Viking Energy Limited

Directors' report and financial statements

Registered number SC256581

31 March 2011

Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	2
Independent auditor's report to the members of Viking Energy Limited	3
Profit and loss account	4
Balance sheet	5
Notes	6

Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2011.

Principal activity and Business Review
The long term aim of the company is to participate in the project to develop, build and operate a large wind farm in central Shetland, should such a wind farm be technically feasible, financially viable and where any adverse environmental impact that may arise can be mitigated to an acceptable level. The project is in the development stage.

Viking Energy Limited has entered into a 50:50 Scottish Legal Partnership, known as Viking Energy, with SSE Viking Limited, a company ultimately owned wholly by Scottish and Southern Energy plc. The partnership submitted an application for consent to build a 150 turbine wind farm to the Scottish Government in May 2009. The partnership modified the application 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 457.2 MW. The partners expect a determination in 2011.

The Viking Energy 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 (staff, property costs, IT support etc). The financial statements report a loss for the period of £120,999 (*2010:loss of £1,168,394*).

Ownership of Viking Energy Limited is 90% Shetland Charitable Trust and 10% Viking Wind Limited. The directors of the Company are of the opinion that both of these entities have set aside sufficient funding to ensure the continued support of Viking Energy Limited through this development phase, provided that a public local inquiry is not called and provided that the consent application is determined before 31 March 2012. The costs required by the Company to continue are dependent on these outcomes, and should either occur, the directors will seek fresh decisions on funding from the Company's owners.

Proposed dividend
The directors do not recommend the payment of a dividend.

Directors
The directors who held office during the period and up to the date of this report were as follows:

WH Manson
ATJ Cooper
CHJ Miller

Disclosure of information to auditors
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors
The company has appointed KPMG LLP as auditors. Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

DH Thomson
Secretary

10 Charlotte Street
Lerwick
Shetland
5 September 2011

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial period. Under that law they 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 directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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 directors 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 Limited

We have audited the financial statements of Viking Energy Limited for the year ended 31 March 2011 set out on pages 4 to 10. 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 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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and to 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 Boards'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 web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the company'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.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

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

	Note	**Year ended 31 March 2011 £**	18 month period ended 31 March 2010 £
Turnover		-	66
Gross profit		-	66
Expenditure			
Administration expenses	2, 4	**(122,895)**	(1,171,974)
Operating loss		**(122,895)**	(1,171,908)
Interest receivable	5	**1,896**	3,514
Loss on ordinary activities before taxation		**(120,999)**	(1,168,394)
Tax on loss on ordinary activities	6	-	-
Loss for the period		**(120,999)**	(1,168,394)

The operating loss above arose wholly from continuing operations.

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

Balance sheet
at 31 March 2011

	Note	31 March 2011 £	31 March 2011 £	31 March 2010 £	31 March 2010 £
Fixed asset investments	7		**1,771,932**		1,415,825
Current assets					
Debtors	8	**1,083**		496,520	
Cash at bank and in hand		**16,567**		521,917	
		17,650		1,018,437	
Creditors: amounts falling due within one year	9	**(80,337)**		(1,104,018)	
Net current liabilities			**(62,687)**		(85,581)
Total assets less current liabilities			**1,709,245**		1,330,244
Net assets			**1,709,245**		1,330,244
Capital and reserves					
Called up share capital	10		**3,000,000**		2,500,000
Profit and loss account	11		**(1,290,755)**		(1,169,756)
Shareholders' funds			**1,709,245**		1,330,244

These financial statements were approved by the board of directors on 5 September 2011 and were signed on its behalf by:

WHManson

WH Manson
Director

Company registered number: SC256581

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 company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that its financial statements are fully consolidated in the group financial statements prepared by the Shetland Charitable Trust, the company's parent company.

The company has taken advantage of the exemption available to a small company under s400 of the Companies Act 2006 and therefore has not produced group accounts.

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 directors' report on page 1.

Based on the evidence of support forthcoming from the owners of the company, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, and thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Investments

Investments in subsidiary undertakings, associates and joint ventures are stated at cost less any provision for amounts which are not thought to be recoverable.

Administrative expenses

Administrative expenses include the costs of the running the Company.

Taxation

The charge or credit for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover in the period relates to miscellaneous income.

2 Loss on ordinary activities before taxation

	Year ended 31 March 2011 £	18 month period ended 31 March 2010 £
Loss on ordinary activities before taxation is stated after charging		
Auditor's remuneration:		
Audit of these financial statements	**2,000**	3,000
Other services: tax compliance	**1,000**	1,000

Notes *(continued)*

3 Remuneration of directors

The directors received no remuneration from the company during the year *(2010: nil)*.

4 Staff numbers and costs

The company had nil employees during the year *(2010: nil)*. The business of the company is conducted by four secondees (including a graduate trainee), and their costs are included under administrative expenses.

The company is administered by staff of Shetland Charitable Trust.

5 Interest receivable

	Year ended 31 March 2011 £	18 month period ended 31 March 2010 £
On bank deposits	**1,896**	3,514

6 Taxation

	Year ended 31 March 2011 £	18 month period ended 31 March 2010 £
UK corporation tax		
Current tax on income for the year being total current tax	-	-
Total current tax	-	-
Tax on loss on ordinary activities	-	-

Factors affecting the tax charge for the year

The current tax charge for the year is lower *(2010: lower)* than the standard rate of corporation tax in the UK (21%) *(2010: 21%)*. The differences are explained below:

	Year ended 31 March 2011 £	18 month period ended 31 March 2010 £
Current tax reconciliation		
Loss on ordinary activities before taxation	**(120,999)**	(1,168,394)
Current tax at 21% *(2010: 21%)*	**(25,410)**	(245,363)
Effects of:		
Deferred tax not provided	**25,410**	245,363
Total current tax charge (see above)	-	-

Deferred tax not provided relates to losses in the year. The company does not believe it will be able to recover this in the future and therefore on this basis has not provided for the deferred tax arising.

Notes *(continued)*

7 Fixed asset investments

	Partners' contribution to Viking Energy Partnership £
Cost or valuation	
At beginning of period	1,415,825
Additions	356,107
At end of period	1,771,932
Provisions	
At beginning and end of period	-
Net book value	
At 31 March 2011	**1,771,932**
At 31 March 2010	1,415,825

8 Debtors

	31 March 2011 £	31 March 2010 £
Trade debtors	**-**	242,739
Called up share capital not paid	**-**	249,900
Prepayments and accrued income	**1,083**	3,881
	1,083	496,520

9 Creditors: amounts falling due within one year

	31 March 2011 £	31 March 2010 £
Trade creditors	**12,708**	792,773
Taxation and social security	**13,328**	163,054
Other creditors	**641**	44,178
Accruals and deferred income	**53,660**	104,013
	80,337	1,104,018

Notes *(continued)*

10 Called up share capital

	31 March 2011 £	31 March 2010 £
Authorised		
Ordinary shares of £1 each	**5,000,000**	5,000,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	**3,000,000**	2,250,100
Allotted, called up and not paid		
Ordinary shares of £1 each	**-**	249,900
	3,000,000	2,500,000

11 Profit and loss account

	31 March 2011 £	31 March 2010 £
At beginning of the period	**(1,169,756)**	(1,362)
Loss for the financial period	**(120,999)**	(1,168,394)
At end of the period	**(1,290,755)**	(1,169,756)

12 Reconciliation of movement in shareholders' funds

	31 March 2011 £	31 March 2010 £
Loss for the financial year	**(120,999)**	(1,168,394)
Share capital issued in the period	**500,000**	2,499,000
Net addition to/(reduction in) shareholders' funds	**379,001**	1,330,606
Opening shareholders' funds	**1,330,244**	(362)
Closing shareholders' funds	**1,709,245**	1,330,244

13 Related party transactions

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

The ultimate parent undertaking of Viking Energy Limited is Shetland Charitable Trust, whose Trustees do not believe that Shetland Islands Council is a related party for accounts purposes. However, the Directors of Viking Energy Limited, all of whom are elected members of Shetland Islands Council, wish to disclose that Viking Energy purchases the time of one member of staff who remains formally employed by Shetland Islands Council, and also purchases administrative support from Shetland Islands Council under service level agreements and pays rates on anenometermast sites. The total value of transactions between Viking Energy Limited and Shetland Islands Council in the year was £92,849. As at 31 March 2011, £7,680 was owed by the Company to Shetland Islands Council.

WH Manson and CHJ Miller are also directors of Shetland Leasing and Property Developments Limited, which is a wholly owned subsidiary of Shetland Charitable Trust. Viking Energy Limited paid £7,678 to Shetland Leasing and Property Developments Limited under the terms of a commercial lease on office space at the Gutters' Hut, North Ness, Lerwick.

14 Ultimate parent undertaking

The company is a subsidiary undertaking of Shetland Charitable Trust which is its ultimate parent undertaking.

The consolidated accounts of Shetland Charitable Trust include the results of the company and a copy of those accounts may be obtained from 22-24 North Road, Lerwick, Shetland, ZE1 0NQ or at www.shetlandcharitabletrust.co.uk. No other group accounts include the results of the company.