

**Viking Energy**  
**A Scottish Legal Partnership**

Annual report  
and financial statements

31 March 2011

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## Partners' annual report

The partners present their annual report and financial statements for the year ended 31 March 2011. The partnership is a qualifying partnership as defined by The Partnerships (Accounts) Regulations 2008 and these financial statements have been prepared and audited by an independent registered auditor according to the requirements of those Regulations.

### Activity and review

The long-term aim of the partnership is to develop, build and operate a large wind farm in central Shetland. The project is in the development stage. An application for consent to build a 150 turbine wind farm was submitted to the Scottish Government in May 2009. The application was modified by means of an addendum, submitted in October 2010, which reduced the proposed wind farm to 127 turbines. The turbines most likely to be used are each capable of generating 3.6MW, giving a total capacity of 457.2MW. A determination is expected in 2011.

Shetland Islands Council and Scottish and Southern Energy plc worked on separate projects between 2003 and 2007, before agreeing to form a Scottish Legal Partnership, known as Viking Energy to bring the two projects together. The partners have agreed that the partnership should bear all third-party costs (principally to date, consultants working on the various elements of the extensive Environmental Impact Assessment that is a key part of the consent application), with the partners each meeting their own internal costs. The Shetland Islands Council sold its interest in the project to Shetland Charitable Trust later in 2007.

The financial statements for the period ended 31 March 2010 were effectively the first for the partnership and included all agreed partnership costs going back to 2003. This means that the bulk of the costs recognised and included in the financial statements for that period were first met by various participants, on behalf of the partnership and then invoiced to the partnership.

The partnership has been meeting its own costs directly since 1 January 2010, and is funded by cash calls met by the partners.

The majority of costs incurred by the partnership are capitalised as development intangibles, which represent the costs incurred in bringing the wind farm project to the consented stage. Costs associated with reaching the consent stage include options over land rights, planning application costs and environmental impact studies.

There was no turnover in the year to 31 March 2011 as the partnership is not yet trading. The financial statements, therefore, report a loss for the year of £5,515 representing overheads arising in respect of regulatory compliance costs only.

The development stage of the wind farm will continue for at least another year and the partners have agreed sufficient funding to continue this stage provided that a Public Local Inquiry is not called, and provided that a determination is achieved on the consent application before 31 March 2012. Fresh decisions on funding will be required should either of these events occur.

### Partnership administration

Viking Energy is a Scottish Legal Partnership equally between Viking Energy Limited (a 90% subsidiary of Shetland Charitable Trust) and SSE Viking Limited (a wholly owned subsidiary of Scottish and Southern Energy plc). The partnership is controlled by a management board. Each partner nominates three representatives to the board and alternate annually in nominating the chair. Each representative has one vote at board meetings, nominated alternatives are permitted (including nominating a fellow representative) and the chair does not have a casting vote. This means that all decisions require the agreement of both partners. The partners have agreed that day-to-day business support to the partnership is provided by staff of Shetland Charitable Trust.

The representative members of the board during the year at the date of signing these accounts are:

Representing Viking Energy Limited: WH Manson (Chair, from 1 April 2011), ATJ Cooper and CHJ Miller;  
and

Representing SSE Viking Limited: CJ Marden (Chair, until 31 March 2011), A Smith and JC Reeves.

## Partners' annual report (continued)

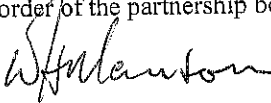
### Disclosure of information to auditors

The partners at the date of approval of this annual report confirm that, so far as they are each aware, there is no relevant audit information of which the partnership's auditors are unaware; and each partner has taken all the steps that ought to be taken as a partner to ensure awareness of any relevant audit information and to establish that the partnership's auditors are aware of that information.

### Auditors

The partners have appointed KPMG LLP to carry out the annual audit of the financial statements of the partnership.

By order of the partnership board



**WH Manson**  
*Chair*

The Gutters' Hut  
North Ness  
Lerwick  
Shetland

31 August 2011

## **Statement of Partners' responsibilities in respect of the Partners' Report and the financial statements**

The partners are responsible for preparing the Partners' Report and the financial statements in accordance with applicable law and regulations. The Partnerships (Accounts) Regulations 2008 require the partners to prepare financial statements for each financial year in accordance with Part 15 and Chapter 1 of Part 16 of the Companies Act 2006. Under that law the partners have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the partners 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 partnership and of the profit or loss of the partnership for that period. In preparing these financial statements, the partners are required to:

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

The partners have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The partners are responsible for the maintenance and integrity of the corporate and financial information included on the partnership's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



37 Albyn Place  
Aberdeen  
AB10 1JB  
United Kingdom

## **Independent auditor's report to the members of Viking Energy**

We have audited the financial statements of Viking Energy for the year ended 31 March 2011 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the qualifying partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by regulation 4 of the Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the partnership'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 partnership and the partnership's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of partners and auditor**

As explained more fully in the Partners' Responsibilities Statement set out on page 3, the partners are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the qualifying partnership's affairs as at 31 March 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

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

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

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

**DJ Watt (Senior Statutory Auditor)**  
**For and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*

12 September 2011


**Profit and loss account**  
*for the year ended 31 March 2011*

	<i>Note</i>	2011 £	2010 £
<b>Turnover</b>		-	-
<b>Gross profit</b>		-	-
<b>Expenditure</b>			
Administration expenses	2	(6,066)	(2,000)
<b>Operating loss</b>		(6,066)	(2,000)
Interest receivable	4	451	187
Miscellaneous income		100	-
<b>Loss for the financial year</b>		<b>(5,515)</b>	<b>(1,813)</b>

The operating loss above arose wholly from continuing operations pursuing to the development of a wind farm.

There were no recognised gains or losses other than the losses for the year reported above.

These financial statements were approved by the partners on 31 August 2011 and were signed on its behalf by:



**WH Manson**  
For and on behalf of  
Viking Energy Limited



**PR Smith**  
For and on behalf of  
SSE Viking Limited

## Balance sheet

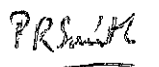
at 31 March 2011

	Note	2011		2010	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	5		3,497,174		2,799,774
<b>Current assets</b>					
Debtors	6	45,725		373,621	
Cash at bank and in hand		65,344		12,928	
			<u>111,069</u>		<u>386,549</u>
<b>Creditors: amounts falling due within one year</b>	7		<u>(71,705)</u>		<u>(356,486)</u>
<b>Net current assets</b>			<u>39,364</u>		<u>30,063</u>
<b>Total assets less current liabilities</b>			<u>3,536,538</u>		<u>2,829,837</u>
<b>Net assets</b>			<u>3,536,538</u>		<u>2,829,837</u>
<b>Capital and reserves</b>					
Capital account – Viking Energy Limited			1,771,933		1,415,825
Capital account – SSE Viking Limited			1,771,933		1,415,825
Profit and loss account			(7,328)		(1,813)
<b>Partners' funds</b>	8		<u>3,536,538</u>		<u>2,829,837</u>

These financial statements were approved by the partners on 31 August 2011 and were signed on its behalf by:



**WH Manson**  
For and on behalf of  
Viking Energy Limited



**PR Smith**  
For and on behalf of  
SSE Viking Limited



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the partnership's financial statements.

#### *Basis of preparation*

Under the Partnerships (Accounts) Regulations 2008, the partnership, as a qualifying partnership, is required to prepare and have audited an annual report and financial statements under Part 15 and Chapter 1 of Part 16 of the Companies Act 2006 as if the partnership was a company formed and registered under the Companies Act.

Under the Companies Act, the partners have the choice whether their financial statements are prepared under that applicable law and either UK Accounting Standards (UK Generally Accepted Accounting Practice) or International Financial Reporting Standards (IFRSs) as adopted by the EU. The partners have decided to apply UK Generally Accepted Accounting Practice.

The financial statements have been prepared under the historical cost accounting rules.

#### *Going concern*

The company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the partners' report on page 1.

By the nature of the partnership's current activities, costs associated with all material transactions are capitalised in accordance with the policy on intangible fixed assets. Administrative costs arise only in respect of regulatory compliance costs which will be met by the cash call from the partners. The partners therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### *Intangible fixed assets*

Costs capitalised as development intangibles represent the costs incurred in bringing the wind farm project to the consented stage. Costs associated with reaching the consent stage include options over land rights, planning application costs and environmental impact studies. These may be costs incurred directly or part of the fair value exercise on acquisition of a controlling interest in a project. Development assets are not amortised until the asset is substantially complete and ready for its intended use. The asset is subject to impairment testing on an annual basis until this time. At the point that the project reaches the consent stage and is approved by the partnership, the carrying value of the project is transferred to fixed assets as assets under construction. Amortisation is over the expected useful life of the related operational asset. The asset is derecognised on disposal, or when no future economic benefits are expected from its use.

#### *Taxation*

No provision is made for taxation within these financial statements, as any liability arising is met by the partners.

#### *Turnover*

There was no turnover in the year to 31 March 2011 as the partnership is not yet trading. If and when the partnership is successful in its plans to develop a large windfarm, turnover will represent the amount (excluding value added tax) derived from the supply of electricity, and will arise entirely in the United Kingdom.

### 2 Loss on ordinary activities

	2011	2010
	£	£
<i>Loss on ordinary activities before taxation is stated after charging</i>		
<i>Auditor's remuneration:</i>		
Audit of these financial statements	3,000	2,000
	<u>          </u>	<u>          </u>

**Notes** (continued)

**3 Staff numbers and costs**

The partnership had no employees during the year (2010: no employees).

The partnership was administered by the partners with business support provided by the staff of Shetland Charitable Trust.

**4 Interest receivable**

	2011 £	2010 £
On bank deposits	451	187

**5 Intangible assets – development costs**

	£
<i>Cost</i>	
At beginning of year	2,799,774
Additions	697,400
At end of year	3,497,174
<i>Amortisation</i>	
At beginning and end of year	-
<i>Net book value</i>	
At 31 March 2011	3,497,174
At 31 March 2010	2,799,774

**6 Debtors**

	2011 £	2010 £
Due from Viking Energy Limited	17,327	43,536
Due from SSE Viking Limited	17,327	74,634
Other debtors	11,071	255,451
	45,725	373,621

**7 Creditors: amounts falling due within one year**

	2011 £	2010 £
Trade creditors	16,741	321,638
Accruals and deferred income	54,964	34,848
	71,705	356,486

**Notes** (continued)

**8 Capital and reserves**

	Partners' capital accounts £	Profit and loss account £
At beginning of year	2,831,650	(1,813)
Capital introduced by Viking Energy Limited	356,108	-
Capital introduced by SSE Viking Limited	356,108	-
Loss for the year	-	(5,515)
	<hr/>	<hr/>
At end of year	<u>3,543,866</u>	<u>(7,328)</u>

**9 Related party transactions**

Viking Energy Limited is a 50% participant in the partnership. The Viking Energy partnership is funded by regular cash calls on the partners. Viking Energy Limited advanced £356,108 during the year. The partners have agreed that the Viking Energy partnership should bear all third party costs. During the year, the Viking Energy partnership re-imbursed Viking Energy Limited £39,746 in relation to third party work, mostly connected to the Environmental Statement in support of the partnership's application for consent to the Scottish Government. As at 31 March 2011, £nil was owed by the partnership to Viking Energy Limited.

SSE Viking Limited is a 50% participant in the partnership. The Viking Energy partnership is funded by regular cash calls on the partners. SSE Viking Limited advanced £356,108 during the year. As at 31 March 2011, £nil was owed by the partnership to SSE Viking Limited.

**10 Ownership**

The Viking Energy partnership is a Scottish Legal Partnership equally between Viking Energy Limited (a company 90% owned by Shetland Charitable Trust and 10% owned by Viking Wind Limited) and SSE Viking Limited (a company ultimately owned by Scottish and Southern Energy plc). Viking Energy Limited, including an appropriate share of Viking Energy Partnership, is included in the consolidated accounts of Shetland Charitable Trust. A copy of these accounts may be obtained from 22-24 North Road, Lerwick, Shetland, ZE1 0NQ or downloaded at [www.shetlandcharitabletrust.co.uk](http://www.shetlandcharitabletrust.co.uk). SSE Viking Limited, including an appropriate share of Viking Energy partnership, is included in the consolidated accounts of Scottish and Southern Energy plc.