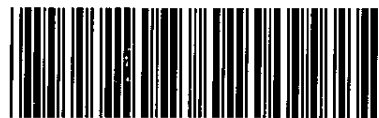


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GOOD ENERGY DEVELOPMENT  
(NO. 20) LTD  
*good energy* 8775603

# ANNUAL REPORT & ACCOUNTS

2017

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COMPANIES HOUSE



“ Good Energy’s vision is to become an expert integrator of green energy services in homes and businesses. ”

**Juliet Davenport**  
Chief Executive Officer

# ANNUAL REPORT & ACCOUNTS 2017

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### Strategic Report

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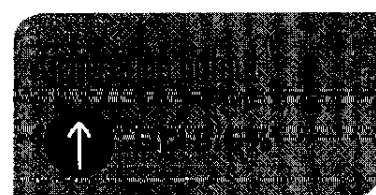
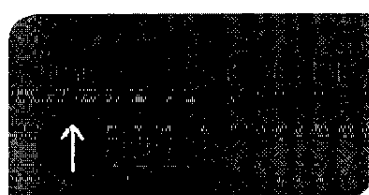
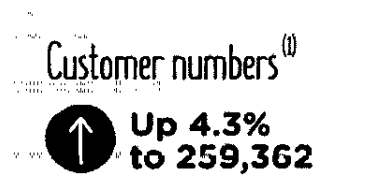
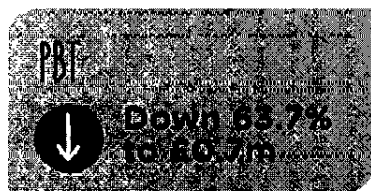
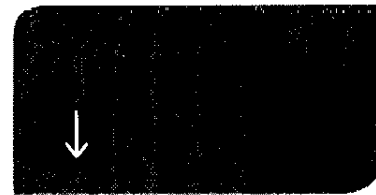
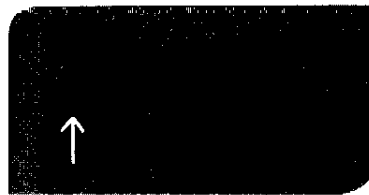
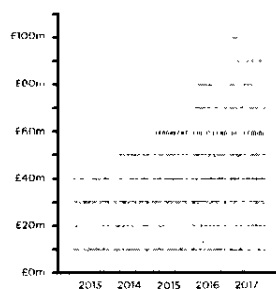
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# 2017 Highlights

## Revenue

Up 16.6%  
to £104.5m



2017

3.3p Full year dividend

2016

3.3p Full year dividend

2017

228,446 MWh

2016

156,616 MWh

2017

87.6 GWh

2016

80.7 GWh

Revenue, Gross Profit, EBITDA, PBT, and EPS reflect 2017 continuing operations and 2016 continuing operations restated to reflect the discontinuation of the Generation Development business in 2017, 2013 to 2015 figures are as reported

1. Total installed customer meters and FIT installations as at 31 December
2. Full year dividend per share for 2017 is based on the interim dividend of 1p (2016: 1p) plus the proposed final dividend of 2.3p (2016: 2.3p)
3. Volume supplied to half-hourly (business) and SME electricity customers
4. Generation output from owned and operated assets

# STRATEGIC REPORT

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# Chairman's Statement

Good Energy has delivered another year of robust growth, while focussing on improving operational efficiency. These results demonstrate the underlying strength of our business model given the tough conditions in the UK energy supply market.

During the year Good Energy has made good progress on its strategic evolution within an energy market that is in transition.

## Our Market: Opportunities & Challenges

In 2017, increased competition and wholesale market volatility led to difficult market conditions for UK consumer energy supply businesses. While we expect these conditions to continue in 2018 in the consumer market, the business customer market is less challenged by these factors and is one where Good Energy is successfully strengthening its position.

Addressing climate change remains a priority for the developed and developing world. In 2017, the UK government published its Clean Growth Strategy, setting out a blueprint for Britain's low carbon future and increasing the market for Good Energy and our zero-carbon focus.

The UK energy market is changing. Good Energy is focussed on its strategic evolution within this changing landscape, and believes that the future value lies in the provision of integrated green energy services within an increasingly decentralised market.

## Strategic Development

A key focus of management and the Board is overseeing a strategy for growth and evolution that will maximise the long term value we can deliver to stakeholders and keep step with changes in the market.

Our strategy centres on building on our success, developing the long term profitability of Good Energy, and investing in the future as an integrated green energy services company.

In recent years the economics of generation development have shifted in favour of large-scale players. Our previously announced move away from generation development frees up capital and management time to allow the company to expand into growing areas of demand that are consistent with our purpose. Our pilot in battery storage and electric vehicle charging activities at the end of 2017 are examples of this.

“ Good Energy has delivered another year of robust growth, while focussing on improving operational efficiency ”

As Good Energy continues its strategic evolution, I would like to thank our people, our customers and shareholders for their ongoing support and commitment to the company and our objectives. We are proud that a significant number of our customers also choose to invest in Good Energy as shareholders, or as bond holders, or in many cases as both.

## Board update

Tim Jones joined the Board in December, replacing Francesca Ecsery who stepped down as planned following Tim's appointment. Tim has over 20 years' experience in leading digital innovation, execution and operation at Moneysupermarket.com Group PLC and Trader Media Group (now known as Autotrader plc). His experience of delivering business transformation through digital innovation compliments Good Energy's strategic focus.

On behalf of the Board I would like to thank Francesca for her valued support to Good Energy during her time with the company, and welcome Tim.

Denise Cockrem who has been Chief Financial Officer and an Executive Director of the Board since 2014, will step down from these positions at the end of March 2018. Rupert Sanderson, Good Energy's Finance Director will take over Denise's leadership of our financial functions from April in a smooth transition, and will report to the Board on financial matters. Stephen Rosser will take over responsibility for Risk Management.

I would like to thank Denise for her valuable contributions to Good Energy's development over recent years.

### 2017 Ecotricity General Meeting proposal

In July the Company received a requisition on behalf of Ecotricity Group Limited for a general meeting of the Company's members to consider the appointment of two Ecotricity executives as directors of the Company. Ecotricity withdrew its requisition after the general meeting had been convened but before the general meeting took place.

As communicated to shareholders in August 2017, the Board unanimously recommended that Shareholders vote against the proposal due to the inherent conflict of interest and commercial and strategic risks to Good Energy. We recognise and thank customers, shareholders and other stakeholders for the support we received regarding the matter.

### Governance

Good Energy has rigorous corporate governance, exceeding the requirements for AIM listed companies, and wherever appropriate aligning with best practice of the UK Corporate Governance Code.

The Board has a strong mix of skills and experience at a Non-Executive level to continue to provide strong corporate governance and challenge to management.

### Dividend

Good Energy aims to deliver a progressive 'green' dividend policy. The policy has the objective of increasing the dividend over time as profitability grows to provide an appropriate return to shareholders while also maintaining and balancing the ability to invest in long term growth opportunities.

The Board has recommended a final dividend for 2017 of 2.3p per ordinary share.

### Looking ahead

In 2018 we expect to deliver a full year performance in line with current market expectations, as we see the benefits of management actions to evolve the business and continue our strategic evolution as an integrated green energy supplier.



**John Maltby**

Chairman  
11 April 2018



# Chief Executive's Review

Good Energy has delivered robust revenue growth in a challenging year for our sector while delivering annualised cost savings of £1m through phase one of our Fit for Growth (F4G) programme.

## Building for the Future

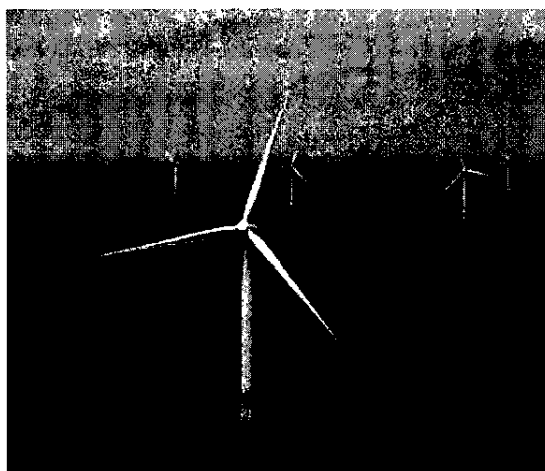
*In 2017 Good Energy has been responding to an energy market in transition. In the competitive UK supply market many newer entrants are competing in a price war race to the bottom, which we do not see as sustainable. We believe that the market is undergoing fundamental change, where the future value will be in energy services in a decentralised market.*

We are working on shifting our relationship with our customers from that of a conventional supplier to that of an integrator to support their wider range of green energy needs into the future. We have successfully proven this model as a decentralised green energy integrator in our Feed In Tariff (FIT) business, where we have an 18% market share.

Our focus is on evolving our offering to capture where the future needs of this market are heading.

## Our Customers

With the development of digital networks and innovations in low-carbon technologies, based on our insight we know that our customers want a more enhanced and personalised service and to be able to manage their green energy in a more intuitive way. We know that our customers increasingly see us as a partner that can support their wider needs. Good Energy is doing the work needed now to be able to incorporate solutions for customers' wider energy needs onto our platform and into our offering.



In 2017, through the roll-out of our new billing system we have established a platform on which we can build a truly digital customer experience and add new propositions over time. I would like to thank our customers for their support during the year as we have transitioned onto the new system and for their patience with us as we resolved issues arising during that transition. Despite this, our customer care team has continued to deliver consistently strong service.

We have significantly developed our offering to business customers in 2017, creating a new sales team and online tools for customers. We believe we are uniquely positioned to help businesses achieve their sustainability goals and their carbon reduction goals.

## Our Strategy

Our strategy is to build on our successes and growing our core business through retaining existing domestic customers, continuing to grow our business customers and enhancing services to FIT customers.

We continue to roll out our F4G programme ensuring that we have a lean operating model to improve margins, whilst increasing our technical capability within operations to leverage the investment in our systems, reduce our costs and improve service. And, we are focussed on generating future business opportunities by investing in new services, in our digital platform and in research to drive new services into our pipeline.

The development of our billing system in 2017 provides a platform to enhance customer experience, reduce our costs to serve, and expand our customer propositions. During the year we expanded our services to business customers and small-to-medium size enterprises, with new fixed tariffs and digital online quoting tools for faster real-time quotes.

In implementing the first phase of F4G in 2017, we have made changes to our organisational structure, which included our discontinued generation development business and a flatter Executive management structure and accountabilities aligned with F4G. We have continued to deliver on our cost saving initiatives.

We streamlined our FIT service to our business customers in 2017 to deliver an even better solution to our customers, with weekly reporting and rapid registration turnaround times compared to the industry. As a result, we have added 10,595 installations (8% annual growth) in FIT this year.

F4G is a three-year programme, with further phases of investment necessary in 2018 and 2019 to develop our revenue, and operating model in order to realise our strategic objectives. With the efficiency and cost-to-serve saving initiatives underway, we are making progress towards improving Good Energy's long term efficiency.

While we have stepped away from new generation development in 2017, we are proud of what we have achieved through these activities. Good Energy has developed over 150MW of renewable generation assets since 2013, which produce enough clean, green energy to power over 37,000 homes. These leave an ongoing legacy for our greener future. At the same time, we have successfully sold six of our sites since 2013 to deliver over £8m of profit back from these sales.

#### **Our People & Purpose**

Good Energy's purpose is to power the choice of a greener, cleaner future together. This means we are all about driving change in the way the UK harnesses and consumes energy, from what we see today to a world where demand for low-carbon energy solutions are the preferred choice. As a purpose-led organisation, we are focused on acting in the interests of all of our stakeholders, from our investors, customers and people, to the people who we will deliver our environment to tomorrow; our future stakeholders.

We believe that our people and culture are a driving force in enabling us to reach our strategic goals. As such, we strive to have a culture which inspires our people, and where they know they are making a real difference in powering the choice of a cleaner, greener future together. We also want our people to reflect our values as a company: be determined, fair, inclusive and straightforward.

We welcomed the introduction in 2017 of Gender Pay reporting, as we have a strong commitment to gender balance and equality at all levels in our business. Good Energy's mean pay gap for 2017 is 8%, which is significantly lower than the UK average and energy industry benchmarks.

I would like to thank our people for their commitment to Good Energy as we continue to evolve our organisation.

“ Good Energy is pivoting its business to become an integrator of green energy services

”

#### **Our Impact**

Good Energy puts sustainability at the heart of our purpose. While we are focused on delivering sustainable value to shareholders, as a progressive business we understand that we have a wider role to play in society too. We are committed to using our business as a force for good and are proud of the recognition we receive for the positive impact that we make in communities, society and the environment.

#### **Looking ahead**

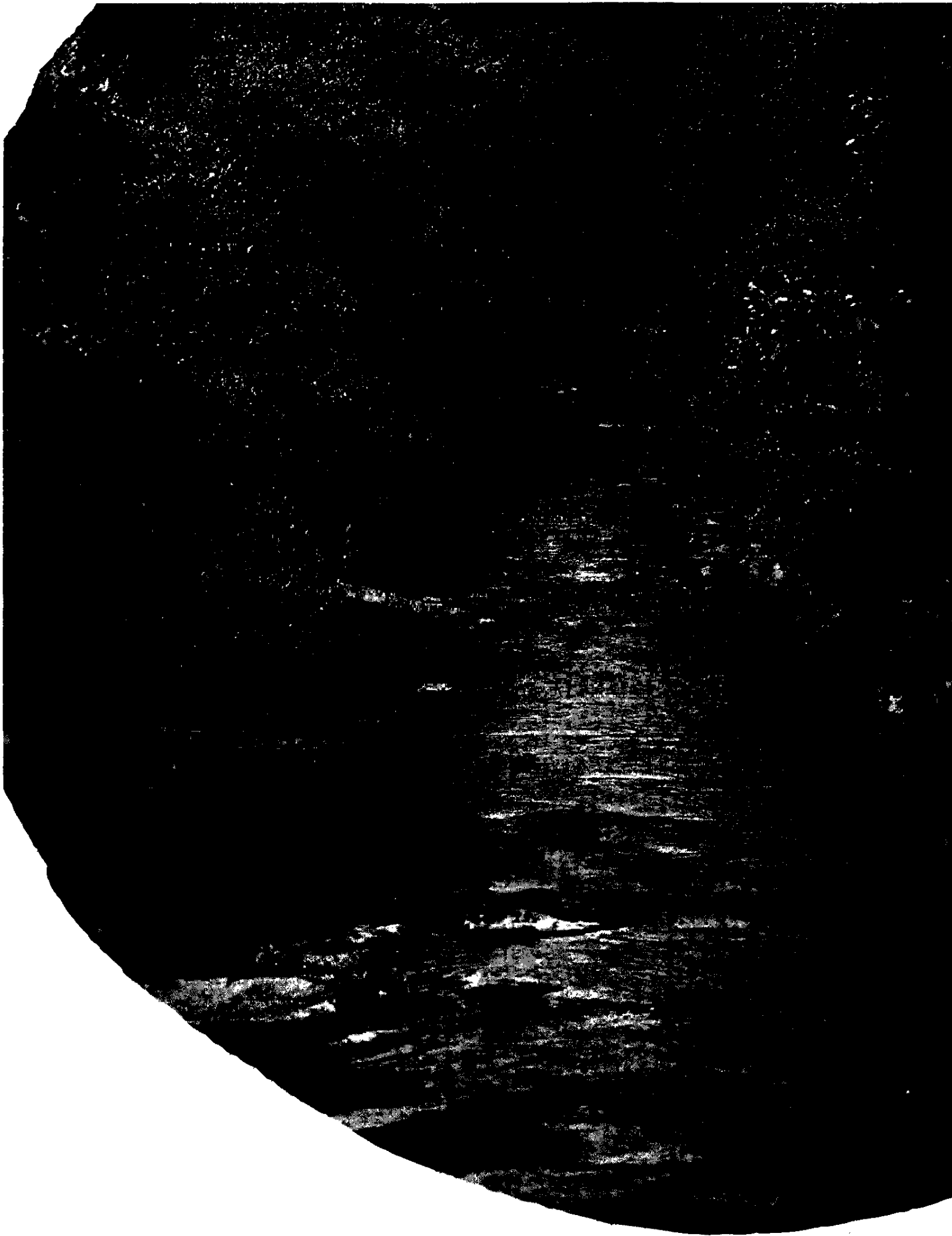
Good Energy is pivoting its business to become an expert integrator of green energy and technical services in the home and in businesses. 2017 marked the commencement of Good Energy's journey towards this vision and a year of development towards greater efficiency within our operations.

In 2018 we expect to perform in line with current market expectations. As a purpose-led organisation in a market that is moving towards a lower-carbon future, Good Energy is pursuing a strategy to deliver sustainable long term growth in shareholder value. We will continue to work with all our stakeholders towards our purpose of delivering on the promise of a greener cleaner world.



**Juliet Davenport**

Chief Executive  
11 April 2018



# Strategic Review

## Our Market

The energy market is in transition. With significant production of energy from zero marginal cost technologies like renewables, value in the energy market is shifting with wholesale prices and forward curves dropping. This disruption will be significant and reshape the energy market in the UK, and with it creating new opportunities. Good Energy has a business model rooted in decentralised energy and is well positioned to take advantage of the opportunities that will arise in this new market landscape.

### Competitive Landscape

The drop in wholesale prices has created an opportunity for an influx of lower-price renewable energy providers, competing in a race to the bottom approach to build volume in the domestic market. To demonstrate this in the last two years the number of green tariffs has increased four-fold. In 2007 there were eight domestic suppliers, by the end of 2017 this had risen to 66 with a further 17 white label suppliers, totalling 83 and an increase of over 900%.

While the competitive trend has been to drop prices to attract customers in the short term, we do not see this as a sustainable approach in the long term, nor where the future of the market is heading. Good Energy's focus is on offering customers an energy services model, to deliver on environmental, security and cost benefits to the customers.

Within the business and FIT customer markets the competitive landscape has been steady. Many business customers and SMEs place higher value on bespoke solutions and on partnering with suppliers whose green credentials and brands mirror their own.

Within FIT, there is a more concentrated pool of operators, split between the larger UK utility firms and smaller operators such as Good Energy who have achieved good market share by focussing on leading service and support to these micro-generator customers.

### Regulatory & Political Environment

From 2015 to 2017, the UK government downgraded its financial and policy support for renewables construction and development. As a result of this, along with changes in the asset development finance environment, Good Energy stepped away from new generation development in 2017.

The publication of the Government's long-awaited Clean Growth Strategy in 2017 showed that disappointingly the country is on route to failing to meet the targets set in the 5th carbon budget. These targets form part of the UK's obligations under the 2015 Paris Agreement and UN Framework Convention on Climate Change and 2008 Climate Change Act. This means they will need to find a way to hit the heat and transport targets they are missing.

To address this, the Government's Strategy outlines a blueprint for increased Government investment in low-carbon energy systems, innovations and technologies. Investment in battery storage development and smart energy system innovation, as well as support for EVs by banning all new petrol and diesel cars and vans from 2040, are all welcome steps by the Government.

UK politicians have announced a planned price cap on default tariffs for retail consumers, introducing a draft bill for debate by parliamentary committees in March 2018. We believe that the Government is likely to exempt "green" tariffs which are making a real difference in their support to the market on innovation and their support to customers.

### Increasing capacity and demand of renewables

Renewable energy generation in the UK continues to grow, accounting for over 29% of electricity generation in 2017, up from a quarter in 2016. Renewable capacity has grown 35% since 2014. During 2017, the UK achieved its first day without coal generated energy since the industrial revolution. We expect demand for energy generated from renewables and renewable capacity itself will continue to grow, driven by Government targets and decreasing technology costs over time. For example, today there are around 1 million customers in the UK with solar panels in their homes, the new prosumers. We believe that increasing electric vehicle use and improving economics of solar will drive growth in green energy prosumers.

Good Energy's renewable generation portfolio of 52.5MW of installed capacity continues to deliver good energy output and profit growth.

### More green energy users

Businesses are under growing pressure to improve the sustainability of their energy use and meet corporate social responsibility targets, creating a buoyant market for supply of green energy to businesses. There is an ever-increasing realisation among businesses and consumers that the choice of

their energy supplier can have a meaningful impact towards tackling climate change.

More and more UK energy users are choosing to buy services and products from organisations that have a higher environmental and social purpose. Most recent figures show that UK ethical spending has been growing at 3% to over £80 billion annually. Support for renewable energy increased to 79%, from 74% over a year. Opposition to renewables remained very low, at 4%.

### Technology and Decentralisation

Developments in technology are an important dynamic in Good Energy's marketplace. From advancements in generation technologies and smart-home energy saving solutions, through to innovations around local networking, low carbon transportation and energy storage, our market is rich with new and changing clean technologies. These technologies, together with the digitisation of energy networks, are changing the way that people and businesses will use energy into the future. Over time the costs of these technologies are expected to lower and fuel adoption rates. For example, the fully-installed cost for a 2 hour lithium ion battery is expected to reduce by 25% by 2025.

## Our Strategy

With these evolutions in the green energy market, Good Energy believes that the future value of the energy market lies in the provision of energy services within a decentralised market. Our vision is to become an expert integrator of green and technical services in the home and in businesses. To achieve this vision and to ensure that we evolve Good Energy to capture the opportunities arising from an energy market in transition, we are focussed on three strategic objectives.

### Build

Our first strategic objective is to build on our success to grow our core businesses. As a pioneer in the renewable energy market in the UK over the past 18 years, Good Energy's FIT business is one of our most established and successful business, supporting our customers as an integrator with market-leading customer support and efficiency and a strong share of this market. As we look into the future, we will move away from a conventional utility model and towards that of an integrator in an increasingly decentralised market.

While we are committed to delivering our green energy at a reasonable price, we do not believe in fighting for customers solely by cutting price. Customer needs are changing, and we believe that

our focus on enhancing and integrating our solutions is a sustainable approach that positions us to grow with our customers to meet their future demands.

### Economise

Our second strategic objective is to economise our operations through our Fit-for-Growth (F4G) operating model. As we continue to grow, we recognise the need to focus on our efficiency and on enhancing our operations to evolve in an energy market in transition.

We commenced our F4G in 2017 to reduce our long term cost base by simplifying our operating model and upgrading our systems and processes. This will support our delivery of long term sustainable profitable growth. After implementing our new billing system, we have reviewed and identified further processes that can be improved to drive better efficiency and customer experience. This allows us to invest in our people to ensure that we will have great customer service, whilst reducing the overall headcount.

### Invest

Our third strategic objective is to invest in three key areas to drive future growth: Digital; New Product Design & Energy Services; and Research.

Investing in digital is central to development as a green integrator. In 2017 we increased our capabilities in digital and SMART with our CIS rollout and have laid the ground work for SMART metering. We have launched dedicated digital and SMART development programmes with senior leaders to lead these programmes going forward.

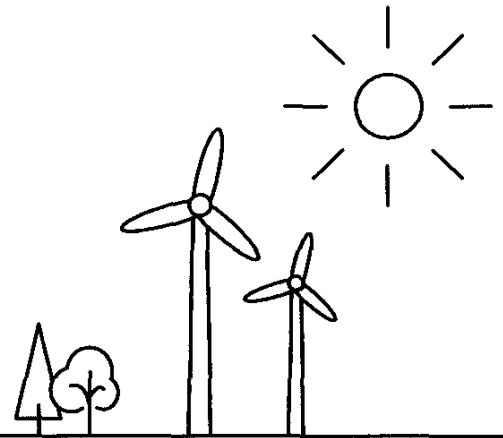
Good Energy is investing in new clean technology propositions to integrate with our existing propositions. In late 2017 we began a pilot project working with EV charging specialists NewMotion, to develop an EV charging proposition for Good Energy's business and retail customers. In the first half of 2018, we will expand this to a trial working with a small group of business and retail customers to test different propositions.

We are developing our capacity to integrate energy storage within our proposition. In November 2017, we partnered with the Eden Project to deliver our first bespoke battery service pilot.

As the green energy market continues to grow and evolve, Good Energy will invest in growth opportunities that are consistent with our purpose, will generate revenue synergies with our existing business and allow us to meet our strategic objectives.

# OUR PURPOSE

POWERING THE CHOICE OF A CLEANER,  
GREENER FUTURE TOGETHER



## Our Values:

- STRAIGHTFORWARD
- DETERMINED
- FAIR
- INCLUSIVE

## Our Strategic Challenges & Opportunities:



**PRICE WAR IN  
RETAIL MARKET**



**BUSINESS MARKET  
OPPORTUNITY IN GREEN**



**SOLAR AFFORDABILITY  
DRIVING NEW POSSIBILITY**

## Our Vision

Good Energy will become an expert provider of green energy services to homes and businesses.



## Our Strategic Direction



## BUILD

Grow our core business by retaining our domestic customers, continuing to grow our business customers and enhancing our FIT services.

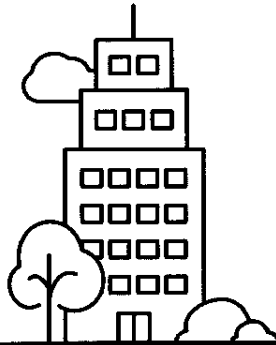
## OUR BUSINESS PRIORITIES 2018

Retain domestic  
customers

Grow business  
sales

Evolve FIT  
services





We will give :



**OUR PEOPLE**

A job to believe in.



**OUR SHAREHOLDERS**

A green dividend.



**OUR CUSTOMERS**

Green energy at a fair and reasonable price.



**OUR FUTUREHOLDERS**

A sustainable, low carbon business model.



**ECONOMISE**

Continue to roll out the Fit For Growth programme, making sure we have a lean operating model. Invest in our technical capacity to reduce our costs and improve our service.

**INVEST**

Generate future business opportunities by investing in digital platforms and in research and development of new, green energy services.

Upskill technical  
capability

Invest in  
digital

Continue  
Fit 4 Growth

Research & develop  
new products

## Our Strategy in Action: 2018 & Beyond

Good Energy remains well positioned for future growth. We anticipate on delivering this growth by profitably building on business supply and FIT business, providing a sustainable green yield for our investors into the longer term.

Going forward we believe that we will deliver our growth plans by focusing on three key areas;

Building on our success and continuing to grow our core business, as we focus on business customers and energy services, with market leading services to FIT customers.

Economising the business, primarily through a F4G lean operating model.

Investing in the business to generate future business opportunities, by focusing on research, digital and new energy services evolving from our FIT services business.

Strategic investment initiatives are continuing to progress at pace and coupling with ongoing innovation and our unique customer base of early adopters, we believe this is already setting our strategy up for success. Our future ambition is that the company will be able to provide a yield from the core business, with future value driven by investment in new energy services.

In summary, Good Energy is pivoting its business to focus more on energy services such as FIT. It will continue to operate in the supply market focusing on digital customer experience and improved value for supply customers, with growth expected to be significant in the SME and business sectors. We expect to begin to see the benefits of this transition by the end of 2018, but do not expect to see significant market penetration of energy services until later in 2019 and 2020.

This is an exciting position for Good Energy, aligned with our purpose of delivering a cleaner, greener world, as we work closely with our customers, our people and our shareholders to achieve this.

## Business Model

Good Energy has two main business segments. In Supply we act as an integrator to help households and business meet either all or part of their electricity demand directly from their own renewable technology through our FIT business. We also supply domestic and business customers by matching the electricity used by them with power generated from 100% renewable sources.

Our Generation business delivers 100% renewable electricity to the UK electricity grid from nine renewable energy facilities across the UK that Good Energy owns and operates.

Operationally, our segments are supported by a common central operating platform which provide functional support to our businesses around areas such as sales, IT and marketing. This allows us to achieve efficient scalable growth and to use the platforms to cross-sell different products and capabilities to different customer types.

Our business model relies on some important partnerships. We have more than 250,000 customers who range from individual consumers and households, small businesses through to large corporations. While we generate our own renewable electricity, we also purchase electricity from our family of over 1,400 independent generators spread right across the UK.

Communities are also important partners within our business model. We work closely with local communities around our generation sites, and where possible we aim to sell generation assets back into community hands. Some communities are bypassing the national energy infrastructure by generating their own renewable electricity and adopting new, smarter technologies. We are working with various local energy models to reward these communities and encourage local energy networks.

Our proposition to our customers is to be a trusted and fair customer-focused supplier of 100% renewable electricity and carbon-neutral gas. Our vision is to become an integrator to help meet their entire green energy needs. We are driven by a clear purpose to power the choice of a cleaner, greener future together. Our unique proposition, this customer model and our strong brand, are important elements of our business model.



# Corporate Responsibility

Good Energy has responsibility at its heart. As a progressive and purpose-led business we understand that our role in society is much more than delivering profit for shareholders. From the tea that we drink, to the power that we generate - we are committed to using our business as a force for good.

We are recognised as a leader for our continued dedication to making a positive impact on our customers, communities, society and the environment.

## Customers

Our 250,000 customers form a community of homes, businesses, institutions and independent generators right across the UK that buy 100% renewable electricity and green gas. Many of them generate their own power. Our customers are our partners and are positively impacted by Good Energy's purpose and associated activities to reduce carbon emissions.

Good Energy is unique in the energy market in that it has more customers who generate their own renewable electricity than those who only buy electricity from Good Energy. And many of our customers have also chosen to invest in Good Energy to support our purpose. In fact, around three quarters of our bond holders, and around two thirds of our shareholders are customers.

We are lucky to work with some fantastic businesses around the UK and were proud to welcome Neal's Yard Remedies, BAFTA, Hay Festival and Innocent Drinks as customers in 2017.

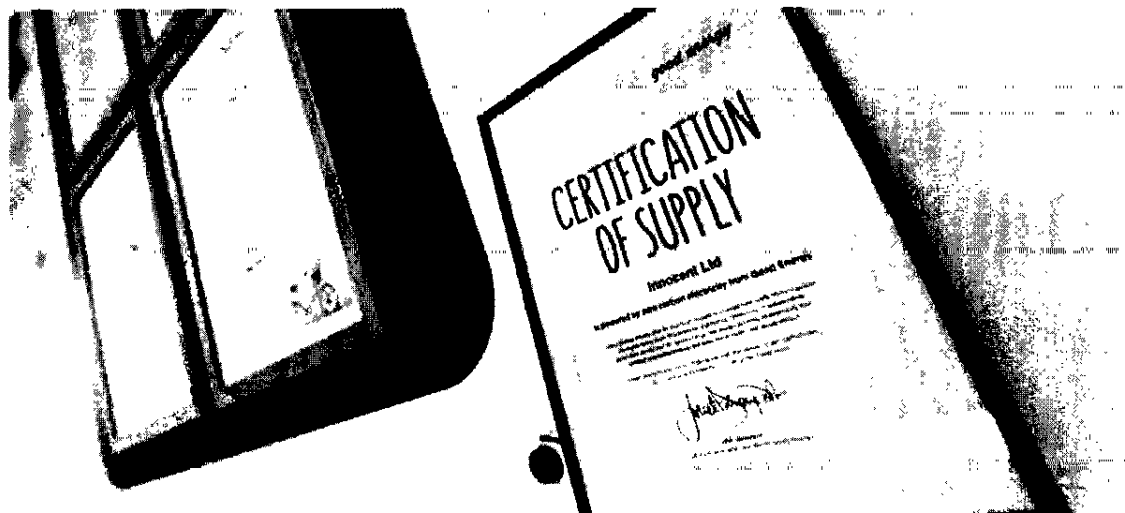
## Communities

Communities have long been the driving force behind the renewables revolution and we've long championed their role in securing our energy future. We pioneered the process of getting small generators to connect to the grid early in our history, and now support dozens of community-owned schemes through our Feed-In-Tariff and power purchase services.

In addition Good Energy engages positively with our local community around Chippenham HQ, for example providing workplace visits for college students, sponsoring a local engineering careers fair and hiring local venues and caterers for company meetings and events.

We're proud to have an impact on our local community, as well as communities around the UK. In 2017, we began a sponsorship of Chippenham Rugby Club Minis and Juniors teams, which bring 5-16 years olds into this active and successful club. The club has a strong community ethos, has a proud reputation of championing girls' rugby and welcomes everyone, regardless of ability or gender, into the sport.

An estimated 800 plastic bottles are sent to landfill every minute, damaging the environment. Good Energy is proud to support Refill Chippenham, a scheme that discourages waste by enabling people to fill their water bottles at local cafes, shops and businesses for free.



As part of its work as a responsible corporate citizen within its own community, Good Energy has instigated a volunteering scheme to enable our people to work on local community projects around the Chippenham HQ. In September 2017, a team of 20 from the Marketing, Communications and Partnerships teams volunteered their time at the National Trust's Dyrham Park estate near Bath.

In December 2017, we agreed to sell two of our solar sites, Newton Downs Farm in Devon and Brynwhilach Farm, near Llangyfelach, back into community hands. We were thrilled to be able to do this as was always our plan, in line with doing things differently in the energy sector. We will continue working with both sites, having committed to an ongoing purchase of the power they produce. Both farms will join our community of local, renewable generators around the UK.

The sites were bought by community energy partners Power To Change and Big Society Capital, originally set up in response to the Government's reduction to feed-in tariffs which curtailed the development of community energy projects.

At each of our renewable developments we also have a programme of community engagement work, with annual funds of around £175k going back into local communities through a variety of projects put forward by the community.

### **Environmental Impact**

Good Energy recognises the environment is the ultimate and most important 'beneficiary' of its business activities. The company's core business of generating and supplying renewable energy helps displace carbon emissions and reduce the negative environmental impacts associated with other forms of power generation.

Good Energy engages on climate change and a range of environmental issues through dialogues with our partners and customers as well as Government and industry bodies.

In 2017, we achieved our ISO140001 accreditation, which has given us independent confirmation that we are meeting international standards for measuring and continually improving our environmental performance.

We are committed to reducing carbon emissions from our operations. Since 2015, we've been regularly measuring our Scope 1 and Scope 2 carbon emissions and as many indirect Scope 3 emissions as possible. Emissions that we are not yet able to avoid are neutralised by carbon reduction schemes in Malawi, Vietnam and Nepal.

As well as protecting the environment, these schemes also have important social benefits such as improved gender equality, higher rates of employment and education and reductions in infant mortality and premature births.

As an ethical business, we select and perform due diligence on all potential suppliers to ensure that their business practices align with our own and support our purpose. Consideration is given to price, quality, timeliness of delivery and their ethical credentials.

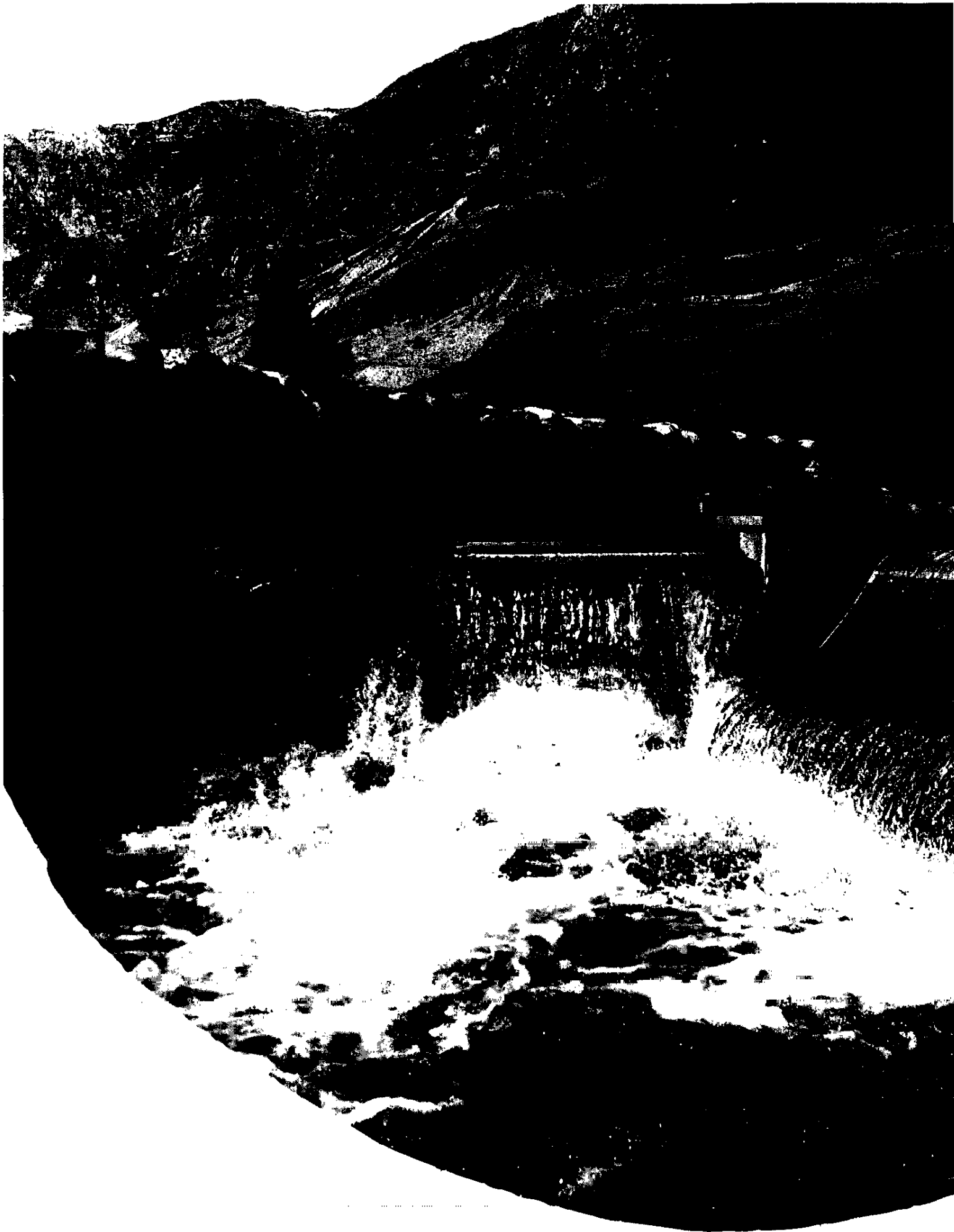
Good Energy is committed to reducing resource consumption across the whole of the business. We avoid the use of printed materials where possible by encouraging digital forms of communication. When we have to print we choose paper that is certified by the Forest Stewardship Council as being made from wood pulp sources from sustainably managed forests and is totally chlorine free or processed chlorine free.

Where possible, our printers use vegetable based printing inks and avoid the use of Volatile Organic Compounds, for print press cleaning and other harmful chemicals.

### **Our People Wellbeing**

We welcomed the introduction in 2017 of Gender Pay reporting, as we have a strong commitment to gender balance and equality at all levels in our business. We are proud to have just over 50% women in our business overall. Our mean pay gap for the 2017 reporting period is 8%. This is significantly lower than the UK average and the energy industry benchmarks.

The reason the gap exists, is predominantly as a result of us having more men than women in our middle management roles, particularly in Science Engineering Technology and Maths (STEM) related functions. For more information on our gender pay gap and the actions we are taking to close it, you can read our full Gender Pay Report, found on our website.



# Chief Financial Officer's Review

Good Energy made good financial progress in 2017 with 16.6% growth in revenue from ongoing activities, gross profit up 8.2%, and asset sales completed during the year supporting an increase in cash position of 118% to £13.2m.

## Revenue

In 2017, revenue grew by 16.6% to £104.5m (2016: £89.7m) driven by growth in the Supply segment with an increase in business volumes and a return to growth in the second half from domestic customers.

Business customer volume growth was due to our increased sales and marketing focus on this segment during the year, with the addition of new business half hourly and small business customers. Performance was also supported by FIT revenue from new business sites, (FIT B2B) driven by our strong customer service.

## Profitability

Gross profit increased by 8.2% to £29.3m in 2017 (2016: £27.1m). EBITDA decreased by 4.3% to £9.9m (2016: £10.1m), operating profit decreased by 9.8% to £5.6m (2016: £6.2m). This was due to lower profit in the Supply segment, which included £1.1m of restructuring and one-off costs.

The Supply business also saw a reduction in gross margins as a result of increased wholesale power costs; the changing revenue mix and faster growth with lower-margin business customers and our decision to delay our customer price rise within the first quarter.

The impact of the restructuring and investment costs and lower gross margin, together with an increased marketing and customer acquisition costs in the competitive Supply market, meant that operating profit in Supply was below 2016.

Gross profit margin was 28.1% (2016: 30.2%), and operating margin 5.4% (2016: 6.9%).

Cost of sales increased 20.2% to £75.2m (2016: £62.5m). This was driven by market-wide increased wholesale power costs in 2017. Administration costs increased 13.3% to £23.7m, (2016: £20.9m) and included the £1.1m of restructuring and one off costs.

Our net finance costs increased 16.3% in 2017, due to temporary phasing between the completion and repayment of Good Energy Bonds I in March 2018 and the commencement of Bond II in June

2017 which has successfully raised £16.8m. In 2018, following the repayment of Good Energy Bonds I, finance costs will reduce with lower on-going funding costs. As a result, profit before tax was 63.7% lower at £0.7m (2016: £2.0m).

## Fit for Growth: Restructuring and Investing for the Future

Enhancing the efficiency and economics of our operations and optimising the business for growth is a key priority for the group. In 2017 we completed the first phase of our Fit for Growth programme as we transition to more efficient operations. These activities included restructuring our business to reduce our long term cost base, and reviewing our asset base and investments to ensure that we are optimising our allocation of capital.

We have also simplified our operating model and upgraded systems and processes that will improve our cost base, leverage the investment in our systems and support profitable growth over the long term. The annualised cost savings of our Fit for Growth programme delivered in 2017 were £1m.

## Generation Assets, Discontinued Operations and Work in Progress

In 2017 we ceased all new generation development activities, in response to changes in the UK government subsidy schemes and our long term capital allocation objectives. During the year, our 5MW Oaklands solar site was sold for £5.8m cash consideration and our 5MW solar farm at Newton Downs in Devon, sold for a cash consideration of £5.8m.

We have also agreed terms for the sale of our 5MW solar park at Brynwhilach Farm near Swansea in December, and expect the transaction to complete later in 2018 for a cash consideration of £5.6m.

We are pleased that the Newton Downs and Brynwhilach sites have been sold into community hands to realise the benefits of renewable generation. The proceeds from these sales have supported the repayment of Good Energy Bonds I and will be reinvested in our other initiatives to deliver shareholder value as outlined in this annual report.

Good Energy is exploring a number of options to realise value from its portfolio of generation assets that are still at development stage ('WIP assets'). This includes several development sites which have

not yet obtained planning permission and are at different stages in the process.

The carrying value and treatment of these WIP assets is reviewed against the likelihood of sale or planning outcomes, which by their nature have uncertainty on the timing and outcome of such activities. A provision is made for any change in value in accordance with the policy set out in note 4 to the Financial Statements.

As a matter of prudence, reflecting the changing conditions in the market regimes for on-shore renewable developments in England, the combined carrying value of these assets of £5.8m has been reduced by £3.6m to £2.2m, with £1.3m shown as held for sale.

As a result, the discontinued generation business reported an operating loss of £4.0m up from £0.2m in 2016, driven by this increased provision against the work in progress.

#### Cash Flow and Cash Generation

Good Energy has a cash generative business model with an increase in cash position of 118%. 2017 operational cash outflow was £0.02m (2016: operational cash inflow of £10.7m) which was impacted by delays in the implementation of the new customer information system (CIS), resulting in customer billing delays.

Accrued income peaked during the year in June at around £10m higher at the same time in the prior year, with around 60% of customers billed. By year end, accrued income was only £3m higher as customer billing reached 95% and has now moved into debt to be collected. The remaining accrued income gap will largely be eliminated in the first half of 2018, with billing on track to hit 99% and payment collections normalising.

We recognise anticipated future bad debts as well as those debts which we know are either in dispute or unrecoverable. We have therefore looked at the provision for bad debts in this context. We have considered the impact that the delay in billing has had on our likely future debt recovery. In some cases customer repayments of their delayed bills are being received over 12 months and we expect cash flow and cash collection to further improve in 2018 as the remaining delayed bill repayments are received.

We have continued to take a prudent approach by providing for bad debts at around 2% of electricity and gas revenue. We have reviewed the adequacy of the provision and concluded that a further £0.4m gross needs to be provided in 2017.

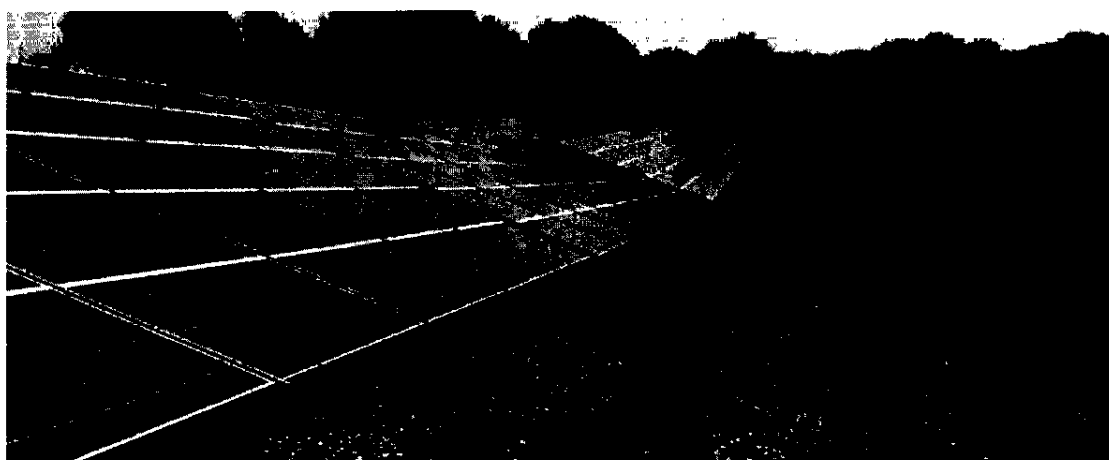
#### Financial Position and Capital Management

The Group continues to maintain a robust financial position. We look to ensure we optimise our use of capital by continually reviewing the returns on our assets, balancing operating requirements, investment for growth, and payment of dividends back to shareholders.

#### Funding and Debt

Good Energy has good access to a range of funding on good terms to support our growth.

Good Energy is proud of its history of inviting customers to invest in the business through our corporate bond programme. In 2013 we issued our first corporate bond, Good Energy Bond I. These reached initial maturity in November 2017 and will be repaid in March 2018, with the option for existing bondholders to extend them until November 2019 at a coupon rate of 4.25% (effective 4.50% for Good Energy customers).



We launched Good Energy Bonds II in May allowing existing bondholders to extend or rollover their bonds, and to allow new investors to partake in this offering. The bond has a coupon rate of 4.75% (effective 5.00% for Good Energy customers) and a four year term.

Together these bonds have raised over £25m. Following the repayment of Bond I, the reduced interest cost on Bond II will be around £0.3m lower on a comparable annualised basis and is a positive step towards lowering the Company's ongoing financing costs and reducing the gearing ratio over the medium term.

Due to the phasing between the two bonds, Net Debt increased by 1.7% to £53.0m (2016: £52.1m). In December we reduced some of our working capital overdraft facility with Lloyds Bank with proceeds from the solar farm sale. The amount of the facility is now £10m, which was undrawn as at 31 December 2017.

#### **Assets**

Total Assets increased 17.2% to £122.1m (2016: £104.2m) due to increased trade receivables which reflects a temporary increase in debtors and accrued income due to the delays in billing following the implementation of the new CIS and an increased cash position.

#### **Earnings & Dividend**

In 2017, Basic Earnings Per Share (EPS) was down 37.2% to 8.1p (2016: 12.9p), due to the lower profit in the Supply segment including restructuring and investment costs and increased Finance costs as set out previously. The Board has recommended a final dividend of 2.3p per ordinary share which is in line with 2016. Further detail on the Board's dividend policy can be found in the Chairman's Statement.

#### **Finance Director**

On 1 March 2018, we announced that I would step down as Chief Financial Officer from 31 March 2018. I am proud of the financial and corporate

development of the Company over the last four years, including the significant progress we have made in adapting our business model to address our stakeholder needs in a highly competitive and dynamic energy market.

Rupert Sanderson joined Good Energy in January 2017 and will lead the company's financial direction in its next stage of development as Finance Director from April.

#### **Financial Outlook**

In 2018 we expect to perform in line with current market expectations through growth momentum in our business and FIT services segments and continued progress of our Fit for Growth programme. We will also see a reduction in our funding costs, following the repayment of Good Energy Bonds I and the lower coupon on Good Energy Bonds II.

In the medium term, we expect to deliver improved profitability from our Fit for Growth operating model and strategic initiatives and as we transition to a more cost-efficient operating model.

With a robust financial position, our continued investment in growth and the transformation of our cost base and efficiency underway, Good Energy is well positioned to deliver sustainable growth in our chosen segments and enhanced profitability in the long term.



**Denise Cockrem**

Chief Financial Officer  
29 March 2018

# Operating Review

## Supply

Good Energy is an established energy supplier, with the core of the business being rooted in the decentralised energy market. Since 2004 we have been a key player in the decentralised energy market, working with significant numbers of smaller, renewable generators, delivering a market that would otherwise not exist. We are currently the third largest provider of Feed in Tariff (FIT) services to this market with over 18% of the market with potential to grow.

Our energy supply business, supplying electricity and gas to business and domestic householders is a relatively focused business, supplying 0.2% of the domestic market and 0.1% of the business (half hourly) market with 100% renewable electricity and green gas, backed with a combination of green gas and offset certificates.

The company has traditionally been well known for our focus on good customer services historically being ranked well in independent surveys like Which? and money saving expert Martin Lewis. In 2017, we implemented a new billing system, which impacted on our ability to deliver great customer services, and we are only now beginning to see that recover in 2018.

The proposition we promise to our customers is 100% renewable electricity, with customers being on average no further than four miles from one of our local, renewable generators.

### Market conditions 2017

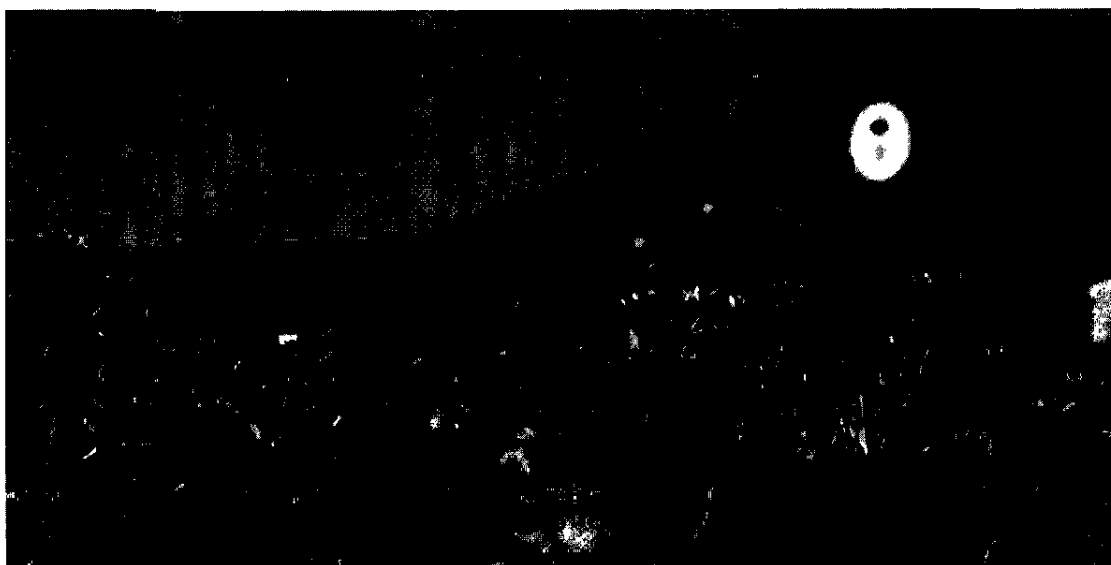
The UK retail supply market is fiercely competitive with a significant number of new entrants chasing low or negative margin, less sticky segment of the market. 2017 saw record household customer switching rates across the marketplace and the maturing of many collective switching deals, with overall switching at around 28% of customers.

Comparatively the business market has been stable, with little change in competition, and a relatively buoyant market for green supply, as businesses consider closely their corporate social responsibility targets and any commitments they have made to the UN Sustainable Development goals.

The FIT market has continued to grow, albeit relatively slowly in comparison to earlier years. It has still seen an overall growth in this market of around 3%. We expect this to continue and perhaps accelerate in 2018 until the close of the scheme to new sites in April 2019.

### Performance in 2017

Supply revenue grew strongly by 16.7% to £99.3m (2016: £85.1m) driven by strong growth in business customer volumes. Electricity revenue grew by 24.4%, Gas revenue by 6.8%, while FIT revenue was 15.2% lower.



Supply operating profit of £3.5m (2016: £4.9m) was 27.7% below the prior year, due to the changing business mix as we saw faster growth with lower-margin, higher-volume business customers. In addition, the challenging market conditions in the retail business, led us to increase investment in marketing and customer support whilst maintaining fair pricing. The anticipated decline in FIT profit was due to lower new customer revenue which generates a greater administration fee receivable in the first year of sign up.

In 2017, the total volume of all energy delivered to customers grew by 5.4% to 1.06m MWh (2016: 1.01m MWh). We achieved significant growth in business electricity supply volumes of over 46%. Total Supply customer meter numbers were stable at just over 115,755 (2016: 115,593). The competitive environment and high switching rates across the market led to broadly flat growth in the retail business by volume and by meters. Our strong customer service and reputation in the FIT market enabled us to grow FIT customer installations by 8.0%, adding 10,595 new FIT installations to 143,607 in total.

Due to the implementation of our Customer Information System (CIS) in 2017 we experienced delays and disruption to billing through the systems change, and restructured our customer support team in the second half of 2017 to address these issues. We are now back to 99% customer billed and front line service levels are improving.

#### Highlights in 2017

Our FIT market share increased from 16.8% in 2016 to 17.6% in 2017 adding 10,595 new installations in the year and achieving a strong NPS score with FIT business customers. We have also increased our customer and sales support to FIT during the year.

Began our Smart and Digital rollout, with our new CIS in 2017 and we began preparations to roll-out SMART meters from 2018.

Expanded our SME and business offering: During the year we have set up a dedicated business sales team, launched a new online quoting tool, new fixed tariffs and our new CIS system is delivering greater customer insights.

Restructured our Executive team and the Senior Leadership team to realign with our strategic objectives of Build, Economise and Invest, with further improvements in efficiency expected in 2018.

Signed up leading brands as customers and partners including Neal's Yard Remedies, BAFTA, Hay Festival and Innocent Drinks.

Introduced offshore wind into our fuel mix for the first time in 2017, through an agreement with DONG, now Orsted, to buy power from their Westermost Rough Wind Farm in the North Sea.

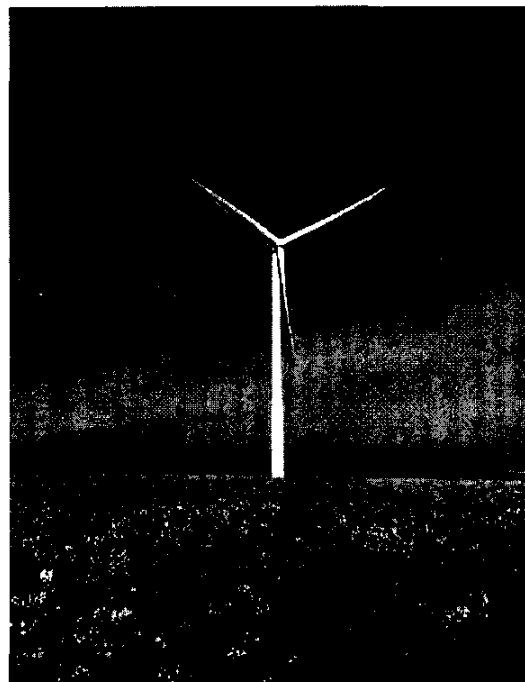
#### Outlook

We will continue to focus on the three key areas for the core business and building on our success by:

Retaining retail customers, through better proposition, customer service and improved content and communications;

Grow business sales in the SME and medium business sector, with an upskilled team, better systems and data and improvements in customer experience. This year the marketing team will focus on lead generation for the business sector and away from the retail sector; and

Grow our FIT services business through organic growth for retail customers, and portfolio switching for business customers and portfolios.





## Generation & Development

Good Energy owns and operates nine renewable energy facilities across the UK that deliver 100% renewable electricity to the UK electricity grid. There are seven solar sites and two wind farms, with a total of 52.5MW of installed capacity in our continuing generation portfolio.

We use the renewable energy that we generate to supply our customers with 100% renewable energy.

Until 2017 Good Energy also developed new generation assets, which it either held as a generation asset or sold these back into the market, where possible into community hands.

### Market conditions 2017

As previously announced, Government policy changes over the last two years have led Good Energy to stop new generation development activities in 2017 and the development business is now reported as a discontinued business. While we have been successful in creating, utilising and monetising energy generation assets, the market has moved in favour of large scale developers with better purchasing power for renewable assets and access to low-cost finance.

The removal of government subsidies for many renewable energy technologies however does not affect the financial performance of Good Energy's continuing generation sites.

### Performance in 2017

In 2017, revenue from continuing Generation operations increased by 13.1% to £8.9m (2016: £7.8m). Operating Profit in Generation increased by 14.6% to £3.7m (2016: £3.2m).

In 2017, the total output from our generation portfolio increased by 8.5% to 87.6 GWh (2016: 80.7 GWh). Solar output increased by 11.4% to 38.6 GWh (2016: 34.7 GWh) with output increase from the two new sites being offset by the sale of Oaklands. Wind output was 6.6% higher to 49.0 GWh (2016: 45.9 GWh).

### Highlights in 2017

In 2017 we completed our development of two new 5MW solar sites, "Newton Downs" in Devon and "Brynwhilach" near Swansea. This was an important step towards maximising the value of our development activities over the past five years for our stakeholders.



In 2017, we reached agreements to sell three generation sites for £17.2m combined. Our 5MW Oaklands solar site was sold for £5.8m, and was our first sale of a site fully constructed and developed by Good Energy. Importantly Good Energy retains an option to purchase up to 50% of the site's power and continue to provide management services. In the second half of 2017, we sold Newton Downs for £5.8m, and reached an agreement to sell Brynwhilach for £5.6m which is expected to complete in 2018 and returning these back into community hands. We have the option to buy 100% of the power from both of these sites.

### 2018 Outlook

Our continuing generation assets and 52.5 MW capacity forms an important part of our operating portfolio, allowing us to match demand from our Supply business from our own generation. We expect continuing good energy production from our continuing generation assets in 2018, in keeping with local weather conditions.

## Development (Discontinued)

In 2017 we announced that our development business was discontinued and restructured our development team.

Further detail on this can be found in the Chief Financial Officer's Review.

# Key Risks

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 risks below capture those risks that would have the most significant, adverse impact – based on their impact and, or, likelihood – on the Company. While the risks are typical of the risks faced by other energy suppliers, we believe the Company is well positioned to mitigate through a combination of our risk management processes, our control activity and our evolving strategic direction.

## Principal risks and uncertainties

### Regulatory risk:

The energy industry is ever changing to keep up with technology, consumer needs & demands as well as government policy (e.g. SMART and EU General Data Protection Regulation (GDPR) etc.). With the move to principles based regulation some more recent changes have provided opportunities to Good Energy, removing some of the 'red tape' which existed with prescriptive regulation. However, not identifying external changes early enough can reduce our ability to react quickly to reduce implementation costs and maximise efficiency. With the move away from prescriptive regulation to principles, the risk of customer detriment and noncompliance increases if we don't fully understand the objective of the principles. In addition, 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 strategic initiatives as well as the risk of not meeting regulatory deadlines.

### What have we done?

The Company has invested in its regulatory and compliance capability and has enabled the Company to respond effectively to the volume of change, thereby reducing the risk.

For example, in December 2017, the Company successfully completed its CIO SMART readiness audit as mandated by the SMART Energy Code. The audit assessed the information security credentials of our planned systems to support SMART metering.

From May 2018, GDPR comes into effect which increases the risk of non-compliance. The penalty for failing to demonstrate compliance with the new law can lead to fines of up to €20m or 4% of group turnover. GDPR brings with it the requirement for full accountability of data controllers managing and processing data with data subjects having increased rights over how their data is processed by organisations. At Good Energy, a GDPR cross functional Steering Group has been established to deliver the required changes across the business.

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 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.

### Cyber-attack:

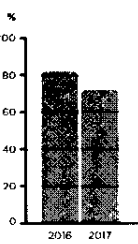
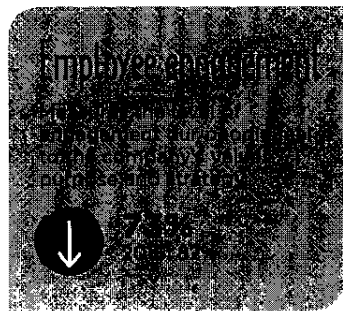
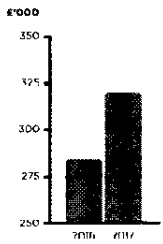
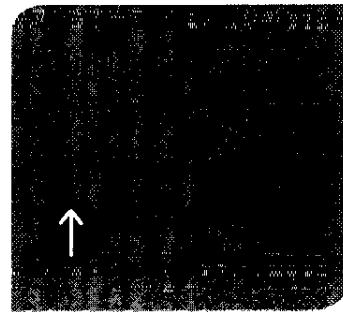
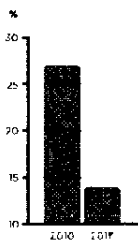
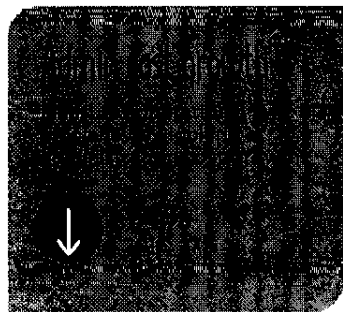
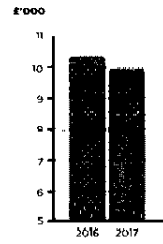
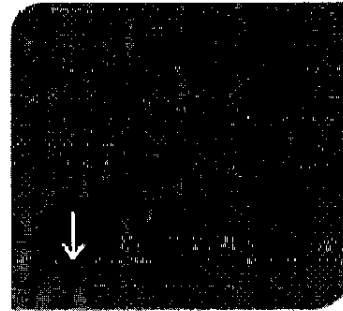
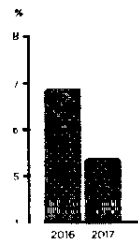
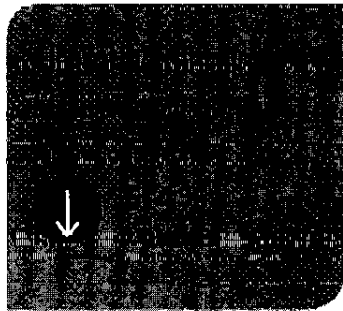
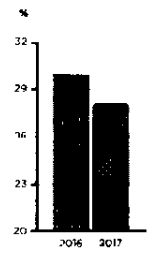
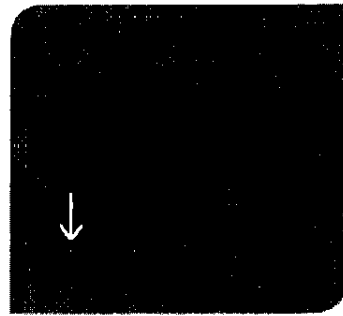
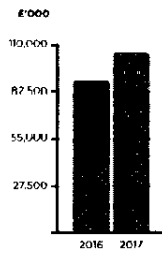
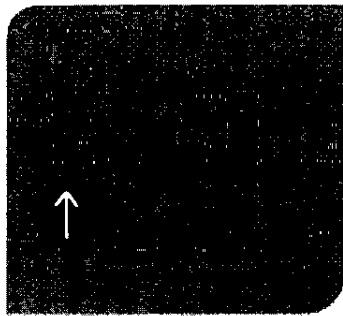
As we grow as a business and as technological advances are made, we are increasingly exposed to the threat of cyber-attack as seen by the 2017 attacks on the NHS. As with many businesses, a successful cyber-attack on Good Energy's network could result in the Company being unable to deliver service to its customers, potentially damaging its reputation, and leading to consequential customer and revenue loss. It could also lead to the imposition of financial penalties.

### What have we done?

Good Energy continually assesses its security policies, standards and procedures and adjusts them so they are proportionate to the threat profile the Company faces. The Company actively monitors our threat environment utilising the National Cyber Security Centre (NCSC) which provides weekly updates on the latest cyber landscape.

### Political risk:

The government is seeking to introduce a market-wide Standard Variable Tariff (SVT) price cap. This is a price cap, setting the maximum price that a supplier is allowed to charge for electricity and gas



4. Revenue, Margin and EBITDA figures reflect continuing operations
5. Administration cost including depreciation and amortisation

# Key Risks

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 risks below capture those risks that would have the most significant, adverse impact – based on their impact and, or, likelihood – on the Company. While the risks are typical of the risks faced by other energy suppliers, we believe the Company is well positioned to mitigate through a combination of our risk management processes, our control activity and our evolving strategic direction.

## Principal risks and uncertainties

### Regulatory risk:

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### What have we done?

The Company has invested in its regulatory and compliance capability and has enabled the Company to respond effectively to the volume of change, thereby reducing the risk.

For example, in December 2017, the Company successfully completed its CIO SMART readiness audit as mandated by the SMART Energy Code. The audit assessed the information security credentials of our planned systems to support SMART metering.

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### Political risk:

The government is seeking to introduce a market-wide Standard Variable Tariff (SVT) price cap. This is a price cap, setting the maximum price that a supplier is allowed to charge for electricity and gas

for domestic consumers, focused on consumers that have not proactively engaged in the market and chosen a tariff (and are therefore on the SVT, or other default tariffs). While we are encouraged to see that there will be a potential exemption for green tariffs, there is a concern that other suppliers will be able to use a regulatory loophole to legally claim to offer green electricity without having to buy any power from renewable generators. If this concern is realised then the exemption may be removed. Generally, there is a risk that Good Energy's retail supply business in particular operates in conditions that might require increased capital expenditure, increased operating costs or otherwise hinder the development of the renewable energy industry, through for example a detrimental impact on returns and therefore the attractiveness of the sector. The price cap relates to the domestic supply part of the business only.

While the implementation of the SVT price cap is beyond our control, OFGEM will be consulting on exactly what criteria should be used to exempt suppliers from the cap and this is something Good Energy will engage on.

Other OFGEM proposals such as the extended vulnerable consumers price cap, designed to protect an additional 2 million households over the current interventions (Warm Home Discount price cap, and Prepayment Meter price cap) remain in draft form. With little clarity on how such consumers will be identified, the extent to which this may impact Good Energy is currently unclear.

#### **What have we done?**

The Company has continued its efforts to influence policy makers and respond to relevant consultations. The policy relates to the domestic supply part of the business and as such the Company has sought to segment its proposition to include and optimise its non-domestic portfolio, such as FIT and Business to Business (B2B) sales.

#### **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.

#### **What have we done?**

This risk is mitigated partly through the benefits of the Company's vertical integration, and partly via the Company's forward-looking and prudent hedging policy. The Company has also diversified its portfolio of counterparty relationships through 2017.

#### **Weather, forecasting demand and generation:**

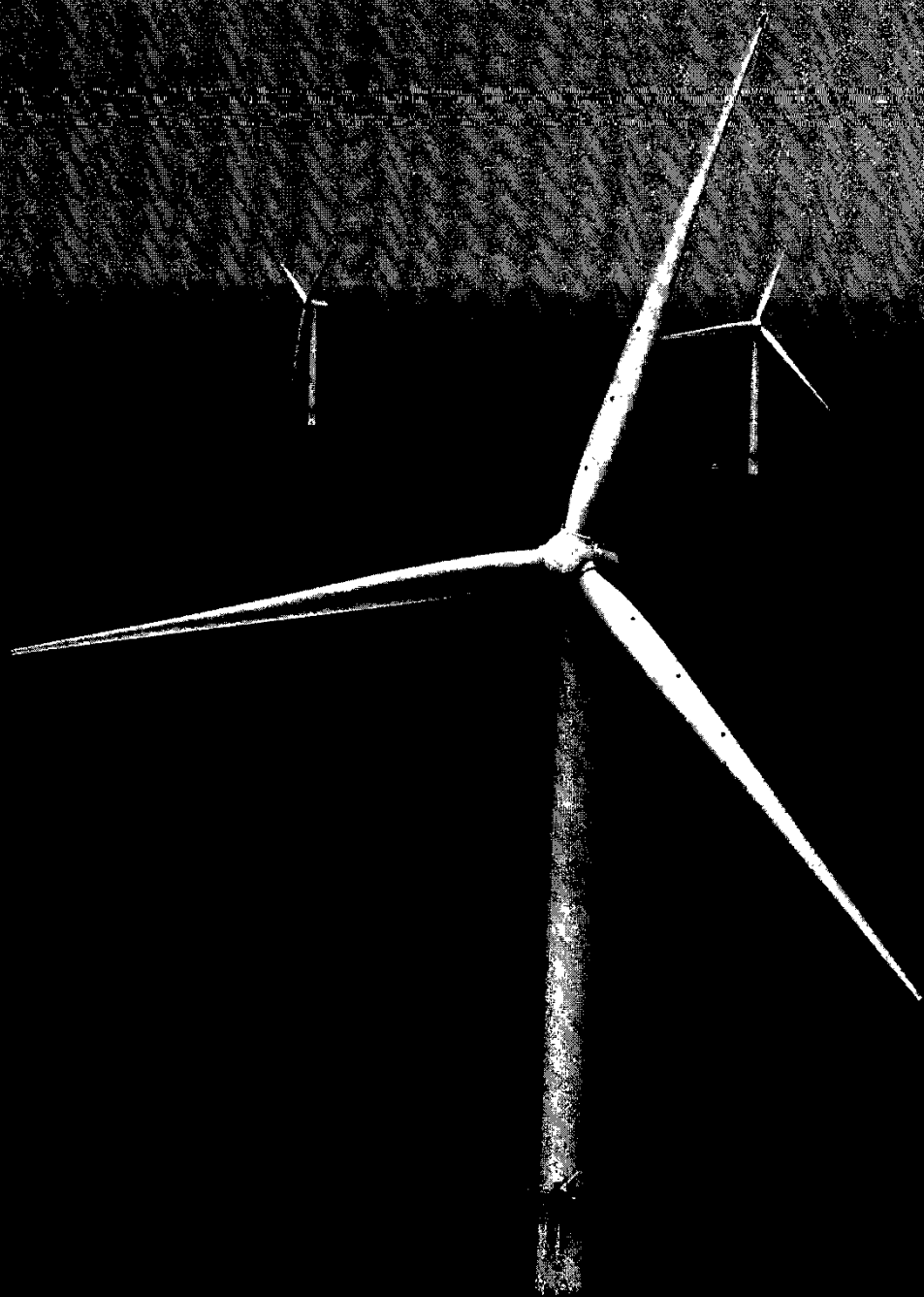
On the supply side, temperature drives demand and customer behaviour. From a generation perspective, the annual variability of wind speeds and solar radiation can result in year-to-year fluctuations. Any material reduction could have an adverse impact on financial results and, potentially, the future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

#### **What have we done?**

Accurate forecasting is key in the long term, to allow for 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.

#### **Financial risk management:**

This has been considered within note 3 in the Notes to the Financial Statements.



# GOVERNANCE REPORT

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## Board of Directors



**Joined Board:**  
October 2012

**Responsibilities:**  
Chairman of the Board  
Member of Audit & Risk  
Committee  
Member of Nominations &  
Remuneration Committee

### John Maltby – Non-Executive Chairman (Independent)

John holds a number of non-executive roles including Non-Executive Director and Chairman of Risk for Bank of Ireland UK and Non-Executive Director and Chairman of Audit and Risk for National Citizens Service Trust. Previous roles include Chairman of the Swedish bank BlueStep Bank AS, Non-Executive Director and Chairman of Risk & Audit for Tandem Bank, CEO of Williams & Glyn, Group Director of Commercial Banking at Lloyds Banking Group and several other senior positions in the financial services sector.

**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 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.



**Appointed CFO:**  
May 2014

**Retired from Board:**  
March 2018

### 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 a Non-Executive Director of Skipton Building Society and an Independent Member for Macintyre Academy Trust, a multi academy special education trust for special schools and specialist alternative provision of education.

**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.





**Joined Board:**  
March 2008

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

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

Rick is an experienced Non-Executive director of companies with investments in the renewable energy sector and is Non-Executive director at Milford Haven Port Authority and Green Energy For Education Limited. Previously, Rick was a non-executive director of Green Investment Bank Financial Services and Non-Executive Chairman of Eclipse Energy Company Ltd, a UK-based privately owned wind power company with a development portfolio of approximately 250MW. Rick founded PiEnergy Ltd which provides 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  
  
Member of Audit & Risk  
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.



**Joined Board:**  
December 2017

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

### Timothy (Tim) Jones – Non-Executive Director (Independent)

Tim was appointed Non-Executive Director in December 2017. Tim is an experienced Technology Executive who brings over 20 years of digital innovation, execution and operation. Tim has been CIO of Moneysupermarket Group PLC since 2013, Insurance Times CIO of the Year in 2014 and a regular member in the top 20 of the annual CIO 100. Prior to joining MoneySupermarket, Tim was co-founder and an Executive at AutoTrader UK, the internet media marketplace giant one of the UK Digital 'Unicorns' alongside AO.com, Skyscanner and of course MoneySupermarket.com.

**Skills and Expertise:** Depth of experience in leading digital development with companies. Tim is currently responsible for delivering innovative consumer propositions in the highly regulated verticals of insurance, financial services, energy, telecommunications and travel.

# Governance & Directors' Report

## The Board

### Role of the Board

Setting Group strategy and objectives in collaboration with the Executive.

Providing leadership, knowledge and experience to support and guide the Executive.

Engaging with shareholders.

Overseeing and monitoring business performance, internal controls, governance and risk management.

Oversight of principal risks – competitive position, political risk, programme delivery.

### Chairman

John Maltby

Effective running of the Board and its committees in accordance with the principles of good corporate governance.

Setting the Board agenda.

Managing the Board to ensure adequate time for discussion of all agenda items.

Ensuring the Board receives accurate, timely and clear information.

### Other non-executive directors

Providing skills and external experience to support the Chairman and the Executive.

### Chief Executive

Juliet Davenport

Overseeing the day-to-day operation of the Group's business.

Developing and implementing the Group's strategy as approved by the Board.

Establishing and maintaining formal and appropriate delegations of authority.

Maintaining a close working relationship with the Chairman.

### Other executive directors

Providing management and operational insight to support the Board's discussions and decision making.

### Company Secretary

Stephen Rosser

Overseeing the design, suitability and effectiveness of the Group's governance arrangements and supporting implementation across the Group.

Acting as Secretary to the Board and its committees, ensuring compliance with Board procedures and corporate governance requirements.

Providing governance, advisory and administrative support to the Board, all Directors and the Executive.

Supporting the Nominations & Remuneration Committee with Board Composition, succession planning, directors' induction and ongoing training requirements.

## The Board's Committees

### Nominations & Remuneration Committee

Board Composition

Succession planning

Board nominations

Remuneration policy

Incentive design and target setting

Executive remuneration review

### Audit & Risk Management Committee

Corporate Governance

Financial Reporting

Internal Controls

Risk Management

External auditor

Oversight of principal risks

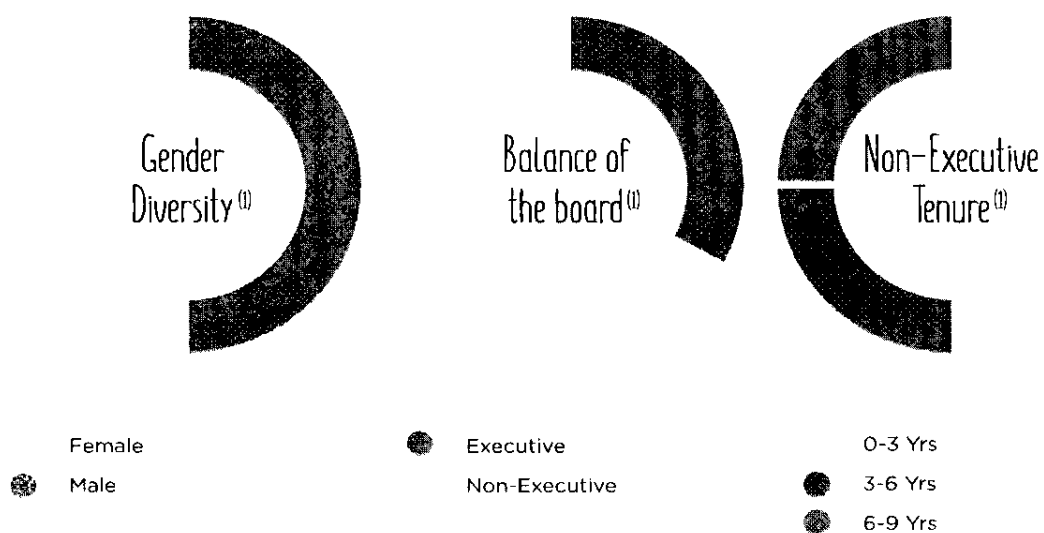
### Funding & Investment Committee

Funding strategy and execution

Overseeing capital and other significant investment decisions

Overseeing corporate transactions

Investor relations strategy



1. Data as at 31 December 2017

## Corporate Governance

### Overview

Good Energy recognises the importance of robust corporate governance practices and places 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 Board recognises the Code as a benchmark for best practice and applies the principles of the Code as the Board considers appropriate to the circumstances of the Company, its size and nature.

The Board has implemented a number of governance enhancements through the period, as more particularly described in this section, and expects to make further progress over the coming year.

### The Board and its committees

The Board is ultimately responsible to shareholders for the direction, management and performance of the Company and its business.

Biographies of the Board's Directors are set out pages 30 to 31. Details of the Directors' remuneration, including share options are set out in the remuneration report on pages 50 to 57. Details of the Directors' interests in ordinary shares in the capital of the Company are set out on page 45 under Statutory and other information.

The Board maintains a list of matters reserved for its approval, generally being those items which affect the shape, risk profile or strategic direction of the Group, as well as the key financial items. The Board reviews this schedule annually and it is updated as necessary. During the year, approximately half of the matters on this list were considered by the Board.

The Board has established three principal committees which focus on particular areas as set out opposite. The chairman of each committee reports to the Board on its activities after each committee meeting. Reports from each committee are included later in this section.

Matters that are not reserved to shareholders, the Board or one of its committees are the responsibility of the Chief Executive who has established and maintains a documented schedule of delegations of authority to members of the Executive and other management. This delegation of authority is incorporated within the Company's Guiding Principles. The delegation of authority includes a detailed authorisation matrix covering financial limits and approvals needed when conducting business on behalf of the Group.

The way in which principles of the UK Corporate Governance Code (the Code) are applied, including the role of the Board and the Chairman, Chief Executive and Company Secretary, the matters reserved to the Board, the terms of reference of each of the Board committees, and details of Directors' induction and training have been agreed by the Board and relevant information is set out in this Governance Report.

## Board and Committee composition

The following table sets out the composition of the Board and its committees as at 31 December 2017 and those serving during the year:

|                                  | Board | Nominations & Remuneration | Audit & Risk Management | Funding & Investments          |
|----------------------------------|-------|----------------------------|-------------------------|--------------------------------|
| John Maltby (Chairman)           |       |                            |                         |                                |
| Juliet Davenport (CEO)           |       | –                          | –                       |                                |
| Denise Cockrem (CFO)             |       | –                          | –                       |                                |
| Rick Squires (Non-Executive)     |       | –                          |                         |                                |
| Emma Tinker (Non-Executive)      |       |                            |                         |                                |
| Tim Jones (Non-Executive)        |       |                            |                         | –                              |
| <i>Former Directors</i>          |       |                            |                         |                                |
| David Brooks (MD Supply)         |       |                            |                         |                                |
| Martin Edwards (Non-Executive)   |       |                            |                         |                                |
| Francesca Ecsery (Non-Executive) |       |                            |                         |                                |
|                                  | Chair | Member                     | –                       | Not applicable/Invitation only |

## Board & Committee Changes

As part of its annual evaluation process and otherwise as required, the Board reviews its composition to ensure that the Group has access to a balance of complementary skills and experience to enable the Group to achieve its strategic ambitions and wider purpose.

During the year, the Board was pleased to announce the appointment of Tim Jones as independent non-executive director following a market search conducted in conjunction with recruitment

consultants. Tim's experience in technology and digital transformation complements the strategic direction set out by the Board.

Martin Edwards and Francesca Ecsery both retired as non-executive directors from the Board during the year. As previously reported, David Brooks left the Board on 7 April 2017 following a strategic review focussed on streamlining Good Energy's operating model.

Emma Tinker was appointed to the Audit & Risk Committee in December 2017. Tim Jones was appointed to the Audit & Risk Committee and the Nominations & Remuneration Committee following his appointment to the Board.

On 1 March 2018, the Company announced a reorganisation of the finance function as part of which Denise Cockrem would step down from the Board and as CFO with effect from 31 March 2018. The Company's finance function will be led by Rupert Sanderson as Finance Director. Although not a board appointment, the Finance Director is a member of the Executive team and will be invited to attend proceedings of the Board. In assessing proposals surrounding the reorganisation, the Board carefully reviewed its management effectiveness and independence. The Board remains satisfied that it will continue to comprise a balance of skills, experience and independence appropriate for the Company and its strategic direction and that the Board would continue to operate in such a way as to actively encourage and constructively challenge the Executive team.

Rick Squires has informed the Board of his intention to retire during 2018 and he will not stand for re-election at the Group's 2018 Annual General Meeting.

With the support of recruitment consultants, the Nominations & Remuneration Committee has conducted a market search to identify suitable candidates for appointment as the Group's first Senior Independent Director. The calibre of applications for the role has been very high. The recruitment process is at an advanced stage and the Group expects to make a further announcement in due course.

The Board expects to review chairmanship of its Committees once a Senior Independent Director has been appointed.

The Funding & Investment Committee was newly established during the period to support the Group in executing its strategic transformation. A summary of its activities is set out on pages 44.

#### **Independence of the Non-Executive Directors**

The Board conducts an internal review of the independence of the Non-Executive Directors every year, based on the principles of the Code. The Board considers all of its non-executive directors, representing two thirds of the Board, to be independent in both character and judgement.

The Code does not consider the test of independence to be appropriate to the chairman of a company. However, John Maltby did meet the Code's independence criteria upon appointment to the Board in October 2012.

Rick Squires holds 75,000 share options in the Company. The Board considers Rick to be independent in both character and judgement notwithstanding his share options. The share options were issued to Rick in March 2012, before the Company listed on AIM. The share options were granted at market value as part of Rick's appointment as interim Chairman and represented the most effective method of incentivising performance aligned to the interests of the Company and shareholders. These options were disclosed as part of the AIM listing and have also been reported in the Annual Report and Accounts each year since they were issued. Since the Company listed on AIM, Rick has purchased shares in the Company himself.

#### **Directors' Indemnities and Insurance**

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.

## Board and Committee Attendance

|                                     | Board | Audit & Risk Committee | Nominations & Remuneration Committee | Funding & Investment Committee |
|-------------------------------------|-------|------------------------|--------------------------------------|--------------------------------|
| <b>Executive Directors</b>          |       |                        |                                      |                                |
| Juliet Davenport                    | 9/9   | 4/4                    | 3/3                                  | 9/10                           |
| Denise Cockrem                      | 9/9   | 4/4                    | -                                    | 10/10                          |
| <b>Non-Executive Directors</b>      |       |                        |                                      |                                |
| John Maltby                         | 9/9   | 4/4                    | 3/3                                  | 10/10                          |
| Rick Squires                        | 9/9   | 4/4                    | -                                    | 6/10                           |
| Emma Tinker                         | 9/9   | -                      | 3/3                                  | 9/10                           |
| Tim Jones                           | -     | -                      | -                                    | -                              |
| <i>Former Directors</i>             |       |                        |                                      |                                |
| David Brooks (Executive)            | 2/2   | 1/1                    | -                                    | -                              |
| Martin Edwards (Non-Executive)      | 4/4   | -                      | 1/3                                  | -                              |
| Francisco Fernandez (Non-Executive) | 9/9   | 4/4                    | 3/3                                  | -                              |

### Operations of the Board

Details of the number of scheduled Board meetings and attendance of Directors is set out in the table above<sup>1</sup>. 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 2017, the Board hosted a number of evening events to which a variety of staff from across the Group were invited. These events were well-attended.

During the year, the Board and relevant Committees convened for a number of unscheduled proceedings to support the Group in developing, refining and implementing initiatives in support of its strategic ambitions, as well as to consider a member's requisition for a general meeting to consider the appointment of two additional directors.

In addition, the Board or relevant Committees held regular informal discussions on a variety of topics to consider the impacts of macro-economic events,

1. For members retiring during the year, the table reflects those meetings applicable to their tenure

developments in Government policy and to provide guidance and insight to support the Company in delivering its short term and longer term objectives.

The Board conducts a formal review of the Group's strategy at least annually, at which all Board members and all of the Executive team are present.

Board packs are generally circulated at least one week ahead of scheduled meetings to allow adequate time for the Board and/or Committee Members to review information and prepare.

The Chairman and Chief Executive maintain regular contact and the Chairman receives a briefing from the Chief Executive before each scheduled Board meeting. The Chairman provides a briefing to the Non-Executive Directors before each scheduled Board meeting to align priorities and maximise the Board's effectiveness at meetings. The Chairman regularly de-briefs with the Non-Executive Directors after meetings to capture feedback and identify opportunities for improvement. The Executive Directors do not attend these de-brief discussions.

All 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 performance of the Group for each month against a pre-agreed set of performance targets. In addition, the Board receives information through a system of continuous financial planning which enables it to better manage profit and cash flow forecasting, and to inform investment decision making. The formal financial plan for the forthcoming year is reviewed and authorised by the Board.

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

#### **Executive Team**

The roles of Chief Executive and Chairman have always been split, with the Chairman operating in a Non-Executive capacity. An outline of the roles and responsibilities of the Chairman, Chief Executive, other Executive Directors, Non-Executive Directors and Company Secretary are provided on page 32.

The Chief Executive is responsible for the day-to-day management and running of the business, supported by an Executive team. As at 31 December 2017 the Executive comprised the Chief Financial Officer<sup>1</sup>, Finance Director, General Counsel & Company Secretary, Director of People & Culture,

Director of Customer Services<sup>2</sup>, Director of Business Services, Director of Marketing and Director of IT and Transformation.

The Executive team is an executive-level forum of the Group's most senior leaders, chaired by the Chief Executive. It comes together to communicate, review and agree on issues and actions of Group-wide significance. It helps to develop, implement and monitor strategic and operational plans, considers the continuing applicability, appropriateness and impact of risks, leads the Group's culture and aids the decision-making of the Chief Executive in managing the business in the performance of her duties.

#### **Board and Directors' Performance Evaluation**

The Board is committed to continually improving its performance.

The Board implemented an annual process of evaluating board performance in 2015. Evaluations are carried out internally and the Board is considering whether it would benefit from conducting an externally facilitated review following the conclusion of its current recruitment activity.

For internal reviews, Board members and other regular Board attendees respond to a detailed questionnaire co-ordinated and collated by the Company Secretary. Where appropriate, Board members are also interviewed privately by the Chairman.

Feedback and insights from the review process are collated and summarised for the Board and the Chairman and Company Secretary facilitate an open discussion with the whole Board, highlighting areas that work well and agreeing actions in those areas where the Board sees opportunity for improvement.

The Board has identified four clear priorities through its most recent reviews: (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) continuing to enhance the Company's approach to corporate governance, including appointing a senior independent director, and (iv) improving visibility for members of the enhancements the Group is making to corporate governance.

1. On 1 March 2018 the Company announced a reorganisation of the finance function as part of which the CFO will step down with effect from 31 March 2018

2. The Group engaged a consultant to support the design of its future operating model. This role was vacant at the end of the period pending the outcome of the review. A new Director of Customer Services has been appointed and will take up the post in June 2018.



These four priorities are consistent with prior periods. Building on its achievements from 2016, during 2017 the Board is pleased to report its progress against 2017 Objectives as follows:

| 2017 Objective  | 2017 Update   |
|---|---|
| Support the Group in executing its strategic transformation   | Funding & Investment Committee established.   |
| Supplement the Board's expertise through appointment of an independent non-executive director with digital transformation experience.       | Tim Jones was appointed as independent non-executive director in December 2017.   |
| Determine whether the Group would benefit from appointing a senior independent director.  | The Board expects to appoint a senior independent director during 2018. A market search has been conducted with recruitment consultants and is well progressed.   |
| Benchmark the terms of reference for the Board and each of its Committees with appropriate external advisers.                               | <p>The Group engaged Boudicca Consultants to complete a review and provide advice on current best practice.</p> <p>Aside from a small number of minor updates, the review concluded that the existing terms of reference for the Board and each of its Committees remain fit for purpose.</p> <p>The review recommended that the Group consider a formal separation of the functions of the Nominations &amp; Remuneration Committees. The Board agreed that this would be reviewed following appointment of the senior independent director.</p>                                 |
| Enhance the Board's visibility and understanding of key aspects of the Group's business and operations.                                     | <p>All Board members and all members of the Executive team attended internal seminars covering recent and forthcoming developments in wholesale electricity and gas markets, renewable energy forecasting and trading and the strategic outlook for renewable generation, supply and demand.</p> <p>Following the implementation of the customer information system, enhanced reporting of core operating performance (including customer service metrics, billing, debt collection and complaints) has been introduced. This will increase the Board's insight in this area.</p> |
| Effectively map initiatives against the Group strategic objectives with clear resource planning supported by improved investment proposals. | The Group appointed a strategy partner to the CEO and implemented a clear process for the development and assessment of strategic initiatives, including resource planning and prioritisation. This has been further supplemented by the allocation of a dedicated project manager to co-ordinate and manage the inter-relationship between strategic initiatives.  |
| Maintain participation of senior leaders from across the business in Board or Committee 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 Committees. Informal events also took place throughout the year.   |

### **Performance of Individual Directors**

The individual performance of Executive and Non-Executive Directors is reviewed annually.

The Chairman conducts an individual annual appraisal with the Chief Executive. In 2017, the appraisal process was extended to include each Non-Executive Director. The cumulative time commitments of Non-Executive Directors are reviewed as part of the annual performance evaluation to ensure that no Non-Executive Director becomes over-committed. The Chairman's performance is reviewed by the Non-Executive Directors, with input from the Executive Directors and members of the Executive Team.

The performance of Executive Directors is discussed at the Nominations & Remuneration Committee during the first quarter each year and on an ad hoc basis as required. Executive Directors do not attend that discussion.

### **Investor Engagement**

The Company is mindful of the AIM Rules, the principles of the Code, MIFID and Market Abuse Regulations when communicating with its shareholders. Good Energy recognises and values the importance of building strong relationships with investors through a proactive communication programme. The Company has established an investor relations department which will focus on maintaining strong and clear communication with investors and potential investors.

The Company engages with institutional shareholders via investor road shows twice a year, held after the Company's interim and full year results. Meetings are held with current and prospective shareholders to receive their feedback on company initiatives and direction and their requests for any additional information they would like the Company to provide. In addition the Company's brokers provide feedback from any institutional investors who use the brokers' services. This investor feedback is shared with the Board.

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. It continues to evolve this to provide information about the Company's activities and performance quickly and easily, and has begun enhancements to the Investor Relations website in early 2018.

During the period the Company received a requisition on behalf of Ecotricity Group Limited for a general meeting of the Company's members to consider the appointment of two Ecotricity executives as directors of the Company. Ecotricity withdrew its requisition after the general meeting had been convened but before the general meeting took place. The requisitioned general meeting was adjourned indefinitely on 6 September 2017.

### **Good Energy Bonds**

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 raised its second corporate bond in June 2017. Investments exceeded expectations by over 50%. A number of bondholders elected to convert their original investment in Good Energy Bonds I into an investment in Good Energy Bonds II.

On 13 February 2018, the Group announced that it would redeem Good Energy Bonds I in full on 29 March 2018. In response to feedback from bondholders who had expressed a desire to continue to support the work the Group does, the Group offered holders of Good Energy Bonds I the opportunity to continue their investment in Good Energy Bonds I at an interest rate of 4.25% per annum (4.50% effective for Good Energy customers). Those continuing their investment will be entitled to request repayment of their holding on 22 November 2019 or annually thereafter. All other terms and conditions related to Good Energy Bonds I will remain the same and investments in Good Energy Bonds II will not be affected.

### **Annual General Meeting (AGM)**

All holders of ordinary shares may attend the Company's AGM at which the Chairman and Chief Executive present a review of the key business developments during the year. The time and venue for the 2018 AGM will be announced in the second quarter of 2018.

At the meeting, shareholders can ask questions of the Board on the business of meeting, including the Annual Report and Accounts and the running of the Company generally. To assist the proper and effective conduct of the meeting, shareholders wishing to ask questions are asked to submit these in advance to the Company Secretary not less than 48 hours before the meeting.

All Directors are invited to attend each AGM. Unless unforeseen circumstances arise, the chair of each committee will be present to take questions at the AGM.

The AGM notice will be circulated to members through their preferred communication methods and will also be available to view on the Group's website.

A poll is conducted on each resolution at all Company general meetings. All shareholders have the opportunity to cast their votes in respect of proposed resolutions by proxy, either electronically or by post. Following the AGM, voting outcomes are published and are made available on the Group's website.

Shareholders unable to attend the AGM can vote on the business of the meeting either by post or online.

### **Employees at Good Energy**

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 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. The Company engages an internal network of employee champions which encourages 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 15 to 16.

# Audit & Risk Management Report

## Overview

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.

A summary of the key risks facing the Group is set out in the Strategic Review.

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 which reviews this on an annual basis. The system of internal controls is designed effectively to manage, rather than eliminate, the risk of failure to achieve business objectives.

## Audit & Risk Management Committee

The members of the Audit and Risk Management Committee are Rick Squires (Chair), John Maltby, Emma Tinker and Tim Jones. Francesca Ecsery was a member of the committee prior to her retirement from the Board in December 2017.

John Maltby and Emma Tinker are considered to have recent, relevant financial experience. The Chief Executive and Chief Financial Officer attend meetings of the Committee by invitation only.

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.

## Risk control environment and internal audit

The Company has an internal audit function led by the Head of Internal Risk and Audit.

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

In 2015, Good Energy completed a Groupwide upgrade of the control environment - the Group's Code of Conduct, a 'Guiding Principles' approach that is appropriate for a fast-growing business. This ensures everyone who works at Good Energy reflects the Company's ethos when working together.

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

The Guiding Principles are refreshed annually and the Group continues to evolve the way in which it secures engagement from employees at all levels across the organisation.

The internal audit and risk management function aims to build on initiatives such as the Company's Guiding Principles, 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.

## Going concern and viability

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 2017, as set out on pages 70 to 71 and in note 2.3 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 2017 financial statements. Further details on this can be found in note 2.3 to the Financial Statements.

## External Audit

### *Auditor appointment*

The audit of the Group's financial statements for the period ended 31 December 2016 represented the fifth year of audit by PricewaterhouseCoopers LLP.

The Group initiated a competitive tender process for its audit work, overseen by the Audit & Risk Management Committee. The tender process included a mixture of participants including smaller independent audit firms, Top 10 and Big 4 accountancy firms. The process completed during the period and the Group appointed Ernst & Young LLP as its auditors following the retirement of PricewaterhouseCoopers LLP in September 2017. A resolution to affirm the appointment of Ernst & Young LLP as auditors will be proposed at the 2018 Annual General Meeting.

The Committee will consider whether to re-tender the audit after a five year period, or earlier if appropriate.

### *Auditor independence*

The Audit and Risk Management Committee monitors the Group's safeguards against compromising the objectivity and independence of the external auditors. It annually reviews the non-audit services provided to the Group and their cost, and whether the auditors believe there are any relationships that may affect their independence and obtaining written confirmation from the auditors that they are independent.

The Audit and Risk Management Committee has also reviewed its policy for awarding non-audit work.

For the financial year ended 31 December 2017, the Committee has conducted its review of the auditors' independence and concluded that no conflict of interest exists between Ernst & Young LLP audit and non-audit work, and that their involvement in non-audit matters was the most effective way of conducting the Company's business during the year.

### *Audit and non-audit fees*

The Audit and Risk Management Committee reviewed the remuneration received by PricewaterhouseCoopers LLP for non-audit work conducted during the year prior to their retirement as auditor. Fees for non-audit work payable to PricewaterhouseCoopers LLP were lower than the audit fees payable prior to their retirement. For further details regarding fees paid, see note 7 to the financial statements on page 94.

The Audit & Risk Management Committee reviewed the remuneration received by Ernst & Young LLP for non-audit work conducted during the period as part of assessing their suitability for appointment as the Group's auditors. Fees for non-audit work payable to Ernst & Young LLP were nominal and related to technical accounting advice in relation to disposals of assets. For further details regarding fees paid, see note 7 to the financial statements on page 94.

## Whistleblowing Policy

The Group's whistleblowing policy is supported by a clear process and includes a secure, independent and anonymous third party helpline, through which any person, from employees to casual contract workers, may raise concerns about wrong doing, poor practices, risks or dangers in relation to the Company's business dealings or activities.

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 2017.

## Funding & Investment Committee Report

### Establishment of the Committee

To support the Company in delivering its strategic objectives, particularly through a period of transition and transformation of its business activities, the Board established the Funding & Investment Committee.

### Overview

The purpose of the Committee is to oversee strategic and transactional matters relevant to the delivery and evolution of the Group's strategy. Areas such as funding requirements, capital and significant investment decisions, corporate transactions and evolving the Group's investor relations strategy are also a focus.

The members of the Funding & Investment Committee are John Maltby (Chair), Emma Tinker and Rick Squires together with the Chief Executive and Chief Financial Officer.

### Operations of the Committee

During the period, the Funding & Investment Committee convened to discuss, consider and recommend to the Board the following:

- the creation of Good Energy Bonds II through which the Company raised £16.7m, including the conversion of a number of investments in Good Energy Bonds I to Good Energy Bonds II;

- investment in a pilot project for behind-the-meter battery storage in partnership with The Eden Project in Cornwall;

- the disposal of the Company's solar farm at Newton Downs into community ownership and the execution of an agreement to dispose of the Company's solar farm at Brynwhilach into community ownership;

Prior to the production of this report, the Committee recommended to the Board the redemption of Good Energy Bonds I on 29 March 2018.

In response to feedback from bondholders who had expressed a desire to continue to support the work the Group does, the Committee recommended that the Company offer holders of Good Energy Bonds I the opportunity to continue their investment in Good Energy Bonds I at an interest rate of 4.25% per annum (4.50% effective for Good Energy customers). Those continuing their investment will be entitled to request repayment of their holding on 22 November 2019 or annually thereafter. All other terms and conditions related to Good Energy Bonds I will remain the same and investments in Good Energy Bonds II will not be affected.

These arrangements were announced on 13 February 2018.

Over the course of 2018, the Committee expects to review and consider proposals for realisation of further value from the Company's discontinued development business, as well as investments in projects and initiatives to accelerate the delivery of the Group's strategic ambitions. The Committee may also be required to consider proposals related to the Group's property strategy.

## Statutory and other information

### General company information

Good Energy Group PLC is a public limited company incorporated in the United Kingdom under the Companies Act 1985.

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.

### Share capital

On 31 December 2017, 16,516,170 ordinary shares of 5p each were in issue. 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.

### Significant shareholders

At 31 December 2017, the following shareholders had notified an interest exceeding 3% of the issued ordinary share capital of the Company (excluding Directors and their respective families as defined in the AIM rules, details of which are set out on page 42):

| Shareholder              | Number of shares | %     |
|--------------------------|------------------|-------|
| Ecotricity Group Limited | 4,169,948        | 25.3% |
| Schroder & Co            | 743,874          | 4.5%  |

### Share class rights

#### Ordinary shares

The full share class rights are set out in the Company's Articles of Association (Articles) which are available at [goodenergygroup.co.uk](http://goodenergygroup.co.uk) and summarised below:

Each member has one vote for each ordinary share held. Holders of ordinary shares are entitled to: receive the Company's Annual Report and Accounts; attend and speak at general meetings of the Company; appoint one or more proxies or, if they are corporations, corporate representatives; and exercise voting rights. Holders of ordinary shares may receive a dividend in cash or ordinary shares under the Company's scrip dividend scheme and on liquidation may share in the assets of the Company.

#### Shareholder agreements and consent requirements

There are no known arrangements under which financial rights carried by any of the shares in the Company are held by a person other than the holder of the shares and no known agreements between the holders of shares with restrictions on the transfer of shares or exercise of voting rights.

### Authority to issue shares

At the AGM in 2017, authority was given to the Directors to allot new ordinary shares up to a nominal value of £271,998, equivalent to one-third of the issued share capital of the Company. The Directors were also authorised to allot up to two thirds of the total issued share capital of the Company, but only in the case of a rights issue.

These authorities are valid until the AGM in 2018, and the Directors propose to renew each of them at that AGM.

The Board believes that these authorities will allow the Company to retain flexibility to respond to circumstances and opportunities as they arise.

#### Deadlines for exercising voting rights

Electronic and paper proxy appointments, and voting instructions, must be received by the company's Registrar not less than 48 hours before a general meeting.

### *Dividends*

Details relating to the proposed 2017 final dividend are set out in the Chairman's Statement on page 6.

### *Directors*

The names of the Directors who held office during the year are set out on page 37.

### *Directors' interests and their interests in the Company's shares<sup>1</sup>*

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:

|                               | No. shares as<br>at 31 December<br>2017 | %age of issued<br>share capital | No. shares as<br>at 31 December<br>2016 | %age of issued<br>share capital |
|-------------------------------|---|---------------------------------|---|---------------------------------|
| <b>Current Directors</b>      |   |                                 |   |                                 |
| Juliet Davenport <sup>2</sup> | 569,086                                 | 3.45                            | 569,086                                 | 3.45                            |
| John Maltby                   | 180,703                                 | 1.09                            | 122,703                                 | 0.74                            |
| Rick Squires <sup>3</sup>     | 40,371                                  | 0.24                            | 39,759                                  | 0.24                            |
| Denise Cockrem <sup>4</sup>   | 2,684                                   | 0.02                            | 2,703                                   | 0.02                            |
| Emma Tinker <sup>5</sup>      | 1,484                                   | 0.01                            | 1,461                                   | 0.01                            |
| <b>Former Directors</b>       |   |                                 |   |                                 |
| Martin Edwards <sup>6</sup>   | 665,327                                 | 4.06                            | 665,327                                 | 4.06                            |
| Francesca Ecsery <sup>7</sup> | 5,580                                   | 0.03                            | 5,580                                   | 0.03                            |

1. Certain of the Directors hold share options as detailed on pages 56 and 57 within the Remuneration Report.

2. 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 Davenport holds a further 638 Ordinary Shares on behalf of another daughter.

3. Rick Squires holds 37,616 Ordinary Shares in his own name. His holding increased during the year as a result of participation in the scrip dividend. Rick Squires' wife holds 2,755 Ordinary Shares, an increase during the year as a result of participation in the scrip dividend.

4. 19 shares were deducted from Denise Cockrem's online holding in settlement of commission/brokerage charges.

5. Emma Tinker's holding increased during the year as a result of participation in the scrip dividend.

6. In addition to Martin Edwards personal holding, his father Peter Dixon Edwards holds 127,700 Ordinary Shares as trustee of a discretionary trust under which Martin Edwards is one of the potential beneficiaries.

7. Francesca Ecsery's holding increased during the year as a result of participation in the scrip dividend.



### *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 24 in the Financial Statements.

### *Future developments & research*

Details of future developments are given in the Chief Executive's Review within the Strategic Review. Innovation is key to the future development of the Group's business propositions. The Group does not incur material research and development expenditure but does undertake selected research, development and innovation projects which are often grant-funded.

### *Referral Arrangements/ Political Donations*

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, 2016 and 2017, and anticipates requesting that authorisation be refreshed at the Annual General Meeting in 2018.

### *Impact on the environment*

The Company is committed to reducing its environmental impact and the carbon emissions from its operations. ISO14001 accreditation was achieved during the year, providing independent confirmation that the Group meets international standards for measuring and continually improving environmental performance. The Company regularly measures its Scope 1 and Scope 2 emissions and as many indirect Scope 3 emissions as possible. Where it is not yet possible to avoid or eliminate emissions, these are neutralised through international carbon reduction projects. More information can be found in the Group's progress report on its website.

### *Gender Pay*

The Board welcomed the introduction in 2017 of Gender Pay reporting. The Group has a strong commitment to gender balance and equality at all levels of the business. The Board is proud to have just over 50% women within the business overall. The Group's mean pay gap for 2017 is 8%.

This is significantly lower than the UK average and benchmarks within the energy industry. The gap predominantly arises because the Group currently employs more men than women in middle management roles, particularly in Science, Engineering, Technology and Maths (STEM) related functions. The Group's full Gender Pay Report, which also details the actions initiated by the Board to close the Group's gender pay gap, is published on its website.

### *Modern Slavery*

Although the Group considers the inherent risk of encountering issues of modern slavery within its business, supply chains and strategic affiliations to be low, it is nonetheless an issue that the Group and the Board takes very seriously. The Group's full statement under section 54 of the Modern Slavery Act 2015 for the period ended 31 December 2017 is published on its website.

### *Related Party Transactions*

Related party transactions are set out in note 32 in the Financial statements.

### *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 they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given, and should be interpreted, in accordance with the provisions of Section 418 of the Companies Act 2006.

### *Events after the Balance Sheet date*

On 13 February 2018 the Company announced the repayment of Good Energy Bonds I offering bondholders the option to continue their investment at a revised interest rate of 4.25%, or 4.50% for customers of the Group. £3.6m of valid continuation forms were received at the deadline date. On 29 March 2019, £4.2m will be repaid to Good Energy Bonds I bondholders.

On 1 March 2018 a reorganisation of the Group's finance function was announced. As part of this work, Denise Cockrem, Chief Financial Officer (CFO) since 2014, identified that the Company does not need a CFO in addition to a Finance Director, and that her role could be made redundant. The Board has accepted this proposal, and Denise will step down as CFO and as a director of Good Energy from the 31 March 2018.

## Statement of directors' responsibilities in respect of the annual report and the financial statements

The Directors submit their Annual Report and Financial Statements (Annual Report and Accounts) for Good Energy Group plc for the year ended 31 December 2017. The directors' report required under the Companies Act 2006 comprises this Governance & Directors' Report and the Remuneration Report.

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 as detailed in the Strategic Report. This requirement includes an analysis of the development and performance of the Group'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 are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulation, including company law which requires the Directors to prepare financial statements for each financial year. 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 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.

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. These records must also 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 must take 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 Annual Report and Accounts 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 Governance 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.

The Annual Report and Accounts, including the Strategic Report, Governance & Directors' Report, Remuneration Report and Financial Statements, have been prepared and approved by the Board and are published in accordance with, and with reliance on, applicable English company law. The liabilities of Directors in relation to the Annual Report and Accounts are subject to the limitations and restrictions provided by such law.



**Stephen Rosser**

Company Secretary  
11 April 2018

# Remuneration & Nomination Report

## Overview

Good Energy operates on the principle that a workplace where people's differences are valued creates a more productive, innovative and effective organisation. The Company also recognises that attracting, retaining and incentivising key talent is integral to its ability to meet its strategic objectives.

The Board retains overall responsibility for the Company's people and reward strategies. While the Board reviews the suitability of these strategies annually, responsibility for reviewing the effectiveness of these strategies and underlying plans is delegated to the Nominations & Remuneration Committee.

## The Nominations & Remuneration Committee

The members of the Nominations and Remuneration Committee are Emma Tinker (Chair), John Maltby and Tim Jones. Francesca Ecsery and Martin Edwards were both members of the committee prior to their retirement from the Board.

The primary duties of the Nominations & Remuneration Committee are to:

- review the structure, size and composition of the Board and its Committees to ensure that they remain appropriate

- ensure that there is a formal, rigorous and transparent process for the appointment of new Directors to the Board

- to consider and develop succession plans appropriate for the Group

- determine the Group's approach to the remuneration of the Executive Directors and senior managers of the Group, on behalf of the Board;

- conduct an annual appraisal of the performance of the Chief Executive

- assess Company performance against performance targets within reward schemes.

No Director may be involved in any decisions as to their own remuneration.

The Nominations & Remuneration Committee also oversees the group-wide remuneration strategy, particularly with respect to diversity, inclusion and gender pay.

The functions of a nominations committee were introduced to the pre-existing Remuneration Committee during 2016 following the 2015 Board evaluation. During the period, the Board received and considered proposals to separate the functions into a more traditional structure comprising two separate committees. Given the inherent overlaps between the functions of separately constituted nominations and remunerations committees and the expected composition of those committees in the near to medium term, the Board concluded that it remained appropriate for the functions to be combined within a single committee. The Board agreed that this would be reviewed periodically.

## 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 that women and men were equally represented at both Board and Executive level during the period.

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.

During the period, the Nominations Committee:

- received and considered proposals from Ecotricity Group Limited to appoint two of its executives as directors of the Company;

- oversaw the recruitment, appointment and induction of Tim Jones; and

- recommended to the Board that a Senior Independent Director be appointed and, following the Board's approval of that recommendation, initiated the Company's search for appropriate candidates.

## Remuneration

Information about the remuneration of the Directors of the Company for the year ended 31 December 2017 is set out in the following section. This report is unaudited and 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 during 2015 and 2016, the Group replaced the previous bonus and share-based incentive schemes with new schemes that align with current best practice. These are designed to motivate and incentivise key talent to assist the Group in achieving its strategic aims.

The Group 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. During 2016, 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 pages 54 and 55, and

- a new Performance Share Plan for Executive Directors and members of the senior management team, details of which are set out on pages 55 and 56.

No changes have been made to the operation of these schemes during the period.

### Remuneration Policy

Details of the Company's Nominations & Remuneration Committee are set out on page 50.

The Nominations & Remuneration Committee has designed and adopted 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 on the following page.

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 during the period. 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 on the following page.

The Group reviewed Non-Executive Director fees and concluded that the existing annual fees and structure remain appropriate. The fee for each Non-Executive Director is £25,000, with an additional fee of £5,000 for those that chair a committee. The fee payable to the Chairman is £45,000.

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% as a result, which increase was broadly in line with pay rises across the Group. Following the review, Denise Cockrem's salary was increased by 7.1%.

| <b>Name</b>                         | <b>Position</b>         | <b>Date of contract</b> | <b>Notice period</b> | <b>Annual Salary / Fee (£)</b> |
|-------------------------------------|-------------------------|-------------------------|----------------------|--------------------------------|
| <b>Executive Directors</b>          |                         |                         |                      |                                |
| Juliet Davenport                    | Chief Executive         | 02 August 2007          | 9 months             | 208,000                        |
| Denise Cockrem                      | Chief Financial Officer | 22 January 2014         | 6 months             | 195,000                        |
| <b>Non-Executive Directors</b>      |                         |                         |                      |                                |
| John Maltby                         |                         | 15 October 2012         |                      | 45,000                         |
| Rick Squires                        |                         | 28 June 2011            |                      | 30,000                         |
| Emma Tinker                         |                         | 02 September 2016       |                      | 30,000                         |
| Tim Jones                           |                         | 01 December 2017        |                      | 25,000                         |
| <b>Former Directors</b>             |                         |                         |                      |                                |
| David Brooks                        |                         | 2 September 2016        |                      | 125,000                        |
| Martin Edwards<br>(Non-Executive)   |                         | 7 May 2008              |                      | 25,000                         |
| Francesca Eclery<br>(Non-Executive) |                         | 15 November 2012        |                      | 25,000                         |

**Salaries/Fees, annual bonus and benefits**

| <b>Name</b>                    | <b>Salary/fee<br/>2017 (£)</b> | <b>Pension<br/>2017 (£)</b> | <b>Benefits in Kind<br/>2017 (£)</b> | <b>Annual Bonus<br/>2017 (£)</b> | <b>Total<br/>2017 (£)</b> | <b>Total<br/>2016 (£)</b> |
|--------------------------------|--------------------------------|-----------------------------|--------------------------------------|----------------------------------|---------------------------|---------------------------|
| <b>Executive Directors</b>     |                                |                             |                                      |                                  |                           |                           |
| Juliet Davenport               | 207,358                        | 25,750                      | 19,046                               | 40,000 <sup>1</sup>              | 292,154                   | 278,914                   |
| Denise Cockrem                 | 191,750                        | 19,175                      | 11,862                               | 36,400 <sup>1</sup>              | 259,187                   | 252,742                   |
| David Brooks <sup>2</sup>      | 151,763                        | 12,677                      | 7,449                                | -                                | 171,889                   | 80,209                    |
| <b>Total</b>                   | <b>550,871</b>                 | <b>57,602</b>               | <b>38,357</b>                        | <b>76,400</b>                    | <b>723,230</b>            | <b>611,865</b>            |
| <b>Non-Executive Directors</b> |                                |                             |                                      |                                  |                           |                           |
| John Maltby                    | 45,000                         | -                           | -                                    | -                                | 45,000                    | 43,950                    |
| Rick Squires                   | 30,000                         | -                           | -                                    | -                                | 30,000                    | 29,513                    |
| Martin Edwards <sup>3</sup>    | 11,780                         | -                           | -                                    | -                                | 11,780                    | 24,750                    |
| Francesca Ecsery <sup>4</sup>  | 23,288                         | -                           | -                                    | -                                | 23,288                    | 23,977                    |
| Emma Tinker <sup>5</sup>       | 31,800                         | -                           | -                                    | -                                | 31,800                    | 21,000                    |
| Tim Jones <sup>6</sup>         | 2,083                          | -                           | -                                    | -                                | 2,083                     | -                         |
| <b>Total</b>                   | <b>143,951</b>                 | <b>-</b>                    | <b>-</b>                             | <b>-</b>                         | <b>143,951</b>            | <b>143,190</b>            |
| <b>Overall total</b>           | <b>694,822</b>                 | <b>57,602</b>               | <b>38,357</b>                        | <b>76,400</b>                    | <b>867,181</b>            | <b>755,055</b>            |

1. As previously reported, bonuses of £40,000 and £36,400 were paid during the year to Juliet Davenport and Denise Cockrem respectively following the sale of a solar farm which commenced in 2016 but completed in early 2017
2. Pro-rata for the period of directorship. Left the Board effective 7 April 2017. Of the £151,763 Salary/fee figure, £97,917 relates to compensation for loss of office.
3. Pro-rata for the period of directorship. Retired from the Board effective 21 June 2017
4. Pro-rata for the period of directorship. Retired from the Board effective 6 December 2017
5. Includes an additional fee for work carried out by Emma Tinker to assist the Corporate Finance team with asset funding options
6. Pro-rata for the period of directorship. Joined the Board effective 6 December 2017

### Annual Bonus scheme

#### Operation of the scheme

No changes were made to the operation of the bonus scheme during the period. All bonuses under the bonus 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 Nominations & Remuneration Committee, in its discretion, determines otherwise.

The Nominations & Remuneration 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.

The Group considers that the targets for 2018 are commercially sensitive and are not therefore disclosed. However, retrospective disclosure of performance against targets for the year ending 31 December 2017 is provided opposite.

| 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%       |



### 2017 targets and performance

The Group's performance against targets and actual outturn for the financial year ended 31 December 2017 are set out in the table below.

The Group profit before tax was below threshold for 2017 and accordingly no bonus is payable for the period.

As reported in 2017, a bonus of £0.4m was paid in the year in respect of 2016 performance following the successful conclusion of the sale of a solar farm which commenced in 2016 and completed in early 2017. The in-year profit contribution from the relevant disposal was discounted for the purposes of the 2017 bonus calculation.

| Measure                 | 2017 outturn   | 2016 outturn                                    | 2017 performance against target |
|-------------------------|--|---|---------------------------------|
| Profit before tax       | £(3.3)m  | £1.4m   | Below threshold                 |
| NPS                     | Not measured   | 45  | N/A                             |
| Employee engagement     | 73%  | 82%   | Below threshold                 |
| Corporate CO2 reduction | ISO 14001 achieved. Emissions neutralised wherever possible. | Set baseline for carbon footprint of operations | Threshold                       |

### Performance Share Plan ("PSP")

#### Operation of the scheme

The existing scheme was implemented during 2016 following advice from external remuneration consultants and in consultation with the Company's ten largest shareholders. It 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 more detail below, where previously there were none.

The 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 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 Nominations & Remuneration 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 2017 grant of awards are shown in the table below. The Group considers the targets themselves to be commercially sensitive and these 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 rating 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 2017 are shown below.

| Name             | Date option granted     | Number of options outstanding as at 31 December 2017 | Option price | Exercised during period | Cancelled/surrendered during period |
|------------------|-------------------------|--|--------------|-------------------------|-------------------------------------|
| Juliet Davenport | 01/06/2004              | 35,000   | £0.75        | -                       | -                                   |
|                  | 13/02/2012              | 86,956   | £1.15        | -                       | -                                   |
|                  | 13/02/2012              | 17,390   | £1.15        | -                       | -                                   |
|                  | 18/09/2012              | 189,052  | £0.50        | -                       | -                                   |
|                  | 13/07/2013              | 144,000  | £1.25        | -                       | -                                   |
|                  | 07/07/2015 <sup>1</sup> | 80,350   | £0           | -                       | -                                   |
|                  | 22/04/2016              | 88,496   | £0.05        | -                       | -                                   |
|                  | 10/05/2017              | 42,363   | £0.05        | -                       | -                                   |
| <i>Sub-total</i> |                         | <i>683,607</i>                                       |              |                         |                                     |

I. These awards vested 2 years from the date of grant. The Remuneration Committee resolved to grant the awards during the summer of 2014 but the awards were not made until July 2015 as a result of close periods and changes in the company secretariat function

| Name             | Date option granted     | Number of options outstanding as at 31 December 2017 | Option price | Exercised during period | Cancelled/surrendered during period |
|------------------|-------------------------|--|--------------|-------------------------|-------------------------------------|
| Denise Cockrem   | 07/07/2015 <sup>1</sup> | 21,822   | £0           | -                       | -                                   |
|                  | 07/07/2015 <sup>1</sup> | 200,000  | £2.285       | -                       | -                                   |
|                  | 22/04/2016              | 80,531   | £0.05        | -                       | -                                   |
|                  | 10/05/2017              | 39,715   | £0.05        | -                       | -                                   |
| <i>Sub-total</i> |                         | <i>342,068</i>                                       |              |                         |                                     |
| David Brooks     | 15/10/2015              | 100,000  | £2.265       | -                       | 100,000                             |
|                  | 22/04/2016              | 38,717   | £0.05        | -                       | 38,717                              |
| <i>Sub-total</i> |                         | <i>0</i>   |              |                         |                                     |
| Rick Squires     | 13/02/2012              | 75,000   | £1.15        | -                       | -                                   |
| <i>Sub-total</i> |                         | <i>75,000</i>  |              |                         |                                     |

1. These awards vested 2 years from the date of grant. The Remuneration Committee resolved to grant the awards during the summer of 2014 but the awards were not made until July 2015 as a result of close periods and changes in the company secretariat function.



**Emma Tinker**

Chair of Nominations and  
Remuneration Committee  
11 April 2018

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

## 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 2017 and of the group's loss for the year then ended;

the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Good Energy Group plc which comprise:

## Group

Consolidated Statement of Financial Position as at 31 December 2017

Consolidated Statement of Comprehensive Income for the year then ended

Consolidated Statement of Changes in Equity for the year then ended

Consolidated Statement of Cash Flows for the year then ended

Related notes 1 to 35 to the financial statements, including a summary of significant accounting policies

## Parent company

Parent Company Statement of Financial Position as at 31 December 2017

Parent Company Statement of Changes in Equity for the year then ended

Parent Company Statement of Cash Flows for the year then ended

Related notes 1 to 35 to the financial statements, including a summary of significant accounting policies

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards to the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are

required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Overview of our audit approach

|                   |  |
|-------------------|--|
| Key audit matters | <p>Revenue recognition, specifically the estimated unbilled income</p> <p>Revenue recognition - non-metered revenue streams</p> <p>Valuation of the provision for doubtful debts</p> <p>Valuation of generation WIP and classification as discontinued operations</p>  |
| Audit scope       | <p>We performed an audit of the full financial information of 3 components and audit procedures on specific balances for a further 3 components.</p> <p>The net loss of the Group is split between 4 profit making entities of £4.1m and 10 loss making entities of £6.8m. We performed procedures on 2 full scope components and 1 specific scope component which accounted for 92% of the profit making entities and procedures on 1 full scope component and 2 specific scope components which accounted for 73% of the loss making entities.</p> <p>The components where we performed full or specific audit procedures accounted for 97% of Revenue and over 63% of Total assets.</p> |
| Materiality       | Overall group materiality of £0.8m which represents 0.8% of revenues.  |

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

| Risk  | Our response to the risk  | Key observations communicated to the Audit Committee  |
|---|---|---|
| <p><b>Revenue recognition, specifically the estimated unbilled income (£16.2m , PY comparative £13.3m)</b></p> <p><i>Refer to our Audit Committee Report; Accounting policies (page 79); and Note 19 of the Consolidated Financial Statements (page 107)</i></p> <p>The Group's material revenue streams relate to the provision of gas and electricity services.</p> <p>This risk over revenue recognition specifically arises in income from metered services which requires an estimation of the amount of unbilled charges at the year end. This is calculated using a combination of system generated information, based on previous customer volume usage, together with management judgements as to the likely impact on usage of factors such as seasonal variations.</p> | <p><b>Our procedures included:</b></p> <p>We obtained an understanding of the process for the supply of gas and electric services, meter reading and related billing in order to challenge the completeness of adjustments to reflect the accrual or deferral of revenue.</p> <p>We assessed the design of key controls linked to system generated information relating to the estimation process for measured revenue.</p> <p>We tested the inputs into the billing system, including meter reads, tariffs and estimated average consumption. This was to ensure that calculated bills and the resultant revenues reflected accurate contract agreed prices and usage.</p> <p>We compared the accrued income to bills raised post year end for a sample of customers to confirm the accuracy of the estimated usage and revenue recorded.</p> <p>We corroborated the key assumptions made by management in recognising revenue, by obtaining internal and external data on demand.</p> <p>We tested whether revenue was recognised in the correct period.</p> <p>We performed analytical procedures by comparing revenue balances for the year against expectation from industry consumption data and obtaining support for significant variances against that data.</p> | <p>We did not identify material errors in the unbilled income report, nor evidence of management manipulation of revenue within this report.</p> <p>We concluded that the basis of calculation of the unbilled income accrual is appropriate. We conclude that management's assumptions in respect of customer demand are within an acceptable range.</p> |

| Risk   | Our response to the risk   | Key observations communicated to the Audit Committee   |
|--|--|--|
| <p>The risk has increased in the current year due to the implementation of a new billing system in January 2017 which caused delays in raising bills throughout the year. Due to a reduction in the number of bills raised, the estimated income is based on a longer time period which is subject to increased exposure to fluctuations in underlying data.</p>   | <p>In performing our journal testing, we paid increased attention to entries impacting revenue focusing on non-system postings and those raised in the last two weeks of the year.</p> <p>We performed full scope audit procedures over this risk area in 2 locations, which covered 100% of the risk amount.</p>  |  |
| <p><b>Revenue recognition – non-metered revenue streams (£9.2m, PY comparative £10.8m)</b></p> <p><i>Refer to the Audit Committee Report (page 10); Accounting policies (page 79); and Note 6 of the Consolidated Financial Statements (page 91)</i></p>   | <p><b>Our procedures included:</b></p> <p>We performed a walkthrough of the process for non-metered revenue streams and assessed the design of key controls linked to these revenue streams.</p> <p>We re-calculated revenue by obtaining the inputs to the calculation from third parties and signed agreements.</p> <p>We performed a review of year on year movements to validate the completeness and existence of revenue that was calculated based on the third party data.</p> <p>By assessing the completeness of journal data, and agreeing the closing position to the audited trial balance, we ensured that any manual adjustments to revenue included in the revenue number were in line with our assessment based on third party data.</p> <p>In performing our journal testing, we paid increased attention to entries impacting revenue focusing on non-system postings and those raised in the last two weeks of the year.</p> <p>We performed full scope and specific scope audit procedures over this risk area in 4 locations, which covered 57% of the risk amount. We also performed specified procedures over the non-metered revenue in 9 locations, which covered 42% of the risk amount.</p> | <p>We did not identify material errors in the revenue calculations for FIT administration, ROCs and generation development.</p> <p>Based on the results of our audit procedures performed we considered that the accounting treatment of transactions is appropriate and that revenue had been recognised appropriately.</p> |
| <p>Good Energy generates revenue from Feed-in Tariff (FIT) administration services, FIT revenues, Renewable Obligation Certificates (ROCs) and Power Generation.</p> <p>Although the revenue recognition process is not complex, it is a manual process and open to manipulation through the use of manual journal entries.</p> <p>We consider that there is an opportunity for management to override controls around the recording of revenue that otherwise appear to be operating effectively.</p> |  |  |

| Risk   | Our response to the risk  | Key observations communicated to the Audit Committee  |
|--|---|---|
| <p><b>Provision for doubtful debts</b></p> <p><i>Refer to the Audit Committee Report (page 12); note 4.4 (page 90); and Note 19 of the Financial Statements (page 107)</i></p> <p>As shown in note 19, there is a provision of £4.5m (2016: £3.9m) at the yearend against gross amounts receivable from customers of £33.5m (2016: £17.6m).</p> <p>The provision is calculated using information provided by their debt collector and management's judgement of the future likely recovery rates.</p> <p>There is a risk that the assumptions used by management in calculating the bad debt provision may be susceptible to management bias and the valuation of the provision against trade receivables and unbilled income may be misstated. There is an increased risk of unrecoverable debt in unbilled income due to delays in bills being raised throughout the year.</p> | <p><b>Our procedures included:</b></p> <p>We performed a walkthrough of the process for calculating the bad debt provision and assessed the design effectiveness of key controls.</p> <p>We tested the operating effectiveness of key controls over the integrity of data and the report utilised to generate the ageing and categorisation of debt within the Company's billing system.</p> <p>We corroborated assumptions made by management on collection rates and performed sensitivity analysis on the impact of these rates on the provision</p> <p>We formed a view that the assumptions made by management on collection rates were within our expected range by agreeing to third party confirmations over the rates used and performed sensitivity analysis on the impact of these rates on the provision.</p> <p>We performed analysis against debt held at year end compared to cash collected post year end disaggregated into the categorisation of customers used by management in the provision calculation to assess the reasonableness of provisioning rates.</p> <p>We tested the appropriateness of journal entries and adjustments impacting the doubtful debt provision in the particularly those raised close to the balance sheet date.</p> <p>We performed full scope audit procedures over this risk area in 2 locations, which covered 100% of the risk amount.</p> | <p>We assessed management's judgments, including the additional provision relating to the unbilled income accrual as a result of the implementation of the new system.</p> <p>We concluded that the doubtful debt provision is within an acceptable range and reflects recent history of collection of outstanding debts.</p> |



| Risk   | Our response to the risk  | Key observations communicated to the Audit Committee   |
|--|---|--|
| <p><b>Valuation of generation WIP (£6.2m, PY comparative £6.9m) and classification as discontinued operations</b></p>  | <p><b>Our procedures included:</b></p> <p>We performed a walkthrough of the process for valuation of generation WIP and assessed the design effectiveness of key controls.</p> <p>We assessed the status of planning permission and the impact of the changing environment conditions on all significant projects and considered whether these provided indicators of impairment.</p> <p>Where impairment indicators were identified, we have verified the valuation models and other supporting documentation prepared by management in their assessment of fair value.</p> <p>We have assessed whether the material projects met the criteria of being held for sale at the year end by reviewing board discussions and sale activity.</p> <p>We reviewed account activity and 100% of the entire journal entry population using our data analytics tools to look for unusual transactions.</p> <p>We performed specific scope audit procedures over this risk area in 1 location, which covered 100% of the risk amount.</p> | <p>Good Energy are discontinuing their Generation Development segmental activities and therefore the assets are considered more susceptible to impairment factors.</p> <p>An impairment of £3.6m was recorded by management to reflect the impairment of three sites to reduce carrying value to the net realisable value of assets held.</p> <p>Based on the results of our procedures performed over the valuation of WIP, we concluded that the impairment recorded and remaining valuation of generation WIP is fairly stated.</p> <p>We confirmed that the disclosures within note 5 met the conditions of IFRS 5 Non-current Assets Held for Sale and Discontinuing Operations and IFRS 8 Segmental Reporting.</p> |
| <p><i>Refer to the Audit Committee Report (page 13); note 4.5 (page 90); and Note 5 and 18 of the Financial Statements (page 91 &amp; 106)</i></p>   |   |  |
| <p>There is a risk that the generation assets recorded as WIP are overvalued and should be impaired due to the presence of external factors.</p>   |   |  |
| <p>Good Energy has historically developed their own generation sites, sourcing the location, applying for planning permission and building the site for renewable electricity generation.</p>  |   |  |
| <p>There have been changes in recent times in the generation environment; with the government changing their position on climate change incentives. many of the subsidies that were put in place to support building renewable generation sites have altered, with ROC accreditation for new sites being halted and the changes to FiT scheme making this less attractive.</p> |   |  |
| <p>The Group has also discontinued their Generation Development activities and are exploring options to achieve net realisable value of assets held.</p>   |   |  |

## An overview of the scope of our audit

### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group wide controls and changes in the business environment when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 16 reporting components of the Group, we selected 6 components covering entities all within UK, which represent the principal business units within the Group.

Of the 6 components selected, we performed an audit of the complete financial information of 3 components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 3 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The net profit of the Group is split between 4 profit making entities of £4.1m and 10 loss making entities

of £6.8m. We performed procedures on 2 full scope components and 1 specific scope component which accounted for 92% of the profit and procedures on 1 full scope component and 2 specific scope components which accounted for 73% of the loss making entities.

The reporting components where we performed audit procedures accounted for 97% of the Group's Revenue used to calculate materiality and 63% of the Group's Total assets. For the current year, the full scope components contributed 95% of the Group's Revenue used to calculate materiality and 8% of the Group's Total assets. The specific scope component contributed 1% of the Group's Revenue used to calculate materiality and 55% of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant tested for the Group.

We also instructed 9 components to perform specified procedures over certain aspects of WIP valuation and generation revenue, as described in the Risk section above.

The remaining 1 component represents 4% of the Group's revenue. For this component, we performed other procedures, including analytical review to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.



Revenue



## Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

## Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

## Materiality

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the Group to be £0.8 million, which is 0.8% of Revenue. Up until 2016, Good Energy had a focus on revenue growth as their main strategic objective, during this time their profitability was fluctuating significantly. The Group has recently changed their focus to sustainable profit growth, however historically this basis for this company has not been consistent and reliable. Furthermore, with the previous objectives of the company, and the use of revenue growth as a KPI in the Annual Report it is likely that users will also still consider this a KPI. On reviewing analyst reports, revenue is one of the key focuses for the Group along with EPS. Hence we have concluded that revenue provides the most appropriate financial measure that is responsive to the main value driver for the shareholders of Good Energy Group plc. This is also consistent with the prior year audit.

We determined materiality for the Parent Company to be £0.3 million, which is 1.6% of Equity.

During the course of our audit, we reassessed initial materiality and to update it to reflect actual Revenue, having based our initial materiality on forecast Revenue.

In the prior year audit, PricewaterhouseCoopers LLP adopted a materiality of £0.9 million based on 1% of revenues.

## Performance materiality

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £0.4m. We have set performance materiality at this percentage as our expectation, based on our understanding of the Group and the past history of misstatements, is that the likelihood of material misstatement is higher.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.08m to £0.3m.

## Reporting threshold

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.04m, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

## **Other information**

The other information comprises the information included in the Annual Report set out on pages 1 - 57, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## **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 directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

the parent company financial statements are not in agreement with the accounting records and returns; or

certain disclosures of directors' remuneration specified by law are not made; or

we have not received all the information and explanations we require for our audit

## **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 44, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Ernst & Young LLP

**John Howarth  
(Senior Statutory Auditor)**

for and on behalf of Ernst & Young LLP, Statutory Auditor  
Bristol  
11 April 2018

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# FINANCIAL STATEMENTS

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# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

|   | Note | 2017<br>£000's  | 2016<br>£000's |
|---|------|-----------------|----------------|
| <b>REVENUE</b>  | 6    | <b>104,509</b>  | 89,651         |
| Cost of Sales   | 6    | <b>(75,178)</b> | (62,538)       |
| <b>GROSS PROFIT</b>   |      | <b>29,331</b>   | 27,113         |
| Administrative Expenses   | 7    | <b>(23,739)</b> | (20,914)       |
| <b>OPERATING PROFIT</b>   | 7    | <b>5,592</b>    | 6,199          |
| Finance Income  | 11   | <b>2</b>        | 18             |
| Finance Costs   | 12   | <b>(4,860)</b>  | (4,195)        |
| <b>PROFIT BEFORE TAX</b>  | 6    | <b>734</b>      | 2,022          |
| Taxation  | 13   | <b>566</b>      | (51)           |
| <b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>                                       |      | <b>1,300</b>    | 1,971          |
| <b>DISCONTINUED OPERATIONS</b>  |      |                 |                |
| (Loss) from discontinued operations, after tax  | 6    | <b>(4,033)</b>  | (588)          |
| <b>(LOSS)/PROFIT FOR THE PERIOD</b>   |      | <b>(2,733)</b>  | 1,383          |
| <b>OTHER COMPREHENSIVE INCOME:</b>  |      |                 |                |
| Other comprehensive income for the year, net of tax   |      | -               | -              |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY</b> |      | <b>(2,733)</b>  | 1,383          |
| Earnings per share  |      |                 |                |
| - Basic   | 14   | <b>(17.1p)</b>  | 9.1p           |
| - Diluted   | 14   | <b>(17.1p)</b>  | 8.8p           |
| Earnings per share (continuing operations)  |      |                 |                |
| - Basic   | 14   | <b>8.1p</b>     | 12.9p          |
| - Diluted   | 14   | <b>7.7p</b>     | 12.5p          |

The notes on pages 76 to 120 form part of these Financial Statements.

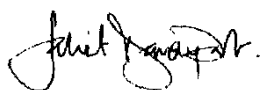
# Consolidated Statement of Financial Position

## As at 31 December 2017

Company registered no: 04000623

|   | Note | 2017<br>£000's | 2016<br>£000's  |
|---|------|----------------|-----------------|
|   | 2.2  |                | <i>Restated</i> |
| <b>Non-current assets</b>   |      |                |                 |
| Property, plant and equipment                                     | 15   | <b>52,973</b>  | 59,497          |
| Intangible assets   | 16   | <b>3,544</b>   | 3,801           |
| Restricted deposit accounts                                       | 3    | <b>3,220</b>   | 2,831           |
| Available-for-sale financial assets                               | 17b  | <b>500</b>     | 500             |
| <b>Total non-current assets</b>                                   |      | <b>60,237</b>  | 66,629          |
| <b>Current assets</b>   |      |                |                 |
| Inventories   | 18   | <b>9,881</b>   | 9,799           |
| Trade and other receivables                                       | 19   | <b>32,698</b>  | 16,204          |
| Current tax receivable  | 13   | -              | 167             |
| Cash and cash equivalents   | 20   | <b>13,720</b>  | 6,289           |
| Current assets held for sale                                      | 21   | <b>5,553</b>   | 5,095           |
| <b>Total current assets</b>                                       |      | <b>61,852</b>  | 37,554          |
| <b>TOTAL ASSETS</b>   |      | <b>122,089</b> | 104,183         |
| <b>Equity and Liabilities</b>                                     |      |                |                 |
| <b>Capital and reserves</b>                                       |      |                |                 |
| Called up share capital   | 22   | <b>826</b>     | 825             |
| Share premium account   | 22   | <b>12,652</b>  | 12,546          |
| EBT shares  | 22   | <b>(946)</b>   | (1,015)         |
| Retained Earnings   |      | <b>5,553</b>   | 8,689           |
| <b>Total equity attributable to members of the parent company</b> |      | <b>18,085</b>  | 21,045          |
| <b>Non-current liabilities</b>                                    |      |                |                 |
| Deferred taxation   | 23   | <b>145</b>     | 684             |
| Borrowings  | 24   | <b>56,044</b>  | 40,277          |
| Provisions for liabilities  | 25   | <b>1,250</b>   | 1,250           |
| <b>Total non-current liabilities</b>                              |      | <b>57,439</b>  | 42,211          |
| <b>Current liabilities</b>  |      |                |                 |
| Borrowings  | 24   | <b>13,894</b>  | 20,981          |
| Trade and other payables  | 26   | <b>32,671</b>  | 19,936          |
| Current liabilities held for sale                                 | 21   | -              | 10              |
| <b>Total current liabilities</b>                                  |      | <b>46,565</b>  | 40,927          |
| <b>Total liabilities</b>  |      | <b>104,004</b> | 83,138          |
| <b>TOTAL EQUITY AND LIABILITIES</b>                               |      | <b>122,089</b> | 104,183         |

The Financial Statements on pages 69 to 120 were approved by the Board of Directors on 11 April 2018 and signed on its behalf by:



Juliet Davenport  
Chief Executive  
11 April 2018

The notes on pages 76 to 120 form part of these Financial Statements.



# Parent Company Statement of Financial Position

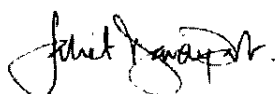
## As at 31 December 2017

Company registered no: 04000623

|                                      | Note | 2017<br>£000's | 2016<br>£000's |
|--------------------------------------|------|----------------|----------------|
| <b>Non-current assets</b>            |      |                |                |
| Property, plant and equipment        |      | 391            | 387            |
| Investments                          | 17a  | 41,694         | 42,256         |
| <b>Total non-current assets</b>      |      | <b>42,085</b>  | <b>42,643</b>  |
| <b>Current assets</b>                |      |                |                |
| Trade and other receivables          | 19   | 178            | 74             |
| Cash and cash equivalents            | 20   | 568            | 266            |
| <b>Total current assets</b>          |      | <b>746</b>     | <b>340</b>     |
| <b>TOTAL ASSETS</b>                  |      | <b>42,831</b>  | <b>42,983</b>  |
| <b>Equity and Liabilities</b>        |      |                |                |
| <b>Capital and reserves</b>          |      |                |                |
| Share capital                        | 22   | 826            | 825            |
| Share premium account                | 22   | 12,652         | 12,546         |
| EBT shares                           | 22   | (946)          | (1,015)        |
| Retained Earnings                    |      | 3,858          | 6,997          |
| <b>Total Equity</b>                  |      | <b>16,390</b>  | <b>19,353</b>  |
| <b>Non-current liabilities</b>       |      |                |                |
| Borrowings                           | 24   | 17,185         | 211            |
| <b>Total non-current liabilities</b> |      | <b>17,185</b>  | <b>211</b>     |
| <b>Current liabilities</b>           |      |                |                |
| Borrowings                           | 24   | 8,922          | 23,089         |
| Trade and other payables             | 26   | 334            | 330            |
| <b>Total current liabilities</b>     |      | <b>9,256</b>   | <b>23,419</b>  |
| <b>Total liabilities</b>             |      | <b>26,441</b>  | <b>23,630</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |      | <b>42,831</b>  | <b>42,983</b>  |

The parent company's loss for the financial year was £2,578,834 (2016: profit:£2,789,472).

The Financial Statements on pages 69 to 120 were approved by the Board of Directors on 11 April 2018 and signed on its behalf by:



Juliet Davenport  
Chief Executive  
11 April 2018

The notes on pages 76 to 120 form part of these Financial Statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

|  | Note | Called<br>Up Share<br>Capital | Share<br>Premium<br>Account | EBT<br>Shares  | Retained<br>Earnings | Total<br>Equity |
|--|------|-------------------------------|-----------------------------|----------------|----------------------|-----------------|
|  |      | £000's                        | £000's                      | £000's         | £000's               | £000's          |
| <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 expense for the year</b>  |      | <b>-</b>                      | <b>-</b>                    | <b>-</b>       | <b>1,383</b>         | <b>1,383</b>    |
| Share based payments   | 29   | -                             | -                           | -              | 230                  | 230             |
| Tax charge relating to share option scheme   | 23   | -                             | -                           | -              | 98                   | 98              |
| Issue of ordinary shares   | 22   | 77                            | 2,760                       | -              | -                    | 2,837           |
| Exercise of options  | 22   | -                             | -                           | 59             | (14)                 | 45              |
| Dividend Paid  | 27   | -                             | -                           | -              | (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>   |
| <b>At 1 January 2017</b>   |      | <b>825</b>                    | <b>12,546</b>               | <b>(1,015)</b> | <b>8,689</b>         | <b>21,045</b>   |
| Loss for the year  |      | -                             | -                           | -              | (2,733)              | (2,733)         |
| Other comprehensive income for the year  |      | -                             | -                           | -              | -                    | -               |
| <b>Total comprehensive income for the year</b>   |      | <b>-</b>                      | <b>-</b>                    | <b>-</b>       | <b>(2,733)</b>       | <b>(2,733)</b>  |
| Share based payments   | 29   | -                             | -                           | -              | 263                  | 263             |
| Tax charge relating to share option scheme   | 23   | -                             | -                           | -              | (106)                | (106)           |
| Issue of ordinary shares   | 22   | 1                             | 106                         | -              | -                    | 107             |
| Exercise of options  | 22   | -                             | -                           | 69             | (31)                 | 38              |
| Dividend Paid  | 27   | -                             | -                           | -              | (529)                | (529)           |
| <b>Total contributions by and distributions to owners of the parent, recognised directly in equity</b> |      | <b>1</b>                      | <b>106</b>                  | <b>69</b>      | <b>(403)</b>         | <b>(227)</b>    |
| <b>At 31 December 2017</b>   |      | <b>826</b>                    | <b>12,652</b>               | <b>(946)</b>   | <b>5,553</b>         | <b>18,085</b>   |

The notes on pages 76 to 120 form part of these Financial Statements.

# Parent Company Statement of Changes in Equity

For the year ended 31 December 2017

|   | Note | Share<br>Capital | Share<br>Premium<br>Account | EBT<br>Shares  | Retained<br>Earnings | Total<br>Equity |
|---|------|------------------|-----------------------------|----------------|----------------------|-----------------|
|   |      | £000's           | £000's                      | £000's         | £000's               | £000's          |
| <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>2,789</b>         | <b>2,789</b>    |
| Issue of ordinary shares                                  | 22   | 77               | 2,760                       | -              | -                    | 2,837           |
| Exercise of options                                       | 22   | -                | -                           | 59             | (14)                 | 45              |
| Dividend Paid   | 27   | -                | -                           | -              | (491)                | (491)           |
| <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>   |
| <b>At 1 January 2017</b>                                  |      | <b>825</b>       | <b>12,546</b>               | <b>(1,015)</b> | <b>6,997</b>         | <b>19,353</b>   |
| <b>Loss for the year and total comprehensive income</b>   |      | -                | -                           | -              | <b>(2,579)</b>       | <b>(2,579)</b>  |
| Issue of ordinary shares                                  | 22   | 1                | 106                         | -              | -                    | 107             |
| Exercise of options                                       | 22   | -                | -                           | 69             | (31)                 | 38              |
| Dividend Paid   | 27   | -                | -                           | -              | (529)                | (529)           |
| <b>At 31 December 2017</b>                                |      | <b>826</b>       | <b>12,652</b>               | <b>(946)</b>   | <b>3,858</b>         | <b>16,390</b>   |

The notes on pages 76 to 120 form part of these Financial Statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2017

|   | Note | 2017<br>£000's | 2016<br>£000's |
|---|------|----------------|----------------|
| <b>Cash flows from operating activities</b>                         |      |                |                |
| Cash generated from operations                                      | 28   | 27             | 10,656         |
| Finance income  |      | 2              | 18             |
| Finance cost  |      | (5,125)        | (4,208)        |
| Income tax received   |      | 167            | 133            |
| <b>Net cash flows generated (used) in/from operating activities</b> |      | <b>(4,929)</b> | <b>6,599</b>   |
| <b>Cash flows from investing activities</b>                         |      |                |                |
| Purchase of property, plant and equipment                           |      | (4,828)        | (4,958)        |
| Purchase of intangible fixed assets                                 | 16   | (752)          | (1,851)        |
| Disposal of assets  |      | 9,769          | -              |
| Deposit into restricted accounts                                    |      | (389)          | (29)           |
| <b>Net cash flows used in investing activities</b>                  |      | <b>3,800</b>   | <b>(6,838)</b> |
| <b>Cash flows from financing activities</b>                         |      |                |                |
| Payments of dividends   | 27   | (459)          | (491)          |
| Proceeds from borrowings  |      | 19,646         | 387            |
| Repayment of borrowings   |      | (10,518)       | (951)          |
| Capital repayments of finance lease                                 |      | (147)          | (50)           |
| Proceeds from issue of shares                                       |      | -              | 2,837          |
| Proceeds from sale of share options                                 |      | 38             | 45             |
| <b>Net cash flows generated from financing activities</b>           |      | <b>8,560</b>   | <b>1,777</b>   |
| Net increase in cash and cash equivalents                           |      | <b>7,431</b>   | <b>1,538</b>   |
| Cash and cash equivalents at beginning of year                      |      | <b>6,289</b>   | <b>4,751</b>   |
| <b>Cash and cash equivalents at end of year</b>                     |      | <b>13,720</b>  | <b>6,289</b>   |

The notes on pages 76 to 120 form part of these Financial Statements.

# Parent Company Statement of Cash Flows

For the year ended 31 December 2017

|  | Note | 2017<br>£000's | 2016<br>£000's |
|--|------|----------------|----------------|
| Cash flows from operating activities                 |      |                |                |
| Cash used in operations                              | 28   | (2,146)        | (1,725)        |
| Finance cost   |      | (1,127)        | (977)          |
| <b>Net cash flows used in operating activities</b>   |      | <b>(3,273)</b> | <b>(2,702)</b> |
| Cash Flows from investing activities                 |      |                |                |
| Purchase of property, plant and equipment            |      | (158)          | (387)          |
| <b>Net cash flows used in investing activities</b>   |      | <b>(158)</b>   | <b>(387)</b>   |
| Cash flows from financing activities                 |      |                |                |
| Payment of dividends                                 | 27   | (459)          | (491)          |
| Proceeds from borrowings                             |      | 17,638         | -              |
| Repayment of borrowings                              |      | (7,360)        | -              |
| Intercompany loans movement                          |      | (5,977)        | 780            |
| Capital repayments of finance lease                  |      | (147)          | (50)           |
| Proceeds from issue of shares                        |      | -              | 2,837          |
| Proceeds from sale of share options                  |      | 38             | 45             |
| <b>Net cash generated from financing activities</b>  |      | <b>3,733</b>   | <b>3,121</b>   |
| Net increase/(decrease) in cash and cash equivalents |      | <b>302</b>     | <b>32</b>      |
| Cash and cash equivalents at beginning of year       |      | <b>266</b>     | <b>234</b>     |
| <b>Cash and cash equivalents at end of year</b>      |      | <b>568</b>     | <b>266</b>     |

The notes on pages 76 to 120 form part of these Financial Statements.

# Notes to the Financial Statements

## 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 and whose shares are publicly traded. The registered office is located at Monkton Reach, Monkton Hill, Chippenham, Wiltshire, SN15 1EE, United Kingdom.

The ultimate parent of the Group is Good Energy Group PLC. There is no ultimate controlling party of the Group.

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, which is the functional currency of the parent company and the presentational currency of the Group, because that is the currency of the primary economic environment in which the Group operates. All values are rounded to the nearest thousand (£000), except when otherwise indicated.

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 (2.6), property, plant and equipment (2.8), inventories (2.12) including generation development sites (2.12.3) and credit risk (3.1.3).

# Notes to the Financial Statements

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

### 2.2 Restatement of prior year

Historically, the Group depreciated its property, plant and equipment (Generation assets) to a nil residual value and had not established a decommissioning provision to restore land back to its original use. This was on the basis that any such residual value would cover the decommissioning costs. The Group has now re-assessed this practice against the requirements of IFRS and has restated the 2016 financial statements to form a decommissioning provision of £1.25m - with a corresponding increase of property, plant and equipment.

This restatement is a non cash adjustment and it has a neutral impact on current and prior year retained earnings. Therefore there is no impact to earnings per share and there is no material change to the prior year statements of comprehensive income, changes in equity or cash flows.

The restated balance at 1 January 2016 is not materially different from 31 December 2016 and therefore the Group has not disclosed the balance sheet at 1 January 2016 on the statement of the financial position.

### 2.3 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 24.

As a result of a new Corporate Bond issue in the year which included bonds rolled over from the 2013 bond issue, the Group is in a net current asset position of £15.3m as at 31 December 2017, compared to a net current liability position of (£3.4m) in 2016. The balance sheet is expected to retain it's net current asset position for the year ended 31 December 2018.

### 2.4 Change in accounting policies and disclosures

The following accounting standards have been issued but are not yet effective and have not been early adopted by the Group:

#### IFRS 15 Revenue from contracts with customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group plans to adopt the new standard on the required effective date and on the basis of a detailed management review, this standard is not expected to materially impact the value of the revenue streams of the Group's existing operating segments.

# Notes to the Financial Statements

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

### IFRS 9 Financial instruments

This is effective for annual periods commencing on or after 1 January 2018. The introduction of this standard is not expected to have a material impact on the net assets or results of the Group, but may result in additional disclosures.

### IFRS 16 Leases

This has a mandatory effective date from 1 January 2019. The new standard will eliminate the classification of leases as either operating or financial leases with all leases being recognised on the balance sheet date unless they qualify for exemptions. This will result in previously recognised operating leases being treated as property, plant and equipment along with a leasing creditor. The introduction of this standard will increase the value of property, plant and equipment and the leasing liability on the balance sheet but is unlikely to have a material effect on the profit in any year.

### 2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)

Exposure, or rights, to variable returns from its involvement with the investee

The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

The contractual arrangement with the other vote holders of the investee

Rights arising from other contractual arrangements

The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.



# Notes to the Financial Statements

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

### 2.5 Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

### 2.6 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.

#### 2.6.1 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, Contract Natural Gas Ltd, 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.

#### 2.6.2 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.

#### 2.6.3 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 certificates from Ofgem allowing transfer of title.

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

# Notes to the Financial Statements

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

### 2.6.4 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.

### 2.7 Goodwill, intangible assets and amortisation

Goodwill is measured as the difference between:

the aggregate of (i) the value of consideration transferred (generally at fair value), (ii) the amount of any non-controlling interest, and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree, and

the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed

#### 2.7.1 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.

**2.7.2 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.

#### 2.7.3 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

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

### 2.7.4 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.

### 2.8 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 20 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.

### 2.9 Investments

An investor controls an investee if and only if the investor has all of the following elements:

- power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities
- exposure, or rights, to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect the amount of the investor's return

### 2.10 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

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

### 2.11 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.

### 2.12 Inventories

#### 2.12.1 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.

#### 2.12.2 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 2016 and part of 2017 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 was nil.

#### 2.12.3 Generation development sites

The Group incurred costs in respect of generation development sites up until this business segment was discontinued in 2017. These are recognised as inventory at the lower of cost and net realisable value or in held for sale assets where the costs relate to generation development sites which are being actively marketed for sale.

### 2.13 Current and deferred taxation

The tax credit represents the sum of the tax currently receivable and deferred tax. 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 can be utilised.

# Notes to the Financial Statements

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

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.

### 2.14 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.

### 2.15 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.

### 2.16 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.

#### 2.16.1 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

## 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.

### *2.16.2 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.

### *2.16.3 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.

### *2.16.4 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 24.

## **2.17 Decommissioning costs**

Liabilities for decommissioning costs are recognised when the group has an obligation to dismantle and remove the generation assets and restore the land on which it is located. Liabilities may arise upon construction of such facilities, upon acquisition or through a subsequent change in legislation or regulations. The amount recognised is the estimated present value of expenditure determined in accordance with local conditions and requirements. A corresponding tangible item of property, plant and equipment to the provision is also created.

Any changes in the present value of the estimated expenditure is added to or deducted from the cost of the assets to which it relates. The adjusted depreciated amount is then depreciated prospectively over its useful economic life. The unwinding of the discount on the decommissioning provision is included as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate.

# Notes to the Financial Statements

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

### 2.18 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).

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.

### 2.19 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.

### 2.20 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.

### 2.21 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.

### 2.22 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

## 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 2017 and 2016, the Group's trade and other receivables were classed as due within one year, details of which are included in note 19. 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 £11,000 (2016: £10,000) on the Statement of Comprehensive Income.

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

### 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 | 2017<br>£000's | 2016<br>£000's |
|---|------|----------------|----------------|
| Total borrowings                          | 24   | 69,938         | 61,258         |
| Less: cash in restricted deposit accounts |      | (3,220)        | (2,831)        |
| Less: cash and cash equivalents           | 20   | (13,720)       | (6,289)        |
| Net debt*                                 |      | 52,998         | 52,138         |
| Total equity                              |      | 18,085         | 21,045         |
| <b>Total capital</b>                      |      | <b>71,083</b>  | <b>73,183</b>  |
| <b>Gearing ratio</b>                      |      | <b>74.6%</b>   | <b>71.2%</b>   |

During 2017, the Group's strategy, which was unchanged from 2016, 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 2017 the Group complied with all external borrowing covenants and management monitors the continued compliance with these covenants on a monthly or quarterly basis.

\*Net debt was misprinted in preliminary results as £53.1m. The correct net debt figure is £53.0m.



# Notes to the Financial Statements

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

| <b>Consolidated<br/>31 December 2017</b> | <b>Less than<br/>1 year</b> | <b>Between<br/>1 and 2 years</b> | <b>Between<br/>2 and 5 years</b> | <b>Over 5 years</b> |
|--|-----------------------------|----------------------------------|----------------------------------|---------------------|
|  | <b>£000's</b>               | <b>£000's</b>                    | <b>£000's</b>                    | <b>£000's</b>       |
| <b>Corporate bond</b>                    | <b>4,863</b>                | <b>4,587</b>                     | <b>18,527</b>                    | <b>-</b>            |
| <b>Borrowings</b>                        | <b>8,867</b>                | <b>5,162</b>                     | <b>14,358</b>                    | <b>46,132</b>       |
| <b>Trade and other payables</b>          | <b>32,671</b>               | <b>-</b>                         | <b>-</b>                         | <b>-</b>            |
| <b>Total</b>                             | <b>46,401</b>               | <b>9,749</b>                     | <b>32,885</b>                    | <b>46,132</b>       |

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

### 3.1.2 Market Risk

#### 3.1.2a Currency risk

The Group is exposed to foreign exchange risk arising from certain generation asset maintenance contracts which are payable in euros. Management have set up a policy, that when it is deemed appropriate, the Group will forward buy euros against these contracts to reduce foreign exchange exposure. As at 31 December 2017 no euros (2016: no euros) were purchased forward. The annual exposure to sterling euro exchange rate movements is currently £9,000 per one percent movement in the exchange rate.

#### 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 assesses 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

## 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 2017 and 2016, the Group's trade and other receivables were classed as due within one year, details of which are included in note 19. 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 £11,000 (2016: £10,000) on the Statement of Comprehensive Income.

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

### 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 | 2017<br>£000's | 2016<br>£000's |
|---|------|----------------|----------------|
| Total borrowings                          | 24   | 69,938         | 61,258         |
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| Less: cash and cash equivalents           | 20   | (13,720)       | (6,289)        |
| Net debt*                                 |      | 52,998         | 52,138         |
| Total equity                              |      | 18,085         | 21,045         |
| <b>Total capital</b>                      |      | <b>71,083</b>  | <b>73,183</b>  |
| <b>Gearing ratio</b>                      |      | <b>74.6%</b>   | <b>71.2%</b>   |

During 2017, the Group's strategy, which was unchanged from 2016, 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 2017 the Group complied with all external borrowing covenants and management monitors the continued compliance with these covenants on a monthly or quarterly basis.

\*Net debt was misprinted in preliminary results as £53.1m. The correct net debt figure is £53.0m.

# Notes to the Financial Statements

## 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 2017. 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.

The unlisted securities in the table below relate solely to a £500,000 investment in 556 ordinary shares of Tidal Lagoon (Swansea Bay) plc. The specific valuation technique used to value the unlisted securities are a six monthly review by the Board of the current status of the tidal lagoon development project and a review of any changes to circumstances since the initial acquisition of shares. Although the project timeline for this development has extended beyond original targets, the Board considers that the fair value of the investment remains at the value paid. There are a number of future events in the project timeline which could affect fair value significantly, the next one of note being government's decision on the value of the contract for difference (CFD) subsidy the project will qualify for.

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

| 2017                                       | Level 1<br>£000's     | Level 2<br>£000's     | Level 3<br>£000's     | Total<br>£000's     |
|--|-----------------------|-----------------------|-----------------------|---------------------|
| <b>Assets</b>                              |                       |                       |                       |                     |
| <b>Available for sale financial assets</b> |                       |                       |                       |                     |
| Unlisted securities                        | -                     | -                     | 500                   | 500                 |
| <b>Total assets</b>                        | -                     | -                     | 500                   | 500                 |
| <br>2016                                   | <br>Level 1<br>£000's | <br>Level 2<br>£000's | <br>Level 3<br>£000's | <br>Total<br>£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 2017.

# Notes to the Financial Statements

## 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.

### 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.

# Notes to the Financial Statements

## 5. Discontinued operations

The group is discontinuing its Generation Development activities but is exploring a number of potential options to realise value from the portfolio, through partnerships or sales to external parties who will continue to develop the sites. The results of this segment are shown in the segmental analysis of the Group statement of comprehensive income in note 6.

The major classes of assets of the Generation Development segment are classified as assets held for distribution (see note 21) or Generation development site inventories (see note 18).

There is no income tax expense related to the discontinued operations. There is no gain or loss on the remeasurement to Fair Value Less Costs to Sell and its related income tax expense.

The net cash flows of the discontinued operations in the year are as follows:-

|                                  | <b>2017</b>   | <b>2016</b>   |
|----------------------------------|---------------|---------------|
|                                  | <b>£000's</b> | <b>£000's</b> |
| Operating                        | <b>(262)</b>  | 147           |
| Investing                        | -             | -             |
| Financing                        | <b>267</b>    | (127)         |
| <b>Net cash inflow/(outflow)</b> | <b>5</b>      | (20)          |

| <b>Earnings per share</b>   | <b>2017</b>    | <b>2016</b>   |
|---|----------------|---------------|
|   | <b>£000's</b>  | <b>£000's</b> |
| Basic and diluted, loss for the year from discontinued operations | <b>(25.2p)</b> | (3.9p)        |

## 6. 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 (29 early stage development companies)
- Holding companies, being the activity of Good Energy Group PLC.

No operating segments have been aggregated to form the above reportable operating segments.

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.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

# Notes to the Financial Statements

## 6. Segmental Analysis (continued)

| Year ended 31<br>December 2017           | Electricity<br>Supply | FIT<br>admin-<br>istration | Gas<br>Supply | Total<br>Supply<br>Companies | Electricity<br>Generation | Holding<br>Companies/<br>Consolidation<br>Adjustments | Total -<br>Continuing<br>Operations | Generation<br>Development<br>(Discontinued) | Total          |
|--|-----------------------|----------------------------|---------------|------------------------------|---------------------------|---|-------------------------------------|---|----------------|
|  | £000's                | £000's                     | £000's        | £000's                       | £000's                    | £000's  | £000's                              | £000's                                      | £000's         |
| <b>Revenue</b>                           |                       |                            |               |                              |                           |   |                                     |   |                |
| Revenue from external customers          | 68,801                | 5,006                      | 25,517        | <b>99,324</b>                | 5,185                     | -   | 104,509                             | 17  | 104,526        |
| Inter-segment revenue                    | -                     | -                          | -             | -                            | 3,688                     | (3,688)   | -                                   | -   | -              |
| <b>Total revenue</b>                     | <b>68,801</b>         | <b>5,006</b>               | <b>25,517</b> | <b>99,324</b>                | <b>8,873</b>              | <b>(3,688)</b>  | <b>104,509</b>                      | <b>17</b>                                   | <b>104,526</b> |
| <b>Expenditure</b>                       |                       |                            |               |                              |                           |   |                                     |   |                |
| Cost of sales                            | (52,139)              | (505)                      | (17,710)      | <b>(70,354)</b>              | (4,824)                   | -   | (75,178)                            | (3,700)                                     | (78,878)       |
| Inter-segment cost of sales              | (3,688)               | -                          | -             | <b>(3,688)</b>               | -                         | 3,688   | -                                   | -   | -              |
| <b>Gross profit</b>                      | <b>12,974</b>         | <b>4,501</b>               | <b>7,807</b>  | <b>25,282</b>                | <b>4,049</b>              | <b>-</b>  | <b>29,331</b>                       | <b>(3,683)</b>                              | <b>25,648</b>  |
| Administrative expenses                  |                       |                            |               | <b>(20,529)</b>              | (391)                     | (1,436)   | (22,356)                            | (328)                                       | (22,684)       |
| Depreciation & amortisation              |                       |                            |               | <b>(1,229)</b>               | -                         | (154)   | (1,383)                             | (1)   | (1,384)        |
| <b>Operating profit/(loss)</b>           |                       |                            |               | <b>3,524</b>                 | <b>3,658</b>              | <b>(1,590)</b>  | <b>5,592</b>                        | <b>(4,012)</b>                              | <b>1,580</b>   |
| Net finance income/(costs)               |                       |                            |               | <b>(32)</b>                  | (4,947)                   | 121   | (4,858)                             | -   | (4,858)        |
| <b>Profit/(loss) before tax</b>          |                       |                            |               | <b>3,492</b>                 | <b>(1,289)</b>            | <b>(1,469)</b>  | <b>734</b>                          | <b>(4,012)</b>                              | <b>(3,278)</b> |
| <b>Segments assets &amp; liabilities</b> |                       |                            |               |                              |                           |   |                                     |   |                |
| Segment assets                           |                       |                            |               | <b>59,756</b>                | 106,195                   | (52,315)  | 113,636                             | 8,453                                       | 122,089        |
| Segment liabilities                      |                       |                            |               | <b>52,348</b>                | 111,947                   | (72,741)  | 91,554                              | 12,450                                      | 104,004        |
| <b>Net assets/(liabilities)</b>          |                       |                            |               | <b>7,408</b>                 | <b>(5,752)</b>            | <b>20,426</b>   | <b>22,082</b>                       | <b>(3,997)</b>                              | <b>18,085</b>  |
| <b>Additions to non-current assets</b>   |                       |                            |               | <b>817</b>                   | <b>5,677</b>              | <b>159</b>  | <b>6,653</b>                        | <b>-</b>                                    | <b>6,653</b>   |

# Notes to the Financial Statements

## 6. Segmental Analysis (continued)

| Year ended 31<br>December 2016                 | Electricity<br>Supply | FIT<br>admin-<br>istration | Gas<br>Supply | Total<br>Supply<br>Companies<br>(Restated) | Electricity<br>Generation<br>(Restated) | Holding<br>Companies/<br>Consolidation<br>Adjustments | Total -<br>Continuing<br>Operations | Generation<br>Development<br>(Discontinued) | Total<br>(Restated) |
|--|-----------------------|----------------------------|---------------|--|---|---|-------------------------------------|---|---------------------|
|  | £000's                | £000's                     | £000's        | £000's                                     | £000's                                  | £000's  | £000's                              | £000's                                      | £000's              |
| <b>Revenue</b>                                 |                       |                            |               |  |   |   |                                     |   |                     |
| Revenue from<br>external<br>customers          | 55,324                | 5,904                      | 23,903        | <b>85,131</b>                              | 4,520                                   | -   | 89,651                              | 786   | 90,437              |
| Inter-segment<br>revenue                       | -                     | -                          | -             | -  | 3,324                                   | (3,324)   | -                                   | -   | -                   |
| <b>Total Revenue</b>                           | <b>55,324</b>         | <b>5,904</b>               | <b>23,903</b> | <b>85,131</b>                              | <b>7,844</b>                            | <b>(3,324)</b>  | <b>89,651</b>                       | <b>786</b>                                  | <b>90,437</b>       |
| <b>Expenditure</b>                             |                       |                            |               |  |   |   |                                     |   |                     |
| Cost of sales                                  | (40,559)              | (1,415)                    | (16,269)      | <b>(58,243)</b>                            | (4,295)                                 | -   | (62,538)                            | (367)                                       | (62,905)            |
| Inter-segment<br>cost of sales                 | (3,324)               | -                          | -             | <b>(3,324)</b>                             | -                                       | 3,324   | -                                   | -   | -                   |
| <b>Gross Profit/<br/>(loss)</b>                | <b>11,441</b>         | <b>4,489</b>               | <b>7,634</b>  | <b>23,564</b>                              | <b>3,549</b>                            | <b>-</b>  | <b>27,113</b>                       | <b>419</b>                                  | <b>27,532</b>       |
| Administrative<br>expenses                     |                       |                            |               | <b>(17,080)</b>                            | (357)                                   | (1,868)   | (19,305)                            | (666)                                       | (19,971)            |
| Depreciation &<br>amortisation                 |                       |                            |               | <b>(1,609)</b>                             | -                                       | -   | (1,609)                             | (2)   | (1,611)             |
| Operating<br>profit/(loss)                     |                       |                            |               | <b>4,875</b>                               | 3,192                                   | (1,868)   | 6,199                               | (249)                                       | 5,950               |
| Net finance<br>income/(costs)                  |                       |                            |               | <b>140</b>                                 | (5,352)                                 | 1,035   | (4,177)                             | (339)                                       | (4,516)             |
| <b>Profit/(loss)<br/>before tax</b>            |                       |                            |               | <b>5,015</b>                               | <b>(2,160)</b>                          | <b>(833)</b>  | <b>2,022</b>                        | <b>(588)</b>                                | <b>1,434</b>        |
| <b>Segments assets &amp; liabilities</b>       |                       |                            |               |  |   |   |                                     |   |                     |
| Segment assets                                 |                       |                            |               | <b>45,704</b>                              | 117,587                                 | 11,162  | 174,453                             | (70,270)                                    | 104,183             |
| Segment<br>liabilities                         |                       |                            |               | <b>38,008</b>                              | 118,198                                 | 17,205  | 173,411                             | (90,273)                                    | 83,138              |
| <b>Net assets/<br/>(liabilities)</b>           |                       |                            |               | <b>7,696</b>                               | <b>(611)</b>                            | <b>(6,043)</b>  | <b>1,042</b>                        | <b>20,003</b>                               | <b>21,045</b>       |
| <b>Additions to<br/>non-current<br/>assets</b> |                       |                            |               | <b>2,264</b>                               | 1,120                                   | 3,725   | 7,109                               | 387   | 7,496               |

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

## 7. Operating Profit and Administrative Expenses

|  | Note | 2017<br>£000's | 2016<br>£000's |
|--|------|----------------|----------------|
| <b>The operating profit is stated after charging:</b>      |      |                |                |
| Depreciation of property, plant and equipment              | 15   | 3,233          | 2,809          |
| Amortisation of intangible assets                          | 16   | 1,009          | 1,367          |
| Operating lease rentals                                    |      | 1,191          | 1,078          |
| <b>Auditors' Remuneration</b>                              |      |                |                |
| Audit of parent and consolidated financial statements      |      | 27             | 28             |
| Audit of subsidiaries                                      |      | 98             | 98             |
| <b>Subtotal (audit)</b>                                    |      | <b>125</b>     | <b>126</b>     |
| Other services - financial statement preparation           |      | -              | 15             |
| Other services   |      | 10             | -              |
| Tax services   |      | -              | 22             |
| <b>Subtotal (non-audit)</b>                                |      | <b>10</b>      | <b>37</b>      |
| <b>The administrative expenses comprise the following:</b> |      |                |                |
| Staff costs  |      | 10,929         | 9,286          |
| Rent and office costs                                      |      | 5,421          | 4,514          |
| Marketing costs  |      | 2,660          | 1,987          |
| Professional fees and bank charges                         |      | 3,292          | 2,383          |
| Bad Debts  |      | 2,041          | 1,801          |
| Depreciation and amortisation                              |      | 1,230          | 1,611          |
| Gain on disposal   |      | (1,505)        | -              |
| <b>Total</b>   |      | <b>24,068</b>  | <b>21,582</b>  |

## 8. 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.



# Notes to the Financial Statements

## 9. Staff Costs

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

|                                   | <b>2017</b>   | <b>2016</b>   |
|-----------------------------------|---------------|---------------|
|                                   | <b>£000's</b> | <b>£000's</b> |
| Wages and salaries                | <b>11,628</b> | 10,258        |
| Social security costs             | <b>1,103</b>  | 1,062         |
| Share based payments              | <b>263</b>    | 230           |
| Other pension costs               | <b>472</b>    | 433           |
| Total staff costs                 | <b>13,466</b> | 11,983        |
| Capitalised staff costs           | <b>(148)</b>  | (677)         |
| <b>Total expensed staff costs</b> | <b>13,318</b> | 11,306        |

Details of share based payments can be found in note 29.

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

|  | <b>2017</b>   | <b>2016</b>   |
|--|---------------|---------------|
|  | <b>Number</b> | <b>Number</b> |
| Operations                                 | <b>132</b>    | 165           |
| Business services                          | <b>199</b>    | 154           |
| <b>Total management and administration</b> | <b>331</b>    | 319           |

The total numbers of employees, including the Directors, at the year end were as follows:

|  | <b>2017</b>   | <b>2016</b>   |
|--|---------------|---------------|
|  | <b>Number</b> | <b>Number</b> |
| Operations                                 | <b>129</b>    | 168           |
| Business services                          | <b>188</b>    | 161           |
| <b>Total management and administration</b> | <b>317</b>    | 329           |

# Notes to the Financial Statements

## 10. Directors' and Key Management Remuneration

| Directors' and Key Management emoluments | 2017         | 2016         |
|--|--------------|--------------|
|  | £000's       | £000's       |
| Short term employee benefits             | 1,470        | 872          |
| Post employment benefits                 | 115          | 73           |
| Share based payments                     | 262          | 224          |
| <b>Total</b>                             | <b>1,847</b> | <b>1,169</b> |

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 (2016: 3) in respect of money purchase pension schemes.

In respect of the highest paid Director, the Group paid remuneration of £252,154 (2016: £235,951), including contributions to the money purchase pension scheme of £25,750 (2016: £25,000).

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 (2016: nil). The aggregate amount of gains made by directors or key management on the exercise of share options was nil (2016: nil).

Details of the directors' remuneration as required by AIM rule 19 are given in the table in the directors' remuneration report on page 53 and are included in this note by cross reference.

## 11. Finance Income

|                                     | 2017   | 2016   |
|-------------------------------------|--------|--------|
|                                     | £000's | £000's |
| Bank and other interest receivables | 2      | 18     |

## 12. Finance Costs

|  | 2017         | 2016         |
|--|--------------|--------------|
|  | £000's       | £000's       |
| On bank loans and overdrafts                   | 3,082        | 3,072        |
| On corporate bond                              | 1,345        | 1,113        |
| Other interest payable                         | 203          | 13           |
| Amortisation of debt issue costs               | 230          | 336          |
| Total finance costs                            | 4,860        | 4,534        |
| Less: amounts capitalised on qualifying assets | -            | -            |
| <b>Total</b>                                   | <b>4,860</b> | <b>4,534</b> |

# Notes to the Financial Statements

## 13. Taxation

|  | 2017<br>£000's | 2016<br>£000's |
|--|----------------|----------------|
| <b>Analysis of tax charge in year</b>              |                |                |
| <b>Current tax (see note below)</b>                |                |                |
| Current Tax  | -              | -              |
| Adjustments in respect of prior years              | -              | (164)          |
| <b>Total current tax</b>                           | -              | (164)          |
| <b>Deferred tax</b>                                |                |                |
| Origination and reversal of temporary differences  | (732)          | 217            |
| Adjustments in respect of prior years              | 187            | (2)            |
| <b>Total deferred tax (see note 23)</b>            | (545)          | 215            |
| <b>Tax on (loss)/profit on ordinary activities</b> | (545)          | 51             |

Adjustments in respect of prior years' deferred tax amounts are from updated assumptions regarding capital allowances claimed.

|  |       |    |
|--|-------|----|
| Income tax (credit)/expense reported in the statement of profit and loss - continuing operations | (566) | 51 |
| Income tax attributable to a discontinued operation  | 21    | -  |
| <b>Total tax (credit)/charge for year</b>  | (545) | 51 |

### Factors affecting the tax credit for the year

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%). The differences are explained as follows:

|  | 2017<br>£000's | 2016<br>£000's |
|--|----------------|----------------|
| Accounting profit before tax from continuing operations  | 734            | 2,022          |
| Loss before tax from discontinued operations   | (4,012)        | (588)          |
| <b>Accounting (loss)/profit before income tax</b>  | (3,278)        | 1,434          |
| (Loss)/profit before tax multiplied by the standard rate of Corporation Tax in the UK of 19.25% (2016: 20.00%) | (631)          | 287            |
| <b>Tax effects of:</b>   |                |                |
| Expenses not deductible for tax purposes   | 48             | 42             |
| Non-taxable gain on sale of investment   | (298)          | (73)           |
| Effects of changes in tax rate   | 97             | (39)           |
| Restricted interest costs deduction  | 52             | -              |
| Prior year adjustment - current tax  | -              | (164)          |
| Prior year adjustment - deferred tax   | 187            | (2)            |
| <b>Total tax (credit)/charge for year</b>  | (545)          | 51             |

# Notes to the Financial Statements

## 13. Taxation (Continued)

### 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 |        |
|--|----------------|--------|--------------|--------|
|  | 2017           | 2016   | 2017         | 2016   |
|  | £000's         | £000's | £000's       | £000's |
| UK Corporation Tax on profits for the year | -              | -      | -            | (167)  |

## 14. 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 463,239 (2016: 495,739) shares held by Clarke Willmott Trust Corporation Limited in trust for the Good Energy Group Employee Benefit Trust.

|  | Consolidated   |             |
|--|----------------|-------------|
|  | 2017           | 2016        |
| Profit/(loss) attributable to owners of the Company (£000's) | (2,733)        | 1,383       |
| Basic weighted average number of ordinary shares (000's)     | 16,006         | 15,239      |
| <b>Basic earnings/(loss) per share</b>                       | <b>(17.1p)</b> | <b>9.1p</b> |

|  | Consolidated |              |
|--|--------------|--------------|
|  | 2017         | 2016         |
| Continuing operations  |              |              |
| Profit/(loss) attributable to owners of the Company (£000's) | 1,300        | 1,971        |
| Basic weighted average number of ordinary shares (000's)     | 16,006       | 15,239       |
| <b>Basic earnings/(loss) per share</b>                       | <b>8.1p</b>  | <b>12.9p</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. In accordance with IAS 33 'Earnings per share', for the purposes of calculating diluted loss per share, the effect of potentially dilutive ordinary shares has not been taken into account for the year ended 31 December 2017 due to there being a loss for the year. The average market price of the Company's ordinary shares during the year was 230p (2016: 223p). The dilutive effect of share-based incentives was nil (2016: 563,595 shares). The dilutive effect of share-based incentives for continuing operations was 918,989 shares (2016: 563,595 shares).

# Notes to the Financial Statements

## 14. Earnings/(loss) Per Ordinary Share (Continued)

|  | <b>Consolidated</b> |               |
|--|---------------------|---------------|
|  | <b>2017</b>         | <b>2016</b>   |
| Profit/(loss) attributable to owners of the Company (£000's) | <b>(2,733)</b>      | <b>1,383</b>  |
| Weighted average number of diluted ordinary shares ('000's)  | <b>16,006</b>       | <b>15,802</b> |
| <b>Diluted earnings/(loss) per share</b>                     | <b>(17.1p)</b>      | <b>8.8p</b>   |

|  | <b>Consolidated</b> |               |
|--|---------------------|---------------|
|  | <b>2017</b>         | <b>2016</b>   |
| Continuing operations  |                     |               |
| Profit/(loss) attributable to owners of the Company (£000's) | <b>1,300</b>        | <b>1,971</b>  |
| Weighted average number of diluted ordinary shares ('000's)  | <b>16,925</b>       | <b>15,802</b> |
| <b>Diluted earnings/(loss) per share</b>                     | <b>7.7p</b>         | <b>12.5p</b>  |

## 15. Property, Plant and Equipment

| <b>Consolidated<br/>Year ended 31<br/>December 2017</b> | <b>Leasehold<br/>improvements</b> | <b>Furniture,<br/>fittings &amp;<br/>equipment</b> | <b>Generation<br/>assets</b> | <b>Assets under<br/>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>   |
| Cost  |                                   |  |                              |                                      |                 |
| At 1 January 2017                                       | 510                               | 988  | 65,982                       | 180                                  | 67,660          |
| Assets held for sale                                    | -                                 | -  | (4,424)                      | -                                    | (4,424)         |
| Transfer of assets under construction                   | -                                 | 180  | -                            | (180)                                | -               |
| Additions   | 22                                | 552  | 5,341                        | -                                    | 5,915           |
| Disposals   | -                                 | (71)   | (4,848)                      | -                                    | (4,919)         |
| <b>At 31 December 2017</b>                              | <b>532</b>                        | <b>1,649</b>                                       | <b>62,051</b>                | <b>-</b>                             | <b>64,232</b>   |
| Accumulated depreciation                                |                                   |  |                              |                                      |                 |
| At 1 January 2017                                       | (334)                             | (826)  | (7,003)                      | -                                    | (8,163)         |
| Assets held for sale                                    | -                                 | -  | 137                          | -                                    | 137             |
| Charge for the year                                     | (60)                              | (300)  | (2,873)                      | -                                    | (3,233)         |
| Disposals   | -                                 | -  | -                            | -                                    | -               |
| <b>At 31 December 2017</b>                              | <b>(394)</b>                      | <b>(1,126)</b>                                     | <b>(9,739)</b>               | <b>-</b>                             | <b>(11,259)</b> |
| Net book value  |                                   |  |                              |                                      |                 |
| At 1 January 2017                                       | 176                               | 162  | 58,979                       | 180                                  | 59,497          |
| <b>At 31 December 2017</b>                              | <b>138</b>                        | <b>523</b>   | <b>52,312</b>                | <b>-</b>                             | <b>52,973</b>   |

# Notes to the Financial Statements

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

| Consolidated<br>Year ended 31 December 2016 | Leasehold<br>improvements | Furniture,<br>fittings &<br>equipment | Generation<br>assets<br>(Restated) | Assets under<br>construction | Total          |
|---|---------------------------|---------------------------------------|------------------------------------|------------------------------|----------------|
|   | £000's                    | £000's                                | £000's                             | £000's                       | £000's         |
| <b>Cost</b>                                 |                           |                                       |                                    |                              |                |
| At 1 January 2016 (Restated)                | 429                       | 875                                   | 66,497                             | -                            | 67,801         |
| 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 (Restated)</b>       | <b>510</b>                | <b>988</b>                            | <b>65,982</b>                      | <b>180</b>                   | <b>67,660</b>  |
| <b>Accumulated depreciation</b>             |                           |                                       |                                    |                              |                |
| At 1 January 2016                           | (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 (Restated)                | 155                       | 250                                   | 61,829                             | -                            | 62,234         |
| <b>At 31 December 2016 (Restated)</b>       | <b>176</b>                | <b>162</b>                            | <b>58,979</b>                      | <b>180</b>                   | <b>59,497</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.

Assets reclassified to assets held for sale are disclosed in note 21.

Furniture, fittings and equipment includes computer hardware which is held under finance leases. The finance leased assets had a book cost and accumulated depreciation at 31 December 2017 totalling £311,000 (2016: £169,000) and £108,000 (2016: £23,000) respectively.

# Notes to the Financial Statements

## 16. Intangible Assets

| <b>Consolidated<br/>Year ended 31<br/>December 2017</b> | <b>Power<br/>supply<br/>Licences</b> | <b>Software<br/>Licences</b> | <b>Website<br/>development<br/>costs</b> | <b>Goodwill</b> | <b>Assets under<br/>the course of<br/>development</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>£000's</b>  |
| <b>Cost</b>   |                                      |                              |  |                 |   |                |
| At 1 January 2017                                       | 180                                  | 3,462                        | 9  | 1,446           | 1,740   | 6,837          |
| Transfer of<br>assets course of<br>development          | -                                    | 1,597                        | 143                                      | -               | (1,740)   | -              |
| Additions   | -                                    | 401                          | -  | -               | 351   | 752            |
| <b>At 31 December 2017</b>                              | <b>180</b>                           | <b>5,460</b>                 | <b>152</b>                               | <b>1,446</b>    | <b>351</b>  | <b>7,589</b>   |
| <b>Accumulated<br/>amortisation</b>                     |                                      |                              |  |                 |   |                |
| At 1 January 2017                                       | -                                    | (3,027)                      | (9)                                      | -               | -   | (3,036)        |
| Charge for the year                                     | -                                    | (1,009)                      | -  | -               | -   | (1,009)        |
| <b>At 31 December 2017</b>                              | <b>-</b>                             | <b>(4,036)</b>               | <b>(9)</b>                               | <b>-</b>        | <b>-</b>  | <b>(4,045)</b> |
| <b>Net book value</b>                                   |                                      |                              |  |                 |   |                |
| At 1 January 2017                                       | 180                                  | 435                          | -  | 1,446           | 1,740   | 3,801          |
| <b>At 31 December 2017</b>                              | <b>180</b>                           | <b>1,424</b>                 | <b>143</b>                               | <b>1,446</b>    | <b>351</b>  | <b>3,544</b>   |
| <b>Consolidated<br/>Year ended 31<br/>December 2016</b> | <b>Power<br/>supply<br/>Licences</b> | <b>Software<br/>Licences</b> | <b>Website<br/>development<br/>costs</b> | <b>Goodwill</b> | <b>Assets under<br/>the course of<br/>development</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>£000's</b>  |
| <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>   |
| <b>Accumulated<br/>amortisation</b>                     |                                      |                              |  |                 |   |                |
| 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> |
| <b>Net book value</b>                                   |                                      |                              |  |                 |   |                |
| 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>   |

# Notes to the Financial Statements

## 16. Intangible Assets (continued)

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

All amortisation amounts are included within administration expenses.

Goodwill of £1,446,453 (2016: £1,446,453) comprises £1,060,996 (2016: £1,060,996) arising from the original acquisition of Good Energy Limited, and £385,457 (2016: £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 (2016: £1,446,453) and Power Supply Licence of £180,000 (2016: £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          | 2017    | 2016    |
|-----------------------------------|---------|---------|
| 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. It has been noted that an increase in the discount rate by 10% would not result in an impairment of the goodwill. Management believe any increase in discount rates above 10% to be remote and therefore the Directors believe there to be significant headroom.



# Notes to the Financial Statements

## 17a. Investments and Subsidiaries

| <b>Parent Company</b><br><b>Year ended 31 December 2017</b> | <b>Shares in Group</b><br><b>undertakings</b> | <b>Loans to Group</b><br><b>undertakings</b> | <b>Total</b>  |
|---|---|--|---------------|
|   | <b>£000's</b>                                 | <b>£000's</b>                                | <b>£000's</b> |
| Cost and net book value                                     |   |  |               |
| At 1 January 2017   | 4,646   | 37,610                                       | 42,256        |
| Additions   | -   | 23,861                                       | 23,861        |
| Provisions  | -   | (4,000)                                      | (4,000)       |
| Repayments  | -   | (20,423)                                     | (20,423)      |
| <b>At 31 December 2017</b>                                  | <b>4,646</b>                                  | <b>37,048</b>                                | <b>41,694</b> |

| <b>Parent Company</b><br><b>Year ended 31 December 2016</b> | <b>Shares in Group</b><br><b>undertakings</b> | <b>Loans to Group</b><br><b>undertakings</b> | <b>Total</b>  |
|---|---|--|---------------|
|   | <b>£000's</b>                                 | <b>£000's</b>                                | <b>£000's</b> |
| Cost and Net book value                                     |   |  |               |
| 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> |

Loans to Group undertakings are on terms appropriate to the activities of the subsidiary which are being funded. Interest rates charged on these loans range from 2.75% to 8.85%.

A provision for £6,000,000 was recorded against the intercompany receivable loan for Good Energy Generation Limited in 2015. An additional provision of £4,000,000 has been recognised in 2017. This has no impact on the consolidated results of the Group.

# Notes to the Financial Statements

## 17a. Investments and Subsidiaries (continued)

The Group had the following subsidiaries at 31 December 2017 (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 Carlloggas 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                      |
| 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 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                      |

# Notes to the Financial Statements

## 17a. Investments and Subsidiaries (continued)

|   |    |      |   |
|---|----|------|---|
| 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 |
| 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.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 |

# Notes to the Financial Statements

## 17a. Investments and Subsidiaries (continued)

|   |    |      |   |
|---|----|------|---|
| 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.

## 17b. Available-for-sale Financial Assets

| <b>Consolidated</b>                | <b>Available-for-sale financial assets</b> |
|------------------------------------|--|
| <b>Year ended 31 December 2017</b> | <b>£000's</b>                              |
| Cost and Net book value            |  |
| At 1 January 2017                  | 500  |
| Additions                          | -  |
| <b>At 31 December 2017</b>         | <b>500</b>                                 |

Available-for-sale financial assets comprise £500,000 (2016: £500,000) of unlisted securities denominated in sterling.

## 18. Inventories

|                                   | <b>Parent Company</b> |               | <b>Consolidated</b> |               |
|-----------------------------------|-----------------------|---------------|---------------------|---------------|
|                                   | <b>2017</b>           | <b>2016</b>   | <b>2017</b>         | <b>2016</b>   |
|                                   | <b>£000's</b>         | <b>£000's</b> | <b>£000's</b>       | <b>£000's</b> |
| Renewable Obligation Certificates | -                     | -             | <b>8,927</b>        | 2,530         |
| Levy Exemption Certificates       | -                     | -             | -                   | 328           |
| Generation development sites      | -                     | -             | <b>954</b>          | 6,941         |
| <b>Total</b>                      | <b>-</b>              | <b>-</b>      | <b>9,881</b>        | 9,799         |

As at 31 December 2017 there were Renewable Obligation Certificates (ROCs) of £5,804,944 (2016: £771,559) 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 2017 there were Levy Exemption Certificates (LECs) of nil (2016: 327,852) included in the above amount.

During the year the Generation Development business was discontinued. Development projects which are being actively marketed for sale have been transferred to Assets held for sale. Remaining Generation development sites have been impaired to their minimum recoverable value based on the market value of saleable assets. The cost of inventories recognised as an expense, including the impairment value, and included in 'cost of sales' amounted to £3.7m (2016: £0.3m).

# Notes to the Financial Statements

## 19. Trade and Other Receivables

|   | Parent Company |           | Consolidated  |               |
|---|----------------|-----------|---------------|---------------|
|   | 2017           | 2016      | 2017          | 2016          |
|   | £000's         | £000's    | £000's        | £000's        |
| Gross trade receivables and accrued income                | -              | -         | 33,526        | 17,571        |
| Provision for impairment/non-payment of trade receivables | -              | -         | (4,535)       | (3,932)       |
| Net trade receivables and accrued income                  | -              | -         | 28,991        | 13,639        |
| Prepayments   | 163            | 58        | 1,647         | 552           |
| Other taxation  | 15             | 16        | 2,060         | 2,013         |
| <b>Total</b>  | <b>178</b>     | <b>74</b> | <b>32,698</b> | <b>16,204</b> |

Due to improved systems and reporting capability, trade receivables including debt and accrued income can now be analysed on a per customer account basis. Where a customer account is in credit this is included in deferred income in note 26 'Trade and other payables'. Comparative trade receivables are net of customer balances in credit as the improved reporting capability was not present in this period.

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.

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

| <b>Movement on the provision for impairment and non-payment of trade receivables</b> | 2017         | 2016         |
|--|--------------|--------------|
|  | £000's       | £000's       |
| Balance at 1 January   | 3,932        | 2,131        |
| Increase in allowance for impairment/non-payment                                     | 2,041        | 1,801        |
| Impairment/non-payment losses recognised   | (1,438)      | -            |
| <b>Balance at 31 December</b>  | <b>4,535</b> | <b>3,932</b> |

| <b>Ageing analysis of trade receivables past due but not impaired</b> | 2017          | 2016          |
|---|---------------|---------------|
|   | £000's        | £000's        |
| Current and not past due  | 16,806        | 10,031        |
| 1 to 2 months   | 3,970         | 1,485         |
| 2 to 3 months   | 3,283         | 965           |
| Over 3 months   | 4,932         | 1,158         |
| <b>Total</b>  | <b>28,991</b> | <b>13,639</b> |

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.

# Notes to the Financial Statements

## 20. Cash and Cash Equivalents

|                          | Parent Company |            | Consolidated  |              |
|--------------------------|----------------|------------|---------------|--------------|
|                          | 2017           | 2016       | 2017          | 2016         |
|                          | £000's         | £000's     | £000's        | £000's       |
| Cash at bank and in hand | 568            | 266        | 9,878         | 2,296        |
| Short-term bank deposits | -              | -          | 831           | 2,879        |
| Security deposits        | -              | -          | 3,011         | 1,114        |
| <b>Total</b>             | <b>568</b>     | <b>266</b> | <b>13,720</b> | <b>6,289</b> |

As part of the bank loan agreements, the lenders require a minimum cash balance to be held in separate reserve accounts, these balances are disclosed as Restricted deposit accounts in Non-current assets on the Statement of financial position. Included within cash at bank and in hand for both the parent company and the consolidated position is £200,321 (2016: £162,676) in respect of monies held by the Good Energy Employee Benefits Trust. The credit quality of cash and cash equivalents can be assessed by reference to external credit ratings as follows:-

|              | Parent Company |            | Consolidated  |              |
|--------------|----------------|------------|---------------|--------------|
|              | 2017           | 2016       | 2017          | 2016         |
|              | £000's         | £000's     | £000's        | £000's       |
| AA-          | 200            | 163        | 200           | 163          |
| A+           | 274            | -          | 9,882         | 4,447        |
| A            | -              | -          | 450           | 450          |
| B-           | 94             | 103        | 627           | 1,229        |
| BBB+         | -              | -          | 2,561         | -            |
| <b>Total</b> | <b>568</b>     | <b>266</b> | <b>13,720</b> | <b>6,289</b> |

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

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

|                               | Consolidated<br>2017 | Consolidated<br>2016 |
|-------------------------------|----------------------|----------------------|
|                               | £000's               | £000's               |
| Property, plant and equipment | 4,288                | 5,095                |
| Inventories                   | 1,265                | -                    |
| <b>Total assets</b>           | <b>5,553</b>         | <b>5,095</b>         |
| Deferred taxation             | -                    | (10)                 |
| <b>Total liabilities</b>      | <b>-</b>             | <b>(10)</b>          |
| <b>Carrying value</b>         | <b>5,553</b>         | <b>5,085</b>         |

The property, plant and equipments assets held for sale at 31 December 2017 relate to Good Energy Brynwhilach Solar Park Limited, sale contracts were exchanged before the the balance sheet date.

Held fo sale inventory costs relate to a wind development project within Good Energy Development (No.7) Limited. This entity was actively marketed for sale in the year end 31 December 2017 and various offers are under consideration.

# Notes to the Financial Statements

## 22. Share Capital and Share Premium

|                             | Number of<br>authorised<br>shares | Number of<br>shares issued<br>and fully paid | Parent Company & Consolidated |                             | Total  |
|-----------------------------|-----------------------------------|--|-------------------------------|-----------------------------|--------|
|                             |                                   |  | Share<br>Capital              | Share<br>Premium<br>Account |        |
|                             |                                   |  | £000's                        | £000's                      | £000's |
| At 1 January 2016           | 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 |
| Proceeds from shares issued | -                                 | 32,457                                       | 1                             | 106                         | 107    |
| At 31 December 2017         | 20,000,000                        | 16,517,160                                   | 826                           | 12,652                      | 13,478 |

The ordinary shares are the only class of shares in the Company. Holders of ordinary shares are entitled to vote at general meetings of the Company and receive dividends as declared. The Articles of Association of the Company do not contain any restrictions on the restrictions on the transfer of shares or on voting rights.

In 2017, the company issued 32,457 ordinary shares of 5p each for total consideration of £69,741 resulting in a share premium of £68,118. This relates to two scrip dividend issues in lieu of full year and interim dividend cash payments of 22,071 and 10,386 shares respectively (2016: 10,763 and 7,361 shares respectively). Share premium in the period includes a further credit of £37,472 in relation to the final costs incurred against the 2016 share issue.

Clarke Willmott Trust Corporation Limited holds in trust 463,239 (2016: 495,739) 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 32,500 (2016: 20,000) shares as a result of options exercised and acquired nil (2016: nil) shares.

The Directors recommend a final dividend of 2.3p per share (2016: 2.3p) subject to shareholder approval at the Company's AGM.

# Notes to the Financial Statements

## 23. Deferred Taxation

The provision for deferred taxation is made up as follows:

| Consolidated   | 2017           | 2016         |
|--|----------------|--------------|
|  | £000's         | £000's       |
| At 1 January   | 684            | 567          |
| (Credited)/charged to the Consolidated Statement of Comprehensive Income | (545)          | 215          |
| Elimination on disposal of subsidiaries                                  | (100)          | -            |
| Charged to equity  | 106            | (98)         |
| <b>At 31 December</b>  | <b>145</b>     | <b>684</b>   |
|  | 2017           | 2016         |
|  | £000's         | £000's       |
| Deferred tax asset to be recovered after more than 12 months             | (1,811)        | (722)        |
| Deferred tax asset to be recovered within 12 months                      | (123)          | (236)        |
| <b>Sub total-deferred tax assets</b>                                     | <b>(1,934)</b> | <b>(958)</b> |
| Deferred tax liabilities to be settled after more than 12 months         | 2,079          | 1,642        |
| Deferred tax liabilities to be settled within 12 months                  | -              | -            |
| <b>Sub total-deferred tax liabilities</b>                                | <b>2,079</b>   | <b>1,642</b> |
| <b>Total net deferred tax liabilities</b>                                | <b>145</b>     | <b>684</b>   |
| Deferred tax assets  | 2017           | 2016         |
|  | £000's         | £000's       |
| On short term timing differences   | 123            | 236          |
| Losses   | 1,809          | 722          |
| <b>Total</b>   | <b>1,932</b>   | <b>958</b>   |
| Deferred tax liabilities   | 2017           | 2016         |
|  | £000's         | £000's       |
| On accelerated capital allowances  | 2,077          | 1,642        |

|  | Accelerated capital allowances | Short-term timing differences | Losses       | Total        |
|--|--------------------------------|-------------------------------|--------------|--------------|
|  | £000's                         | £000's                        | £000's       | £000's       |
| Deferred tax assets/(liabilities)          |                                |                               |              |              |
| <b>At 1 January 2016</b>                   | (895)                          | 186                           | 142          | (567)        |
| (Charged) to income statement              | (747)                          | (48)                          | 580          | (215)        |
| Credited to equity                         | -                              | 98                            | -            | 98           |
| <b>At 31 December 2016</b>                 | (1,642)                        | 236                           | 722          | (684)        |
| Credited/(charged) to the income statement | (537)                          | (7)                           | 1,089        | 545          |
| Elimination on disposal of subsidiaries    | 100                            |                               |              | 100          |
| (Charged) to equity                        | -                              | (106)                         | -            | (106)        |
| <b>At 31 December 2017</b>                 | <b>(2,079)</b>                 | <b>123</b>                    | <b>1,811</b> | <b>(145)</b> |



# Notes to the Financial Statements

## 23. Deferred Taxation (continued)

Deferred tax assets have not been recognised in respect of restricted interest cost deductions in the period due to the range of factors which will determine when or if the restricted costs can be deducted in future periods. If the Group were able to recognise the deferred tax asset the profit would increase by £74,000.

## 24. Borrowings and Other Financial Liabilities

|                            | Parent Company |               | Consolidated  |               |
|----------------------------|----------------|---------------|---------------|---------------|
|                            | 2017           | 2016          | 2017          | 2016          |
|                            | £000's         | £000's        | £000's        | £000's        |
| <b>Current:</b>            |                |               |               |               |
| Bank and other borrowings  | 447            | 125           | 5,606         | 5,891         |
| Bond                       | 8,288          | 15,090        | 8,288         | 15,090        |
| Loans from Group companies | 187            | 7,874         | -             | -             |
| <b>Total</b>               | <b>8,922</b>   | <b>23,089</b> | <b>13,894</b> | <b>20,981</b> |
|                            |                |               |               |               |
|                            | Parent Company |               | Consolidated  |               |
|                            | 2017           | 2016          | 2017          | 2016          |
|                            | £000's         | £000's        | £000's        | £000's        |
| <b>Non current:</b>        |                |               |               |               |
| Bank and other borrowings  | 519            | 211           | 39,378        | 40,277        |
| Bond                       | 16,666         | -             | 16,666        | -             |
| <b>Total</b>               | <b>17,185</b>  | <b>211</b>    | <b>56,044</b> | <b>40,277</b> |

The Group has undrawn bank overdraft facilities of £10,000,000 (2016 : £6,757,144) as at 31 December 2017 and undrawn revolving credit facilities of £822,140 (2016 : £822,140). These facilities are secured by guarantees from Good Energy Limited, Good Energy Gas Limited and other group entities.

At 31 December 2017, £6,834,591 (2016: £7,279,171) 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 2017, £35,704,211 inclusive of Enil of accrued interest (2016: £37,399,386 inclusive of £627,985 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

# Notes to the Financial Statements

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

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 (2016: £2,754,299) and are being amortised over the life of the loan in accordance with IAS39.

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 2017 the amortisation recognised in 'finance costs' totalled £199,563 (2016: £191,248).

On 10 May 2017 Good Energy Group launched a second corporate bond with online applications closing on 5 June 2017 and paper applications closing on 12 June 2017. Total valid applications reached £16.8 million (the maximum target was £20 million). The bond was issued to bondholders on 30 June 2017 with interest scheduled bi-annually. The interest rate is 4.75% or 5.00% for bondholders that are customers of the Group. Capital repayment of the bond is payable following notice being received from the bond holder no earlier than 4 years from inception.

Good Energy Bonds I holders were able to roll over their first bond and this amounted to £6,509,750 of the total amount.

On 13 February 2018 we announced the repayment of Good Energy Bonds I offering bondholders the option to continue their investment at a revised interest rate of 4.25% or 4.50% for customers of the Group. £3.6m of valid continuation forms were received at the deadline date. On 29 March 2019, £4.2m will be repaid to Good Energy Bonds I bondholders.

| Parent Company            | Inter-company loan | Bond          | Bank and other borrowings | Finance Lease | Total         |
|---------------------------|--------------------|---------------|---------------------------|---------------|---------------|
|                           | £000's             | £000's        | £000's                    | £000's        | £000's        |
| 31 December 2017          |                    |               |                           |               |               |
| Due less than 1 year      | 188                | 8,288         | 89                        | 357           | 8,922         |
| Due between 1 and 5 years | -                  | 16,666        | 124                       | 395           | 17,185        |
| <b>Total</b>              | <b>188</b>         | <b>24,954</b> | <b>213</b>                | <b>752</b>    | <b>26,107</b> |

| Parent Company            | Inter-company loan | Bond          | Bank and other borrowings | Finance Lease | Total         |
|---------------------------|--------------------|---------------|---------------------------|---------------|---------------|
|                           | £000's             | £000's        | £000's                    | £000's        | £000's        |
| 31 December 2016          |                    |               |                           |               |               |
| Due less than 1 year      | 7,874              | 15,090        | 70                        | 55            | 23,089        |
| Due between 1 and 5 years | -                  | -             | 119                       | 92            | 211           |
| <b>Total</b>              | <b>7,874</b>       | <b>15,090</b> | <b>189</b>                | <b>147</b>    | <b>23,300</b> |

# Notes to the Financial Statements

## 24. 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> |
| 31 December 2017          |                                  |               |               |
| Due less than 1 year      | 5,606                            | 8,288         | 13,894        |
| Due between 1 and 5 years | 8,121                            | 16,666        | 24,787        |
| Due more than 5 years     | 31,257                           | -             | 31,257        |
| <b>Total</b>              | <b>44,984</b>                    | <b>24,954</b> | <b>69,938</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> |
| 31 December 2016          |                                  |               |               |
| 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> |

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 2017 are:

|   | <b>2017</b>       | <b>2017</b>           | <b>2016</b>       | <b>2016</b>           |
|---|-------------------|-----------------------|-------------------|-----------------------|
|   | <b>Fair value</b> | <b>Carrying value</b> | <b>Fair value</b> | <b>Carrying value</b> |
|   | <b>£000s</b>      | <b>£000s</b>          | <b>£000s</b>      | <b>£000s</b>          |
| Good Energy Delabole Wind farm Ltd          | 6,867             | 6,835                 | 7,351             | 7,279                 |
| Good Energy Generation Assets No. 1 Limited | 36,300            | 35,883                | 37,839            | 37,399                |
| Corporate bond                              | 24,776            | 24,637                | 15,099            | 15,090                |

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

## 25. Provisions for Liabilities

A provision has been recognised for decommissioning costs associated with wind farms and solar parks owned and operated by the Group. The value of the provision at 31 December 2017 is £1.25m (2016: £1.25m).

# Notes to the Financial Statements

## 26. Trade and Other Payables

|                                 | Parent Company |            | Consolidated  |               |
|---------------------------------|----------------|------------|---------------|---------------|
|                                 | 2017           | 2016       | 2017          | 2016          |
|                                 | £000's         | £000's     | £000's        | £000's        |
| Trade payables                  | 62             | 96         | 2,405         | 4,934         |
| Accruals and deferred income    | 272            | 234        | 28,719        | 14,104        |
| Social security and other taxes | -              | -          | 1,547         | 898           |
| <b>Total</b>                    | <b>334</b>     | <b>330</b> | <b>32,671</b> | <b>19,936</b> |

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

## 27. Dividends

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

| Consolidated   | 2017       | 2016       |
|--|------------|------------|
|  | £000's     | £000's     |
| Final dividend prior year of 2.30p per share (2016: 2.30p)     | 379        | 368        |
| Interim dividend current year of 1.00p per share (2016: 1.00p) | 165        | 140        |
| <b>Sub-total</b>   | <b>544</b> | <b>508</b> |
| Dividends waived   | (15)       | (17)       |
| <b>Total</b>   | <b>529</b> | <b>491</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 21 March 2018, subject to shareholder approval at the company's AGM.

Of the total dividend distributed for the year, £69,254 (2016: £42,288) was paid in the form of scrip dividends with the balance of £459,163 (2016: £448,792) settled in cash.

# Notes to the Financial Statements

## 28. Cash Generated from Operations

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

|  | Parent Company |                | Consolidated |               |
|--|----------------|----------------|--------------|---------------|
|  | 2017           | 2016           | 2017         | 2016          |
|  | £000's         | £000's         | £000's       | £000's        |
| (Loss)/profit before tax from continuing operations  | (2,579)        | 2,966          | 734          | 2,022         |
| Loss before tax from discontinuing operations  | -              | -              | (4,012)      | (588)         |
| (Loss)/profit before income tax  | (2,579)        | 2,966          | (3,278)      | 1,434         |
| <b>Adjustments for:</b>  |                |                |              |               |
| Depreciation   | 154            | -              | 3,329        | 2,808         |
| Amortisation   | -              | -              | 1,008        | 1,368         |
| Gain on assets disposals   | -              | -              | (1,048)      | -             |
| Write down of generation development work in progress  | -              | -              | 3,651        | -             |
| Provision against investments in and loans to subsidiaries   | 4,000          | -              | -            | -             |
| Share based payments   | -              | -              | 263          | 230           |
| Dividend income from subsidiaries  | (3,500)        | (3,800)        | -            | -             |
| Finance (income)/costs - net   | (121)          | (1,036)        | 4,858        | 4,516         |
| <b>Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)</b> |                |                |              |               |
| Inventories  | -              | -              | (4,998)      | (517)         |
| Trade and other receivables  | (104)          | (52)           | (16,494)     | (4,605)       |
| Trade and other payables   | 4              | 197            | 12,736       | 5,422         |
| <b>Cash (outflow)/inflow from operations</b>   | <b>(2,146)</b> | <b>(1,725)</b> | <b>27</b>    | <b>10,656</b> |

# Notes to the Financial Statements

## 29. 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 £263,259 (2016: £229,921) are recognised in the Consolidated Statement of Comprehensive Income. As at 31 December 2017, the following options had been issued:

|                                  | Number of options |                  | Weighted average exercise price |             | Total exercise consideration |                |
|----------------------------------|-------------------|------------------|---------------------------------|-------------|------------------------------|----------------|
|                                  | 2017<br>(Number)  | 2016<br>(Number) | 2017<br>(£)                     | 2016<br>(£) | 2017<br>£000's               | 2016<br>£000's |
| Outstanding at beginning of year | 1,735,071         | 1,540,070        | 1.09                            | 1.28        | 1,889                        | 1,964          |
| Granted                          | 143,891           | 270,001          | 0.05                            | 0.05*       | 7                            | 14             |
| Exercised                        | (30,000)          | (20,000)         | 1.25                            | 1.25        | (38)                         | (25)           |
| Cancelled/surrendered            | (440,615)         | (55,000)         | 1.11                            | 1.16        | (491)                        | (64)           |
| Outstanding at the end of year   | 1,408,347         | 1,735,071        | 0.97                            | 1.09        | 1,367                        | 1,889          |

\*Prior year shares granted are corrected to an exercise price of 5.0p.

In order to partially fulfil the options granted, 463,239 (2016: 495,739) shares representing approximately 33% (2016: 29%) 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:

| Grant-vest | Expiry year | Exercise price in £ per share options | Share options (thousands) |              |
|------------|-------------|---------------------------------------|---------------------------|--------------|
|            |             |                                       | 2017                      | 2016         |
| 2004-2007  | 2019        | 0.75                                  | 35                        | 35           |
| 2012-2015  | 2025        | 0.50                                  | 189                       | 189          |
| 2012-2015  | 2025        | 1.15                                  | 179                       | 179          |
| 2013-2016  | 2026        | 1.25                                  | 229                       | 259          |
| 2015-2017  | 2027        | 0.00                                  | 102                       | -            |
| 2015-2017  | 2027        | 2.29                                  | 200                       | -            |
| 2015-2018  | 2028        | 0.00                                  | -                         | 102          |
| 2015-2018  | 2028        | 2.25                                  | 100                       | 100          |
| 2015-2018  | 2028        | 2.27                                  | 24                        | 150          |
| 2015-2018  | 2028        | 2.29                                  | -                         | 200          |
| 2016-2019  | 2029        | 0.05                                  | 206                       | 270          |
| 2017-2020  | 2030        | 0.05                                  | 144                       | -            |
|            |             |                                       | <b>1,408</b>              | <b>1,484</b> |

# Notes to the Financial Statements

## 29. Share Based Payments (continued)

The weighted average fair value of options granted during the year determined using the Black-Scholes valuation model was £2.28 per option. The significant inputs into the model were weighted average share price of £2.44 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 10 for the total expense recognised in the income statement for share options granted to Directors and employees.

## 30. 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 £472,457 (2016: £433,320).

Contributions totalling £60,217 (2016: £51,823) 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.

## 31. Commitments

### 31.1 Operating Lease Commitments

The future aggregate minimum lease payments are as follows:

| <b>Land and Buildings</b>     | <b>2017</b>   | <b>2016</b>   |
|-------------------------------|---------------|---------------|
|                               | <b>£000's</b> | <b>£000's</b> |
| <b>Leases as lessee:</b>      |               |               |
| Less than one year            | 754           | 724           |
| Between one and five years    | 2,103         | 2,296         |
| More than five years          | 6,731         | 6,410         |
| <b>Total</b>                  | <b>9,588</b>  | <b>9,430</b>  |
| <b>Other operating leases</b> | <b>2017</b>   | <b>2016</b>   |
|                               | <b>£000's</b> | <b>£000's</b> |
| <b>Leases as lessee:</b>      |               |               |
| Less than one year            | 8             | 8             |
| Between one and five years    | 1             | 8             |
| More than five years          | -             | -             |
| <b>Total</b>                  | <b>9</b>      | <b>16</b>     |

# Notes to the Financial Statements

## 31. Commitments (continued)

### 31.2 Capital Commitments

At 31 December 2017, the total capital commitments amount is nil (2016: £5,702,212). Of this nil (2016: £4,910,212) related to contracts agreed on solar generation projects.

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

### 31.3 Finance lease and hire purchase commitments

The Group has finance leases and hire purchase contracts for various items of computer hardware. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are, as follows:

|   | 2017             | 2017                      | 2016             | 2016                      |
|---|------------------|---------------------------|------------------|---------------------------|
|   | Minimum payments | Present value of payments | Minimum payments | Present value of payments |
|   | £000's           | £000's                    | £000's           | £000's                    |
| Within on year                              | 96               | 89                        | 60               | 55                        |
| After one year but not more than five years | 133              | 124                       | 96               | 92                        |
| More than five years                        | -                | -                         | -                | -                         |
| Total minimum lease payments                | 229              | 213                       | 156              | 147                       |
| Less amounts representing finance charges   | (16)             | -                         | (9)              | -                         |
| Present value of minimum lease payments     | 213              | 213                       | 147              | 147                       |

## 32. 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 17a. 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 17a.

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 £86,406 (2016: £84,481). No amounts were outstanding at the end of the financial year (2016: £nil).



# Notes to the Financial Statements

## 32. Related Party Transactions (continued)

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 £56,373 (2016: £57,915). Of these figures £17,373 was outstanding at the end of the financial year (2016: £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 Shorrock who is the husband of Juliet Davenport. During 2017 the Generation Development business segment was discontinued, no payments were made to Shire Oak under the terms of the agreement in 2017 (2016: nil). No further payments remain to be paid as a final payment, capped at £150,000, is no longer due as it relates to a solar farm development which will not be energised.

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 Shorrock (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.

## 33. Subsequent Events

On 13 February 2018 we announced the repayment of Good Energy Bonds I offering bondholders the option to continue their investment at a revised interest rate of 4.25% or 4.50% for customers of the Group. £3.6m of valid continuation forms were received at the deadline date. On 29 March 2019, £4.2m will be repaid to Good Energy Bonds I bondholders.

On 1st March 2018 a reorganisation of the Group's finance function was announced. As part of this work, Denise Cockrem, Chief Financial Officer (CFO) since 2014, identified that the Company does not need a CFO in addition to a Finance Director, and that her role could be made redundant. The Board has accepted this proposal, and Denise will step down as CFO and as a director of Good Energy from the 31st March 2018.

## 34. 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 Mapperton Solar Park (007) Limited  
 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

# Notes to the Financial Statements

## 35. 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

Brynwhilach, Swansea  
Solar modules: Canadian Solar  
Nominal capacity DC: 4,994 kWp

# Directors and Corporate Resources

|  |  |
|--|--|
| <i>Directors</i>                                   | John Maltby (Non-Executive Chairman)<br>Juliet Davenport (Chief Executive)<br>Richard Squires (Non-Executive Director)<br>Emma Tinker (Non-Executive Director)<br>Timothy Jones (Non-Executive Director) |
| <i>Company Secretary<br/>and Registered Office</i> | Stephen Rosser<br>Monkton Reach<br>Monkton Hill, Chippenham<br>Wiltshire SN15 1EE  |
| <i>Company Number</i>                              | 04000623   |
| <i>Principal place of business</i>                 | Monkton Reach<br>Monkton Hill, Chippenham<br>Wiltshire SN15 1EE  |
| <i>Independent Auditors</i>                        | EY<br>The Paragon, 32 Counterslip<br>Bristol BS1 6BX   |
| <i>Financial Advisors</i>                          | Investec Bank plc<br>2 Gresham Street<br>London, EC2V 7QP  |
| <i>Bankers</i>                                     | Lloyds Bank<br>PO Box 112, Canons House, Canons Way<br>Bristol BS99 7LB<br><br>The Co-operative Bank PLC<br>PO Box 101, 1 Balloon Street<br>Manchester M60 4EP   |
| <i>Legal Advisors</i>                              | Norton Rose LLP<br>3 More London, Riverside<br>London, SE1 2AQ   |
| <i>Registrars</i>                                  | Computershare Investor Services PLC<br>The Pavilions, Bridgwater Road<br>Bristol BS99 6ZY  |



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## Annual Report & Accounts 2017

Good Energy Group PLC  
Monkton Reach  
Monkton Hill  
Chippenham  
SN15 1EE

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