories

##### 2.11.1 Renewable Obligation Certificates (ROCs)

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 over a 12 month period, 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.

##### 2.11.2 Levy Exemption Certificates (LECs)

The removal of Levy Exemption Certificates was announced by the Government in 2015, starting 1 August 2015. Excess inventory of LECs had been purchased by the company in the years prior to this date. The cost of this inventory was written back to the income statement in 2015, resulting in a non-recurring credit. During the year inventories were utilised against the cost of Climate Change Levy for business customers, with costs charged through the income statement. The inventory balance remaining at the balance sheet date will be utilised fully in 2017. LECs are valued at the lower of purchase cost and estimated realisable value.

##### 2.11.3 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.

#### 2.12 Current and deferred taxation

The tax credit represents the sum of the tax currently receivable and deferred tax. The tax currently receivable 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 financial 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



# Notes to the Financial Statements

## For the year ended 31 December 2016

### 2. Summary of Significant Accounting Policies (continued)

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.

The carrying amount of deferred tax assets is reviewed at the end of each financial 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.

#### 2.13 Available-for-sale financial assets

Equity instruments held by the Group and designated as available-for-sale are carried at fair value, with movements in fair value recognised in other comprehensive income. Where fair value cannot be reliably measured, the assets are approximated at cost. Cumulative fair value gains or losses on an asset are recycled through the income statement when the asset is disposed or impaired. A significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. Impairments are recognised in the income statement.

#### 2.14 Assets and liabilities classified as held for sale

Assets and liabilities are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and the sale is highly probable. Assets and liabilities classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell. They are not depreciated or amortised.

#### 2.15 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.

##### 2.15.1 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.

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 2. Summary of Significant Accounting Policies (continued)

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counter-party 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.

Restricted deposits are held by financing providers to cover debt service and maintenance expenses on generation sites to which the funding relates.

Short-term security deposits are held by trading exchanges to cover short term electricity trades.

#### 2.15.2 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.

#### 2.15.3 Trade and other payables

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

#### 2.15.4 Borrowings

The Group expenses borrowing costs over the term of the loan facility. 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 note 23.

### 2.16 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 an equity-settled, share-based compensation plan, 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).

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 2. Summary of Significant Accounting Policies (continued)

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 financial 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 to meet that obligation, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

#### 2.17 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 of Directors review the Group's internal reporting in order to assess performance and allocate resources.

#### 2.18 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.

#### 2.19 Finance income

Finance income is received in respect of cash deposits and is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as finance income. Finance income on impaired loan and receivables is recognised using the original effective interest rates.

#### 2.20 Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

#### 2.21 Dividend distribution

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

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 3. Financial and Capital Risk Management

#### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: liquidity risk, market risk (including currency risk, cash flow and fair value interest rate risk and commodity price risk) and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group may use derivative financial instruments to hedge certain risk exposures.

##### 3.1.1 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.

A liquidity analysis of financial instruments based on contractual undiscounted cash flows is provided below:

Parent Company 31 December 2016	Less than 1 year £000's	Between 1 and 2 years £000's	Between 2 and 5 years £000's	Over 5 years £000's
Corporate bond	16,075	-	-	-
Loan from group companies	7,874	-	-	-
Trade and other payables	330	-	-	-
<b>Total</b>	<b>24,279</b>	<b>-</b>	<b>-</b>	<b>-</b>

Parent Company 31 December 2015	Less than 1 year £000's	Between 1 and 2 years £000's	Between 2 and 5 years £000's	Over 5 years £000's
Corporate bond	1,110	16,075	-	-
Loan from group companies	6,389	-	-	-
Trade and other payables	132	-	-	-
<b>Total</b>	<b>7,631</b>	<b>16,075</b>	<b>-</b>	<b>-</b>

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 3. Financial and Capital Risk Management (continued)

Consolidated 31 December 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£000's	£000's	£000's	£000's
<b>Borrowings</b>	<b>9,765</b>	<b>4,527</b>	<b>14,171</b>	<b>50,660</b>
Corporate bond	16,075	-	-	-
Trade and other payables	17,657	-	-	-
<b>Total</b>	<b>43,497</b>	<b>4,527</b>	<b>14,171</b>	<b>50,660</b>

Consolidated 31 December 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£000's	£000's	£000's	£000's
<b>Borrowings</b>	<b>7,702</b>	<b>4,220</b>	<b>13,828</b>	<b>55,311</b>
Corporate bond	1,110	16,075	-	-
Trade and other payables	14,514	-	-	-
<b>Total</b>	<b>23,326</b>	<b>20,295</b>	<b>13,828</b>	<b>55,311</b>

#### 3.1.2 Market Risk

##### 3.1.2a Currency risk

The Group is exposed to foreign exchange risk arising from the purchase of capital equipment items from European countries. The primary currency exposure is with respect to the Euro. Management have set up a policy, that when it is deemed appropriate, the Group will forward buy euros against major contracts to reduce foreign exchange exposure. As at 31 December 2016 no euros (2015: no euros) were purchased forward.

##### 3.1.2b Cash flow and fair value 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 may use 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.

##### 3.1.2c Commodity price risk

The Group's operations results 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 in order to mitigate some of the risk of commodity price fluctuations.

If the wholesale market moves significantly upwards or downwards, the price risk to the Group will depend upon a number of factors including the excess or deficiency of power being supplied by renewable power purchase contracts in place at the time. The Group may be required to 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 assess trends so it is ready to take necessary action when required.

Vertical integration of the Group helps further mitigate exposure to changes in power prices.

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 3. Financial and Capital Risk Management (continued)

#### 3.1.3 Credit risk

The Group's exposure to credit risk arises from its receivables from customers. At 31 December 2016 and 2015, the Group's trade and other receivables were classed as due within one year, details of which are included in note 18. 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 per cent, this would have an impact of £9,829 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.

#### 3.2 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 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. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the Consolidated Statement of Financial Position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt. The capital structure of the Group is as follows:

	Note	2016 £000's	2015 £000's
Total borrowings	23	61,258	61,537
Less: cash in restricted deposit accounts		(2,831)	(2,803)
Less: cash and cash equivalents	19	(6,289)	(4,751)
Net debt		52,138	53,983
Total equity		21,045	16,943
<b>Total capital</b>		<b>73,183</b>	<b>70,926</b>
<b>Gearing ratio</b>		<b>71.2%</b>	<b>76.1%</b>

During 2016, the Group's strategy, which was unchanged from 2015, was to seek debt funding at appropriate margins from lenders against long term power generation assets. These assets have highly predictable revenue streams and are considered stable for long term borrowing. In future, in order to maintain or adjust its capital structure, the Group may re-structure its debt, issue new shares or sell assets.

The Group's borrowings are subject to maintaining covenants as defined by the debt funders. Throughout the year ended 31 December 2016 the Group complied with all external borrowing covenants and management monitors the continued compliance with these covenants on a monthly or quarterly basis.

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 3. Financial and Capital Risk Management (continued)

#### 3.3 Fair value estimation

The table below presents the Group's financial assets that are measured at fair value, by valuation method at 31 December 2016. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3);

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Specific valuation techniques used to value the unlisted securities included the assessment of the current status of the project and a review of any changes to circumstances since the initial acquisition of shares.

All financial instruments with the exclusion of the amounts below are classified as level 2 per the fair value hierarchy

2016	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
<b>Assets</b>				
<b>Available for sale financial assets</b>				
Unlisted securities	-	-	500	500
<b>Total assets</b>	-	-	500	500

2015	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
<b>Assets</b>				
<b>Available for sale financial assets</b>				
Unlisted securities	-	-	500	500
<b>Total assets</b>	-	-	500	500

There were no changes in Level 3 instruments for the year ended 31 December 2016.

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 4. 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 statements. These estimates and judgements are evaluated continually and are based on historical experience and other factors, including expectations of future events. The most critical of these accounting judgements and estimates are detailed below. Given the nature of the estimates and judgements made, unless explicitly stated otherwise, it is not appropriate to provide a sensitivity analysis of the judgements and estimates noted.

#### 4.1 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 fourteen months after the supply date.

#### 4.2 Power purchase costs

Power purchase costs can typically take 14 months from the date of supply 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 that needs to be estimated based on a combination of in-house and industry data that is available at any particular point in time.

#### 4.3 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.



# Notes to the Financial Statements

## For the year ended 31 December 2016

### 4. Critical Accounting Estimates (continued)

#### 4.4 Provisions for bad and doubtful debt

The assessments undertaken in recognising provisions 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.

#### 4.5 Recoverability of capitalised generation project costs and generation assets

Generation project costs capitalised in inventory are reviewed by management on a monthly basis. Where management deem at the balance sheet date that on the balance of probability, the likely planning outcome for a given generation site will prevent it being constructed or sold, a write off provision is made for the full amount of the inventory relating to that site after excluding an assessment of recoverable costs. Where possible, recoverable costs will be estimated based on known market values.

The carrying value of the generating sites is considered in relation to the value in use and a provision will be recognised for any excess. For the current year no provision was deemed necessary.

### 5. 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:-

- Supply Companies (Including electricity supply, FIT administration and gas supply);
- Electricity Generation Companies (Including wind and solar generation companies);
- Generation Development (44 early stage development companies)
- Holding companies, being the activity of Good Energy Group PLC.

The Board assesses the performance of the operating segments based primarily on summary financial information, 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:

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 5. Segmental Analysis (continued)

Year ended 31 December 2016	Electricity Supply	FIT admin- istration	Gas Supply	Total Supply Companies	Electricity Generation	Generation Development	Holding Companies/ Consolidation Adjustments	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Revenue</b>								
Revenue from external customers	55,324	5,904	23,903	85,131	4,520	786	-	90,437
Inter-segment revenue	-	-	-	-	3,324	-	(3,324)	-
<b>Total revenue</b>	55,324	5,904	23,903	85,131	7,844	786	(3,324)	90,437
<b>Expenditure</b>								
Cost of sales	(40,559)	(1,415)	(16,269)	(58,243)	(4,295)	(367)	-	(62,905)
Inter-segment cost of sales	(3,324)	-	-	(3,324)	-	-	3,324	-
<b>Gross profit</b>	11,441	4,489	7,634	23,564	3,549	419	-	27,532
Administrative expenses				(17,080)	(357)	(666)	(1,868)	(19,971)
Depreciation & amortisation				(1,609)	-	(2)	-	(1,611)
<b>Operating profit/(loss)</b>				4,875	3,192	(249)	(1,868)	5,950
Net finance income/(costs)				140	(5,352)	(339)	1,035	(4,516)
<b>Profit/(loss) before tax</b>				5,015	(2,160)	(588)	(833)	1,434
<b>Segments assets &amp; liabilities</b>								
Segment assets				45,704	116,337	11,162	(70,270)	102,933
Segment liabilities				38,008	116,948	17,205	(90,273)	81,888
<b>Net assets/(liabilities)</b>				7,696	(611)	(6,043)	20,003	21,045
<b>Additions to non-current assets</b>				2,264	1,120	3,725	387	7,496

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 5. Segmental Analysis (continued)

Year ended 31 December 2015	Electricity Supply	FIT admin- istration	Gas Supply	Total Supply Companies	Electricity Generation	Generation Development	Holding Companies/ consolidation adjustments	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Revenue</b>								
Revenue from external customers	40,192	3,902	16,411	<b>60,505</b>	3,576	200	-	64,281
Inter-segment revenue	-	-	-	-	3,882	-	(3,882)	-
<b>Total Revenue</b>	<b>40,192</b>	<b>3,902</b>	<b>16,411</b>	<b>60,505</b>	<b>7,458</b>	<b>200</b>	<b>(3,882)</b>	<b>64,281</b>
<b>Expenditure</b>								
Cost of sales	(24,542)	(1,655)	(12,987)	<b>(39,184)</b>	(3,440)	(358)	-	(42,982)
Inter-segment cost of sales	(3,882)	-	-	<b>(3,882)</b>	-	-	3,882	-
<b>Gross Profit/ (loss)</b>	<b>11,768</b>	<b>2,247</b>	<b>3,424</b>	<b>17,439</b>	<b>4,018</b>	<b>(158)</b>	<b>-</b>	<b>21,299</b>
Administrative expenses				<b>(12,877)</b>	(353)	(1,448)	(1,408)	(16,086)
Depreciation & amortisation				<b>(975)</b>	-	(3)	(1)	(979)
Operating profit/ (loss)				<b>3,587</b>	3,665	(1,609)	(1,409)	4,234
Net finance income/(costs)				<b>136</b>	(4,301)	(494)	553	(4,106)
<b>Profit/(loss) before tax</b>				<b>3,723</b>	<b>(636)</b>	<b>(2,103)</b>	<b>(856)</b>	<b>128</b>
<b>Segments assets &amp; liabilities</b>								
Segment assets				<b>34,628</b>	96,091	6,778	(43,936)	93,561
Segment liabilities				<b>29,040</b>	94,239	12,414	(59,075)	76,618
<b>Net assets/ (liabilities)</b>				<b>5,588</b>	<b>1,852</b>	<b>(5,636)</b>	<b>15,139</b>	<b>16,943</b>
<b>Additions to non-current assets</b>				<b>755</b>	<b>18,090</b>	<b>-</b>	<b>-</b>	<b>18,845</b>

All turnover arose within the United Kingdom.

Consolidation adjustments relate to inter-company sales of generated electricity and the elimination of inter-company balances.

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 6. Operating Profit and Administrative Expenses

	Note	2016 £000's	2015 £000's
<b>The operating profit is stated after charging:</b>			
Depreciation of property, plant and equipment	14	2,809	2,351
Amortisation of intangible assets	15	1,367	705
Operating lease rentals		1,078	676
<b>Auditors' Remuneration</b>			
Audit of parent and consolidated financial statements		28	27
Audit of subsidiaries		98	108
<b>Subtotal (audit)</b>		<b>126</b>	<b>135</b>
Other services - financial statement preparation		15	25
Other services		-	34
Tax services		22	60
<b>Subtotal (non-audit)</b>		<b>37</b>	<b>119</b>
<b>The administrative expenses comprise the following:</b>			
Staff costs		9,286	7,345
Rent and office costs		4,514	3,573
Marketing costs		1,987	1,776
Professional fees and bank charges		2,383	2,152
Bad Debts		1,801	1,240
Depreciation and amortisation		1,611	979
<b>Total</b>		<b>21,582</b>	<b>17,065</b>

### 7. 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 £2,789,472 (2015: profit £1,123,794).

The profit for the parent company in 2016 included part of the proceeds from the sale of Wrotham Heath solar site. In the segmental analysis 100% of the proceeds from Wrotham Heath were shown within Generation Development reflecting the operational performance of the segment.

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 8. Staff Costs

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

	2016	2015
	£000's	£000's
Wages and salaries	10,258	8,741
Social security costs	1,062	866
Share based payments	230	51
Other pension costs	433	343
<b>Total staff costs</b>	<b>11,983</b>	<b>10,001</b>
Capitalised staff costs	(677)	(729)
<b>Total expensed staff costs</b>	<b>11,306</b>	<b>9,272</b>

Details of share based payments can be found in note 27.

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

	2016	2015
	Number	Number
Operations	165	135
Business services	154	141
<b>Total management and administration</b>	<b>319</b>	<b>276</b>

### 9. Directors' and Key Management Remuneration

Directors' and Key Management emoluments	2016	2015
	£000's	£000's
Aggregate emoluments	872	922
Contributions to money purchase pension schemes	73	69

Key management are considered to be the directors of Good Energy Group PLC and the executive team. The emoluments relating to these teams are included in the table above.

During the year retirement benefits were accruing to 3 Directors of the Group (2015: 2) in respect of money purchase pension schemes.

In respect of the highest paid Director, the Group paid remuneration of £235,951 (2015: £222,740), including contributions to the money purchase pension scheme of £25,000 (2015: £23,868).

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.

During the year, no share options were exercised by Directors or key management (2015: nil). The aggregate amount of gains made by directors or key management on the exercise of share options was nil (2015: nil).

Details of Directors' emoluments are given in the Directors' Remuneration Report on page 40.

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 10. Finance Income

	2016 £000's	2015 £000's
Bank and other interest receivables	18	23

### 11. Finance Costs

	2016 £000's	2015 £000's
On bank loans and overdrafts	3,072	3,192
On corporate bond	1,113	1,110
Other interest payable	13	1
Amortisation of debt issue costs	336	327
Total finance costs	4,534	4,630
Less: amounts capitalised on qualifying assets	-	(501)
<b>Total</b>	<b>4,534</b>	<b>4,129</b>

### 12. Taxation

	2016 £000's	2015 £000's
<b>Analysis of tax charge in year</b>		
<b>Current tax (see note below)</b>		
Current Tax	-	165
Adjustments in respect of prior years	(164)	(243)
<b>Total current tax</b>	<b>(164)</b>	<b>(78)</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	217	(132)
Adjustments in respect of prior years	(2)	533
<b>Total deferred tax (see note 22)</b>	<b>215</b>	<b>401</b>
<b>Tax on profit on ordinary activities</b>	<b>51</b>	<b>323</b>

Adjustments in respect of prior years' deferred tax amounts are from updated assumptions used in the treatment of Group relieved losses and capital allowances.

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 12. Taxation (continued)

#### Factors affecting the tax credit for the year

The tax assessed for the year is lower (2015: higher) than the standard weighted average rate of corporation tax in the UK of 20.00% (2015: 20.25%). The differences are explained as follows:

	2016 £000's	2015 £000's
<b>Profit before tax</b>	<b>1,434</b>	<b>128</b>
Profit before tax multiplied by the weighted average rate of Corporation Tax in the UK of 20.00% (2015: 20.25%)	<b>287</b>	<b>26</b>
<b>Tax effects of:</b>		
Expenses not deductible for tax purposes	42	(9)
Non-taxable gain on sale of investment	(73)	-
Effects of changes in tax rate	(39)	16
Prior year adjustment - current tax	(164)	(243)
Prior year adjustment - deferred tax	(2)	533
<b>Total tax charge for year</b>	<b>51</b>	<b>323</b>

#### Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rates to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

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

	Parent Company		Consolidated	
	2016 £000's	2015 £000's	2016 £000's	2015 £000's
UK Corporation Tax on profits for the year	-	-	(167)	(126)

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 13. Earnings/(loss) Per Ordinary Share

#### Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the company by the weighted average number of ordinary shares during the year after excluding 495,739 (2015: 521,989) shares held by Clarke Willmott Trust Corporation Limited in trust for the Good Energy Group Employee Benefit Trust.

	Consolidated 2016	2015
Profit/(loss) attributable to owners of the Company (£000's)	1,383	(195)
Basic weighted average number of ordinary shares (000's)	15,239	14,455
<b>Basic earnings/(loss) per share</b>	<b>9.1p</b>	<b>(1.4p)</b>

#### Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares to assume conversion of all potentially dilutive ordinary shares. Potentially dilutive ordinary shares arise from awards made under the Group's share-based incentive plans. Where the vesting of these awards is contingent on satisfying a service or performance condition, the number of potentially dilutive ordinary shares is calculated based on the status of the condition at the end of the period. Potentially dilutive ordinary shares are actually dilutive only when the average market price of the Company's ordinary shares during the period exceeds their exercise price (options) or issue price (other awards). The greater any such excess, the greater the dilutive effect. The average market price of the Company's ordinary shares during the year was 223p (2015: 222p). The dilutive effect of share-based incentives was 563,595 (2015: nil shares).

	Consolidated 2016	2015
Profit/(loss) attributable to owners of the Company (£000's)	1,383	(195)
Weighted average number of diluted ordinary shares (000's)	15,802	14,455
<b>Diluted earnings/(loss) per share</b>	<b>8.8p</b>	<b>(1.4p)</b>



# Notes to the Financial Statements

## For the year ended 31 December 2016

### 14. Property, Plant and Equipment

Consolidated Year ended 31 December 2016	Leasehold improvements	Furniture, fittings & equipment	Generation assets	Assets under construction	Total
	£000's	£000's	£000's	£000's	£000's
<b>Cost</b>					
At 1 January 2016 (per AR 2015)	429	875	65,247	-	66,551
Assets held for sale	-	-	(5,308)	-	(5,308)
Additions	81	118	4,848	180	5,227
Disposals	-	(5)	(55)	-	(60)
<b>At 31 December 2016</b>	<b>510</b>	<b>988</b>	<b>64,732</b>	<b>180</b>	<b>66,410</b>
<b>Accumulated depreciation</b>					
At 1 January 2016 (per AR 2015)	(274)	(625)	(4,668)	-	(5,567)
Assets held for sale	-	-	213	-	213
Charge for the year	(60)	(206)	(2,601)	-	(2,867)
Disposals	-	5	53	-	58
<b>At 31 December 2016</b>	<b>(334)</b>	<b>(826)</b>	<b>(7,003)</b>	<b>-</b>	<b>(8,163)</b>
<b>Net book value</b>					
At 1 January 2016 (per AR 2015)	155	250	60,579	-	60,984
<b>At 31 December 2016</b>	<b>176</b>	<b>162</b>	<b>57,729</b>	<b>180</b>	<b>58,247</b>

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 14. Property, Plant and Equipment (continued)

<b>Consolidated Year ended 31 December 2015</b>	<b>Leasehold improvements</b>	<b>Furniture, fittings &amp; equipment</b>	<b>Generation assets</b>	<b>Assets under construction</b>	<b>Total</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Cost</b>					
At 1 January 2015	247	1,193	35,239	11,659	48,338
Transfer of Assets under construction to Generation assets	-	-	11,659	(11,659)	-
Additions	182	75	18,349	-	18,606
Disposals	-	(393)	-	-	(393)
<b>At 31 December 2015</b>	<b>429</b>	<b>875</b>	<b>65,247</b>	<b>-</b>	<b>66,551</b>
<b>Accumulated depreciation</b>					
At 1 January 2015	(156)	(861)	(2,592)	-	(3,609)
Charge for the year	(118)	(157)	(2,076)	-	(2,351)
Disposals	-	393	-	-	393
<b>At 31 December 2015</b>	<b>(274)</b>	<b>(625)</b>	<b>(4,668)</b>	<b>-</b>	<b>(5,567)</b>
<b>Net book value</b>					
At 1 January 2015	91	332	32,647	11,659	44,729
<b>At 31 December 2015</b>	<b>155</b>	<b>250</b>	<b>60,579</b>	<b>-</b>	<b>60,984</b>

The Generation assets relate to electricity generating assets (wind turbines, solar panels and ancillaries). Those assets held within the company's subsidiaries: Good Energy Delabole Wind Farm Limited; Good Energy Hampole Wind Farm Limited; Good Energy Woolbridge Solar Park Limited; Good Energy Creathorne Solar Park Limited, Good Energy Rook Wood Solar Park Limited, Good Energy Carloggas Solar Park Limited, Good Energy Lower End Solar Park Limited and Good Energy Cross Roads Solar Park Limited have been pledged as security against bank and other loan liabilities. There is no charge against the assets held within Good Energy Oaklands Plantation Solar Park Limited.

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 15. Intangible Assets

Consolidated Year ended 31 December 2016	Power supply licences £000's	Software licences £000's	Website development costs £000's	Goodwill £000's	Assets under the course of development £000's	Total £000's
<b>Cost</b>						
At 1 January 2016	180	3,351	9	1,446	-	4,986
Additions	-	111	-	-	1,740	1,851
<b>At 31 December 2016</b>	<b>180</b>	<b>3,462</b>	<b>9</b>	<b>1,446</b>	<b>1,740</b>	<b>6,837</b>

#### Accumulated amortisation

At 1 January 2016	-	(1,660)	(9)	-	-	(1,669)
Charge for the year	-	(1,367)	-	-	-	(1,367)
<b>At 31 December 2016</b>	<b>-</b>	<b>(3,027)</b>	<b>(9)</b>	<b>-</b>	<b>-</b>	<b>(3,036)</b>

#### Net book value

At 1 January 2016	180	1,691	-	1,446	-	3,317
<b>At 31 December 2016</b>	<b>180</b>	<b>435</b>	<b>-</b>	<b>1,446</b>	<b>1,740</b>	<b>3,801</b>

Consolidated Year ended 31 December 2015	Power supply licences £000's	Software licences £000's	Website development costs £000's	Goodwill £000's	Assets under the course of development £000's	Total £000's
<b>Cost</b>						
At 1 January 2015	180	3,868	132	1,446	-	5,626
Additions	-	492	-	-	-	492
Disposals	-	(1,009)	(123)	-	-	(1,132)
<b>At 31 December 2015</b>	<b>180</b>	<b>3,351</b>	<b>9</b>	<b>1,446</b>	<b>-</b>	<b>4,986</b>

#### Accumulated amortisation

At 1 January 2015	-	(1,964)	(132)	-	-	(2,096)
Charge for the year	-	(705)	-	-	-	(705)
Disposals	-	1,009	123	-	-	1,132
<b>At 31 December 2015</b>	<b>-</b>	<b>(1,660)</b>	<b>(9)</b>	<b>-</b>	<b>-</b>	<b>(1,669)</b>

#### Net book value

At 1 January 2015	180	1,904	-	1,446	-	3,530
<b>At 31 December 2015</b>	<b>180</b>	<b>1,691</b>	<b>-</b>	<b>1,446</b>	<b>-</b>	<b>3,317</b>

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 15. Intangible Assets (continued)

Assets under the course of development relate to the implementation of a new billing system and the launch of our new website.

All amortisation amounts are included within administration expenses.

Goodwill of £1,446,453 (2015: £1,446,453) comprises £1,060,996 (2015: £1,060,996) arising from the original acquisition of Good Energy Limited, and £385,457 (2015: £385,457) from the original acquisition of the wind farm at Delabole.

The carrying values of indefinite life assets included in intangible assets are: goodwill of £1,446,453 (2015: £1,446,453) and Power Supply Licence of £180,000 (2015: £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	2016	2015
Gross margin*	20%-30%	20%-30%
Growth rate beyond five year plan	2%	2%
Pre tax discount rate	11%	11%

\*annual margins have been modelled in the five year cashflow at varying levels.

Sensitivity analysis has been performed on the impairment review and it has been illustrated that a discount rate of 400% would still not indicate a potential impairment. Accordingly, the Directors consider there to be significant headroom.

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 16a. Investments and Subsidiaries

Parent Company Year ended 31 December 2016	Shares in Group undertakings £000's	Loans to Group undertakings £000's	Total £000's
<b>Cost and net book value</b>			
At 1 January 2016	4,646	30,560	35,206
Additions	-	17,464	17,464
Repayments	-	(10,414)	(10,414)
<b>At 31 December 2016</b>	<b>4,646</b>	<b>37,610</b>	<b>42,256</b>

Parent Company Year ended 31 December 2015	Shares in Group undertakings £000's	Loans to Group undertakings £000's	Total £000's
<b>Cost and Net book value</b>			
At 1 January 2015	4,646	25,295	29,941
Additions	-	56,555	56,555
Provisions	-	(6,000)	(6,000)
Repayments	-	(45,290)	(45,290)
<b>At 31 December 2015</b>	<b>4,646</b>	<b>30,560</b>	<b>35,206</b>

A provision for £6,000,000 was recorded against the intercompany receivable loan for Good Energy Generation Limited in 2015. No additional provision has been recognised in 2016. This has no impact on the consolidated results of the Group.

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 16a. Investments and Subsidiaries (continued)

The Group had the following subsidiaries at 31 December 2016 (all of which have the same registered address as Good Energy Group PLC, which can be found within the Directors and Corporate Resources section on the final page of this report):

Name	Country of incorporation and place of business	Proportion of ordinary shares directly held by Parent	Nature of business
Good Energy Limited	UK	100%	supply of renewably sourced electricity and FIT administration
Good Energy Gas Limited	UK	100%	supply of gas
Good Energy Generation Limited	UK	100%	an investor in potential new generation sites
Good Energy Generation Holding Company No.1 Limited	UK	100%	holding company for a generating asset sub group
Good Energy Generation Assets No.1 Limited*	UK	100%	holding company for generating assets subsidiaries
Good Energy Hampole Windfarm Limited*	UK	100%	generation of electric power by wind turbine machinery
Good Energy Woolbridge Solar Park Limited*	UK	100%	generation of electric power by solar panels
Good Energy Creathorne Solar Park Limited*	UK	100%	generation of electric power by solar panels
Good Energy Rook Wood Solar Park Limited*	UK	100%	generation of electric power by solar panels
Good Energy Carloggas Solar Park Limited*	UK	100%	generation of electric power by solar panels
Good Energy Lower End Solar Park Limited*	UK	100%	generation of electric power by solar panels
Good Energy Cross Roads Plantation Solar Park Limited*	UK	100%	generation of electric power by solar panels
Good Energy Delabole Wind Farm Limited	UK	100%	generation of electric power by wind turbine machinery
Good Energy Cedar Windfarm Limited	UK	85%	development of an energy generating asset

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 16a. Investments and Subsidiaries (continued)

Good Energy Lanyon Solar Park Limited	UK	100%	development of an energy generating asset
Good Energy Mapperton Solar Park Limited	UK	100%	development of an energy generating asset
Good Energy Brynwhilach Solar Park Limited	UK	100%	development of an energy generating asset
Good Energy Oaklands Plantation Solar Park Limited	UK	100%	development of an energy generating asset
Good Energy Tidal Limited	UK	100%	investment holding company
Good Energy Development (No.1) Limited	UK	100%	development of an energy generating asset
Good Energy Development (No.2) Limited	UK	100%	development of an energy generating asset
Good Energy Development (No.3) Limited	UK	100%	development of an energy generating asset
Good Energy Development (No.4) Limited	UK	100%	development of an energy generating asset
Good Energy Development (No.5) Limited	UK	100%	development of an energy generating asset
Good Energy Development (No.6) Limited	UK	100%	development of an energy generating asset
Good Energy Development (No.7) Limited	UK	100%	development of an energy generating asset
Good Energy Development (No.8) Limited	UK	100%	development of an energy generating asset
Good Energy Development (No.9) Limited	UK	100%	development of an energy generating asset
Good Energy Development (No.10) Limited	UK	100%	development of an energy generating asset
Good Energy Development (No.12) Limited	UK	100%	development of an energy generating asset
Good Energy Development (No.14) Limited	UK	100%	development of an energy generating asset
Good Energy Development (No.15) Limited	UK	100%	development of an energy generating asset
Good Energy Development (No.16) Limited	UK	100%	development of an energy generating asset
Good Energy Development (No.17) Limited	UK	100%	development of an energy generating asset
Llangyfelach Community Solar Farm C.I.C	UK	100%	development of an energy generating asset
Worminster Down Somerset Community Solar Farm C.I.C	UK	100%	development of an energy generating asset
Good Energy Development (No.20) Limited	UK	100%	development of an energy generating asset

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 16a. Investments and Subsidiaries (continued)

Good Energy Development (No.21) Limited	UK	100%	development of an energy generating asset
Good Energy Development (No.22) Limited	UK	100%	development of an energy generating asset
Good Energy Development (No.23) Limited	UK	100%	development of an energy generating asset
Good Energy Development (No.24) Limited	UK	100%	development of an energy generating asset
Good Energy Development (No.25) Limited	UK	100%	development of an energy generating asset
Good Energy Development (No.26) Limited	UK	100%	development of an energy generating asset
Good Energy Development (No.27) Limited	UK	100%	development of an energy generating asset
Good Energy Development (No.28) Limited	UK	100%	development of an energy generating asset
Good Energy Development (No.29) Limited	UK	100%	development of an energy generating asset
Good Energy Development (No.30) Limited	UK	100%	development of an energy generating asset
Homegrown Energy Limited	UK	100%	dormant

\* Entities indirectly owned by Good Energy Group PLC.

The subsidiaries above have all been included in the consolidated financial statements.

### 16b. Available-for-sale Financial Assets

Consolidated	Available-for-sale
Year ended 31 December 2016	Financial Assets
Cost and Net book value	
At 1 January 2016	500
Additions	-
At 31 December 2016	500

Available-for-sale financial assets comprise £500,000 (2015: £500,000) of unlisted securities denominated in sterling.



# Notes to the Financial Statements

## For the year ended 31 December 2016

### 17. Inventories

	Parent Company		Consolidated	
	2016	2015	2016	2015
	£000's	£000's	£000's	£000's
Renewable Obligation Certificates	-	-	2,530	2,426
Levy Exemption Certificates	-	-	328	977
Generation development sites	-	-	6,941	6,079
<b>Total</b>	-	-	<b>9,799</b>	<b>9,482</b>

As at 31 December 2016 there were Renewable Obligation Certificates (ROCs) of £771,559 (2015: £537,265) 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 financial year.

As at 31 December 2016 there were Levy Exemption Certificates (LECs) of £327,852 (2015: 977,001) included in the above amount.

Costs shown in respect of Generation development sites are for on-going projects to secure development rights and planning permission to establish power generation units on a number of different sites. The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £267,386 (2015: £147,416). At 31 December 2016, an impairment of £201,457 (2015: £1,041,077) had been made against these sites resulting in an expense of nil (2015: net credit of £298,939 which is included in 'cost of sales').

### 18. Trade and Other Receivables

	Parent Company		Consolidated	
	2016	2015	2016	2015
	£000's	£000's	£000's	£000's
Gross trade receivables	-	16	17,571	11,444
Provision for impairment/non-payment of trade receivables	-	-	(3,932)	(2,131)
Net trade receivables	-	16	13,639	9,313
Prepayments	58	6	552	1,610
Other taxation	16	-	2,013	675
<b>Total</b>	<b>74</b>	<b>22</b>	<b>16,204</b>	<b>11,598</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. Some trade receivables are with customers who do not have externally available credit ratings.

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 18. Trade and Other Receivables (continued)

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	2016 £000's	2015 £000's
Balance at 1 January	2,131	1,424
Increase in allowance for impairment/non-payment	1,801	1,135
Impairment/non-payment losses recognised	-	(428)
Balance at 31 December	3,932	2,131

Ageing analysis of trade receivables past due but not impaired	2016 £000's	2015 £000's
Current and not past due	10,031	6,636
1 to 2 months	1,485	71
2 to 3 months	965	793
Over 3 months	1,158	1,813
Total	13,639	9,313

Trade receivables past due but not impaired relate entirely to a number of independent customers for whom there is no recent history of default.

Trade receivables are all financial assets designated as loans and receivables.

### 19. Cash and Cash Equivalents

	Parent Company		Consolidated	
	2016 £000's	2015 £000's	2016 £000's	2015 £000's
Cash at bank and in hand	266	234	2,296	1,956
Short-term bank deposits	-	-	2,879	1,871
Security deposits	-	-	1,114	924
Total	266	234	6,289	4,751

As part of the bank loan agreements, the lenders require a minimum cash balance to be held in separate reserve accounts. At the end of the year the total amount was £2,456,426 (2015: £1,722,653), which is included in short-term bank deposits. Included within cash at bank and in hand for both the parent company and the consolidated position is £162,676 (2015: £139,680) 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:-

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 19. Cash and Cash Equivalents (continued)

	Parent Company		Consolidated	
	2016	2015	2016	2015
	£000's	£000's	£000's	£000's
AA-	163	140	163	140
A+	-	-	4,447	-
A	-	-	450	3,568
A-	-	-	-	450
B	103	94	1,229	593
<b>Total</b>	<b>266</b>	<b>234</b>	<b>6,289</b>	<b>4,751</b>

Cash and cash equivalents are all financial assets designated as loans and receivables.

### 20. Assets and liabilities classified as held for sale

	Consolidated 2016 £000's
Property, plant and equipment	5,095
<b>Total assets</b>	<b>5,095</b>
<b>Deferred taxation</b>	<b>(10)</b>
<b>Total liabilities</b>	<b>(10)</b>
<b>Carrying value</b>	<b>5,085</b>

The figures in the above table refer to the sale by Good Energy Group PLC of 100% of its shareholding in Good Energy Oaklands Planatation Solar Park (031) Limited to a third party. Further detail can be seen in note 31.

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 21. Share Capital and Share Premium

	Parent Company & Consolidated				
	Number of authorised shares	Number of shares issued and fully paid	Share Capital £000's	Share Premium Account £000's	Total £000's
At 1 January 2015	20,000,000	14,667,896	733	9,077	9,810
Proceeds from shares issued	-	302,784	15	709	724
At 31 December 2015	20,000,000	14,970,680	748	9,786	10,534
Proceeds from shares issued	-	1,514,023	77	2,760	2,837
At 31 December 2016	20,000,000	16,484,703	825	12,546	13,371

In 2016, the company issued 1,514,023 ordinary shares of 5p each for total consideration of £2,836,748 resulting in a share premium of £2,760,047. This included the issue of 5,950 (2015: 291,137) shares to the EBT and 2 scrip dividend issues in lieu of full year and interim dividend cash payments (10,763 and 7,361 shares respectively) (2015: 7,566 and 4,081 shares respectively).

Clarke Willmott Trust Corporation Limited holds in trust 495,739 (2015: 521,989) ordinary shares of the company for the present and the future beneficiaries of the Good Energy Group Employee Share Option Scheme. 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 20,000 (2015: 197,000) shares as a result of options exercised and acquired nil (2015: 493,137) shares.

The Directors recommend a final dividend of 2.3p per share (2015: 2.3p) subject to shareholder approval at the Company's AGM.

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 22. Deferred Taxation

The provision for deferred taxation is made up as follows:

Consolidated	2016 £000's	2015 £000's
At 1 January	567	15
Charged to the Consolidated Statement of Comprehensive Income	215	401
Charged to equity	(98)	151
<b>At 31 December</b>	<b>684</b>	<b>567</b>

	2016 £000's	2015 £000's
Deferred tax asset to be recovered after more than 12 months	(722)	(142)
Deferred tax asset to be recovered within 12 months	(236)	(186)
<b>Sub total-deferred tax assets</b>	<b>(958)</b>	<b>(328)</b>

Deferred tax liabilities to be settled after more than 12 months	1,642	895
Deferred tax liabilities to be settled within 12 months	-	-
<b>Sub total-deferred tax liabilities</b>	<b>1,642</b>	<b>895</b>
<b>Total net deferred tax liabilities</b>	<b>684</b>	<b>567</b>

Deferred tax assets	2016 £000's	2015 £000's
On short term timing differences	236	186
Losses	722	142
<b>Total</b>	<b>958</b>	<b>328</b>

Deferred tax liabilities	2016 £000's	2015 £000's
On accelerated capital allowances	1,642	895

	Accelerated capital allowances £000's	Short-term timing differences £000's	Losses £000's	Total £000's
<b>Deferred tax assets/(liabilities)</b>				
<b>At 1 January 2015</b>	(678)	363	300	(15)
(Charged) to income statement	(217)	(26)	(158)	(401)
(Charged) to equity	-	(151)	-	(151)
<b>At 31 December 2015</b>	<b>(895)</b>	<b>186</b>	<b>142</b>	<b>(567)</b>
Credited/(charged) to the Income statement	(747)	(48)	580	(215)
Credited to equity	-	98	-	98
<b>At 31 December 2016</b>	<b>(1,642)</b>	<b>236</b>	<b>722</b>	<b>(684)</b>

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 23. Borrowings and Other Financial Liabilities

	Parent Company		Consolidated	
	2016	2015	2016	2015
	£000's	£000's	£000's	£000's
<b>Current:</b>				
Bank and other borrowings	125	122	5,891	5,626
Bond	15,090	-	15,090	-
Loans from Group companies	7,874	6,389	-	-
<b>Total</b>	<b>23,089</b>	<b>6,511</b>	<b>20,981</b>	<b>5,626</b>

	Parent Company		Consolidated	
	2016	2015	2016	2015
	£000's	£000's	£000's	£000's
<b>Non current:</b>				
Bank and other borrowings	211	-	40,277	41,265
Bond	-	14,646	-	14,646
<b>Total</b>	<b>211</b>	<b>14,646</b>	<b>40,277</b>	<b>55,911</b>

The Group has undrawn bank overdraft facilities of £6,757,144 (2015: £5,000,000) as at 31 December 2016 and undrawn revolving credit facilities of £822,140 (2015: £2,882,140). These facilities are secured by guarantees from Good Energy Limited, Good Energy Gas Limited and other group entities.

At 31 December 2016, £7,279,171 (2015: £7,681,950) of the bank loans relate 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 to fixed rate interest swap. They were entered into at the same time and in contemplation of one another, have the same counter-party, 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%.

At 31 December 2016, £37,399,386 inclusive of £627,985 of accrued interest (2015: £37,959,777 inclusive of £659,777 of accrued interest) of the bank loans relate to the company's subsidiary, Good Energy Generation Assets No. 1 Limited. The loan is secured by a mortgage debenture on that company and its subsidiaries dated 17 December 2014 incorporating charges over the shares of that company and those of its subsidiaries. The facility will be repaid from future cash flows arising from the subsidiaries of that company with repayments of capital and interest scheduled quarterly over a period of 18 years commencing 17 December 2014. Interest is payable at 6.85% and the outstanding principal balance is partially exposed if annual RPI inflation exceeds 3%. Costs incurred in raising finance were £2,754,299 (2015: £2,627,109) and are being amortised over the life of the loan in accordance with IAS39.

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 23. Borrowings and Other Financial Liabilities (continued)

On 2 October 2013 Good Energy Group launched a corporate bond which closed on 24 October 2013 with subscriptions having reached the maximum target of £15,000,000. The bond was issued to bondholders on 22 November 2013 with interest scheduled bi-annually. The coupon rate is 7.25% or 7.50% for bondholders that are customers of the Group. Capital repayment of the bond is payable following notice being received from the bondholder no earlier than 4 years from inception. The total costs of issue were £770,879 which are being amortised over the life of the bond. As at 31 December 2016 the amortisation recognised in 'finance costs' totalled £191,248 (2015: £165,982).

Parent Company	Inter-company loan	Bond	Finance Lease	Total
£000's	£000's	£000's	£000's	£000's
<b>31 December 2016</b>				
Due less than 1 year	7,874	15,090	125	23,089
Due between 1 and 5 years	-	-	211	211
<b>Total</b>	<b>7,874</b>	<b>15,090</b>	<b>336</b>	<b>23,300</b>

Parent Company	Inter-company loan	Bond	Finance Lease	Total
£000's	£000's	£000's	£000's	£000's
<b>31 December 2015</b>				
Due less than 1 year	6,389	122	-	6,511
Due between 1 and 5 years	-	14,646	-	14,646
<b>Total</b>	<b>6,389</b>	<b>14,768</b>	<b>-</b>	<b>21,157</b>

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 23. Borrowings and Other Financial Liabilities (continued)

<b>Consolidated</b>	<b>Bank and other borrowings</b>	<b>Bond</b>	<b>Total</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>31 December 2016</b>			
Due less than 1 year	5,753	15,090	20,843
Due between 1 and 5 years	7,204	-	7,204
Due more than 5 years	33,211	-	33,211
<b>Total</b>	<b>46,168</b>	<b>15,090</b>	<b>61,258</b>

<b>Consolidated</b>	<b>Bank and other borrowings</b>	<b>Bond</b>	<b>Total</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>31 December 2015</b>			
Due less than 1 year	5,626	-	5,626
Due between 1 and 5 years	8,802	14,646	23,448
Due more than 5 years	32,463	-	32,463
<b>Total</b>	<b>46,891</b>	<b>14,646</b>	<b>61,537</b>

The fair values of borrowings have been calculated taking into account the interest rate risk inherent in the loans and the bond. The fair value estimates and carrying values of borrowings (excluding issue costs) in place at 31 December 2016 are:

	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Good Energy Delabole Wind farm Ltd	7,351	7,279	7,759	7,682
Good Energy Generation Assets No. 1 Limited	37,839	37,399	37,553	37,300
Corporate bond	15,099	15,090	15,114	14,965

Borrowings are designated as other financial liabilities held at amortised cost.



# Notes to the Financial Statements

## For the year ended 31 December 2016

### 24. Trade and Other Payables

	Parent Company		Consolidated	
	2016	2015	2016	2015
	£000's	£000's	£000's	£000's
Trade payables	96	68	4,934	3,439
Accruals and deferred income	234	64	14,104	10,655
Social security and other taxes	-	-	898	351
Other payables	-	-	-	69
<b>Total</b>	<b>330</b>	<b>132</b>	<b>19,936</b>	<b>14,514</b>

Trade payables, accruals and other payables are designated as other financial liabilities held at amortised cost.

### 25. Dividends

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

Consolidated	2016	2015
	£000's	£000's
Final dividend prior year of 2.30p per share (2015: 2.30p)	368	344
Interim dividend current year of 1.00p per share (2015: 1.00p)	140	150
<b>Sub-total</b>	<b>508</b>	<b>494</b>
Dividends waived	(17)	(16)
<b>Total</b>	<b>491</b>	<b>478</b>

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

A final dividend of 2.3p per share was proposed on 20 March 2017, subject to shareholder approval at the company's AGM.

Of the total dividend distributed for the year, £42,288 (2015: £27,009) was paid in the form of scrip dividends with the balance of £448,792 (2015: £451,998) settled in cash.

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 26. Cash Generated From Operations

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

	Parent Company		Consolidated	
	2016	2015	2016	2015
	£000's	£000's	£000's	£000's
Profit before income tax	2,966	1,144	1,434	128
<b>Adjustments for:</b>				
Depreciation	-	-	2,808	2,351
Amortisation	-	1	1,368	705
Share based payments	-	-	230	51
Provision against investments in and loans to subsidiaries	-	6,000	-	-
Dividend income from subsidiaries	(3,800)	(8,000)	-	-
Finance (income)/costs - net	(1,036)	(552)	4,516	4,106
<b>Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)</b>				
Inventories	-	-	(517)	(3,872)
Trade and other receivables	(52)	165	(4,605)	(1,318)
Trade and other payables	197	38	5,422	(561)
<b>Cash (outflow)/inflow from operations</b>	<b>(1,725)</b>	<b>(1,204)</b>	<b>10,656</b>	<b>1,590</b>

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 27. 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. Costs in respect of these options of £229,921 (2015: £51,428) are recognised in the Consolidated Statement of Comprehensive Income. As at 31 December 2016, the following options had been issued:

	Number of options		Weighted average exercise price		Total exercise consideration	
	2016 (Number)	2015 (Number)	2016 (£)	2015 (£)	2016 £000's	2015 £000's
Outstanding at beginning of year	1,540,070	1,494,898	1.28	1.03	1,964	1,536
Granted	270,001	552,172	2.26	1.85	610	1,022
Exercised	(20,000)	(197,000)	1.25	1.01	(25)	(199)
Cancelled/surrendered	(55,000)	(310,000)	1.25	1.25	(69)	(388)
Outstanding at the end of year	1,735,071	1,540,070	1.51	1.28	2,480	1,971

In order to partially fulfil the options granted, 495,739 (2015: 521,989) shares representing approximately 29% (2015: 42%) of the options outstanding have already been issued and 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 up to September 2029. Share options outstanding at the end of the year have the following expiry date and exercise price:

Expiry year	Expiry year	Exercise price in £ per share options	Share options (thousands)	
			2016	2015
2004-2007	2017	0.75	35	35
2012-2015	2025	0.50	189	189
2012-2015	2025	1.15	179	179
2013-2016	2026	1.25	259	289
2015-2018	2028	0	102	102
2015-2018	2028	2.25	100	100
2015-2018	2028	2.27	150	150
2015-2018	2028	2.29	200	200
2016-2019	2029	0.05	270	-
			<b>1,484</b>	<b>1,244</b>

The weighted average fair value of options granted during the year determined using the Black-Scholes valuation model was £2.11 per option. The significant inputs into the model were weighted average share price of £2.26 at the grant date, exercise price shown above, volatility of 13%, dividend yield of 3%, an expected option life of three years and an annual risk-free interest rate of 0.3%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last year. See note 8 for the total expense recognised in the income statement for share options granted to Directors and employees.

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 28. 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 £433,320 (2015: £343,294).

Contributions totalling £51,823 (2015: £42,060) were payable to the fund at the end of the financial year 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.

### 29. Commitments

#### 29.1 Operating Lease Commitments

The future aggregate minimum lease payments are as follows:

Land and Buildings	2016 £000's	2015 £000's
<b>Leases as lessee:</b>		
Less than one year	724	341
Between one and five years	2,296	1,184
More than five years	6,410	6,583
<b>Total</b>	<b>9,430</b>	<b>8,108</b>

Other operating leases	2016 £000's	2015 £000's
<b>Leases as lessee:</b>		
Less than one year	8	6
Between one and five years	8	12
More than five years	-	-
<b>Total</b>	<b>16</b>	<b>18</b>

#### 29.2 Capital Commitments

At 31 December 2016, the total capital commitments amount is £5,702,212 (2015: £418,134). Of this £4,910,212 (2015: £418,134) related to contracts agreed on solar generation projects.

The figure for solar generation projects represents the maximum liability assuming sites continue in development.

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 30. Related Party Transactions

The Group maintains processes to identify related party transactions which include ensuring that all meetings of the Board of Directors begin with a declaration of interest in the matters arising. When related party transactions are identified, steps are taken to ensure they are transparent and contracted on an arm's length basis. Dependent on the perceived risk and materiality of the transaction, these steps may include forming an independent sub-committee of the board to consider the transaction and requesting that the Group's nominated advisor reviews the contractual terms.

The company's significant subsidiary undertakings, including the name and proportion of ownership interest for each, are disclosed in note 16. Transactions between subsidiaries and between the company and its subsidiaries are eliminated on consolidation. During the year the company had inter-company balances with its subsidiaries. Interest is charged on these balances at either 2.5% above the Bank of England base rate or at 8.85%. The higher rate is charged on inter-company loans drawing on the GCP loan which carries an external rate of interest of 6.85%. Details of the amounts outstanding and received during the year on inter-company loans are contained in note 16a.

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 £84,481 (2015: £83,647). No amounts were outstanding at the end of the financial year (2015: £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 £57,915 (2015: £76,649). Of these figures no amounts were outstanding at the end of the financial year (2015: £nil).

In 2012, the Group entered in to an agreement in connection with generation development activities with Shire Oak Energy Limited, a company wholly owned by Mark Shorrocks who is the husband of Juliet Davenport. During 2016, a payment of nil (2015: £500,000) was made to Shire Oak under the terms of the contract. A final payment, capped at £150,000 is due on the successful energisation of one remaining solar farm under the agreement. In April 2014, Good Energy Tidal Lagoon Limited, a subsidiary of the Group, made a £500,000 investment into Tidal Lagoon (Swansea Bay) plc. Mark Shorrocks (the husband of Juliet Davenport) is employed as its Chief Executive. The investment is structured with an option to purchase up to 10% of the power output from the Tidal Lagoon project at market rates once completed.

# Notes to the Financial Statements

## For the year ended 31 December 2016

### 31. Subsequent Events

On 3rd January 2017, Good Energy Group PLC sold 100% of its shareholding in Good Energy Oaklands Plantation Solar Park (031) Limited to a third party. The assets and liabilities of Good Energy Oaklands Plantation Solar Park (031) Limited have been presented as held for sale in note 20.

### 32. Subsidiary Undertakings Exempt From Audit

Good Energy Group PLC has provided the necessary parental guarantees under section 479A of the Companies Act 2006, to enable the following companies exemption from audit:

Good Energy Lanyon Solar Park (011) Limited  
Llangyfelach Community Solar Farm C.I.C.  
Worminster Down Somerset Community  
Solar Farm C.I.C.

Good Energy Development (No.1) Limited  
Good Energy Development (No.3) Limited  
Good Energy Development (No.4) Limited  
Good Energy Development (No.5) Limited  
Good Energy Development (No.6) Limited  
Good Energy Development (No.8) Limited  
Good Energy Development (No.9) Limited  
Good Energy Development (No.10) Limited  
Good Energy Development (No.12) Limited  
Good Energy Development (No.14) Limited

Good Energy Development (No.15) Limited  
Good Energy Development (No.16) Limited  
Good Energy Development (No.17) Limited  
Good Energy Development (No.20) Limited  
Good Energy Development (No.21) Limited  
Good Energy Development (No.22) Limited  
Good Energy Development (No.24) Limited  
Good Energy Development (No.25) Limited  
Good Energy Development (No.26) Limited  
Good Energy Development (No.27) Limited  
Good Energy Development (No.28) Limited  
Good Energy Development (No.29) Limited  
Good Energy Development (No.30) Limited ✓

### 33. Generation assets - technical data

#### Wind farms

Hampole, South Yorkshire  
Turbine manufacturer: Senvion  
No. of turbines: 4  
Installed capacity: 8.2MW  
Turbine power output: 2.05 MW

Delabole, Cornwall  
Turbine manufacturer: Enercon  
No. of turbines: 4  
Installed capacity: 9.2MW  
Turbine power output: 2.3 MW

#### Solar farms

Woolbridge, Dorset  
Solar modules: Yingli  
Nominal capacity DC: 4,996 kWp

Creathorne, Cornwall  
Solar modules: Yingli  
Nominal capacity DC: 1,841 kWp

#### Solar farms (continued)

Rook Wood, Wiltshire  
Solar modules: ReneSola  
Nominal capacity DC: 4,981 kWp

Lower End, Wiltshire  
Solar modules: Jinko Solar  
Nominal capacity DC: 4,999 kWp

Crossroads, Dorset  
Solar modules: Jinko Solar  
Nominal capacity DC: 4,999 kWp

Carloggas, Cornwall  
Solar modules: ReneSola  
Nominal capacity DC: 8,304 kWp

Oaklands, Dorset  
Solar modules: REC  
Nominal capacity DC: 4,992 kWp

## Directors and Corporate Resources

<i>Directors</i>	John Maltby (Non-Executive Chairman) Juliet Davenport (Chief Executive) Denise Cockrem (Chief Financial Officer)  David Brooks Richard Squires (Non-Executive Director) Martin Edwards (Non-Executive Director)  Francesca Ecsery (Non-Executive Director)  Emma Tinker (Non-Executive Director)
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<i>Company Secretary and Registered Office</i>	Stephen Rosser Monkton Reach Monkton Hill, Chippenham Wiltshire SN15 1EE
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<i>Company Number</i>	04000623
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<i>Principal place of business</i>	Monkton Reach Monkton Hill, Chippenham Wiltshire SN15 1EE
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<i>Independent Auditors</i>	PricewaterhouseCoopers LLP 2 Glass Wharf Bristol BS2 0FR
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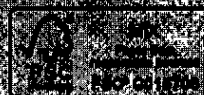
<i>Financial Advisors</i>	Arden Partners plc 125 Old Broad Street London, EC2N 1AR
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<i>Bankers</i>	Lloyds Bank PO Box 112, Canons House, Canons Way Bristol BS99 7LB
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The Co-operative Bank PLC  
PO Box 101, 1 Balloon Street  
Manchester M60 4EP

<i>Legal Advisors</i>	Norton Rose LLP 3 More London, Riverside London, SE1 2AQ
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<i>Registrars</i>	Computershare Investor Services PLC The Pavilions, Bridgwater Road Bristol BS99 6ZY
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**Financial Statements 2018**

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SN15 1EE

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