

E.ON Ruhrgas UK Group Limited

(formerly Caledonia Group Limited)

Registered Number: 03921789

Directors' Report and Financial Statements

For The Year Ended 31 December 2005

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E.ON Ruhrgas UK Group Limited (formerly Caledonia Group Limited)

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E.ON Ruhrgas UK Group Limited (formerly Caledonia Group Limited)

Officers and professional advisors

Directors

Dr E Benke (Chairman)
Dr P Reichetseder
Mr. F Sivertsen
Mr N Prien
Mr J MacDonald

Secretary

Mr R. Ashmore

Registered Office

4th Floor
Four Millbank
London
SW1P 3JA

Bankers

Royal Bank of Scotland plc
135 Bishopsgate
London
EC2M 3YR

Solicitors

McGrigors LLP
Johnstone House
52-54 Rose Street
Aberdeen
AB10 1UD

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
1 Embankment Place
London
WC2N 6RH

E.ON Ruhrgas UK Group Limited (formerly Caledonia Group Limited)

Directors' Report for the year ended 31 December 2005

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2005.

Change of control

The entire issued share capital of the E.ON Ruhrgas UK Group Limited's (the "Company") ultimate UK parent was acquired by E.ON Ruhrgas AG on 9 November 2005 and subsequently acquired from E.ON Ruhrgas AG by E.ON Ruhrgas E & P GmbH on 16 December 2005. The immediate parent company Caledonia Oil and Gas Limited changed its name to E.ON Ruhrgas UK North Sea Limited on 16 November 2005 and the company changed its name from Caledonia Group Limited to E.ON Ruhrgas UK Group Limited on 19 January 2006.

The entire issued share capital of E.ON Ruhrgas UK North Sea Limited was acquired from E.ON Ruhrgas E & P GmbH by E.ON Ruhrgas UK Exploration and Production Limited on 28 September 2006.

Principal activity

The company's principal activity is to act as an investment holding company.

Review of the business

The Company holds all of the share capital of E.ON Ruhrgas UK Holding Limited (formerly Caledonia Energy Limited) which in turn holds all of the share capital of E.ON Ruhrgas UK Caister Limited (formerly Caledonia Caister Limited), E.ON Ruhrgas UK Median Limited (formerly Caledonia Median Limited), E.ON Ruhrgas UK Energy Trading Limited (formerly Caledonia Energy Trading Limited) and E.ON Ruhrgas UK EU Limited (formerly Caledonia EU Limited), which in turn owns all of the share capital of Caledonia Europe Hydrocarbons Limited and Caledonia Europe Resources Limited as well as the share capital of Caledonia Offshore Development Limited, which is a dormant company.

During the year the Company received a VAT refund in respect of previously unclaimed VAT and received interest on a loan to its wholly owned subsidiary.

During the year loans to affiliate companies from the Royal Bank of Scotland were repaid in full and the Company's shares were released by the bank and no longer held as security under the terms of the loan facility agreement which was cancelled. The floating charge over the Company's assets was released as were the cross guarantees in respect of all bank loans to affiliates.

Results and dividends

The Company made a profit after taxation and a retained profit for the year of £1,239,000 (2004 - £1,237,000).

The company has reclassified the 117,647 issued ordinary 'B' shares of £2.125 each and the 423,272 issued ordinary "A" shares of £2.125 each as 1,149,453 ordinary shares of £1 each. The company has reclassified the issued 3,223,866 7 % fixed redeemable cumulative convertible participating 'A' preference shares of £10 each as 32,238,660 ordinary shares of £1 each and the issued 9,369,228 7% fixed redeemable cumulative convertibles participating 'B' preference shares of £12 each as 112,430,736 ordinary shares of £1 each.

Amounts accrued or appropriated in the current and prior years in respect of preference dividends and interest thereon have been extinguished as a result of this reclassification. See notes to the financial statements for further details.

The Directors do not recommend the payment of a dividend.

E.ON Ruhrgas UK Group Limited (formerly Caledonia Group Limited)

Directors' Report for the year ended 31 December 2005 (Continued)

Directors' interests

The Directors who served during the year are as shown below:

Directors	Appointed	Resigned
Dr. E. Benke (Chairman)	9 November 2005	
Mr. J. MacDonald	23 October 2003	
Mr. W. Macaulay		9 November 2005
Mr. J. W. Honeybourne		9 November 2005
Mr. J.H. Murchison		9 November 2005
Mr. S. Webster		9 November 2005
Mr. S. Edgley		9 November 2005
Mr. D. Ferguson		9 November 2005
Mr. A. Hunter		9 November 2005
Mr. K. Pringle		9 November 2005
Mr. J. Hogan		9 November 2005
Mr. W. Hawkins		9 November 2005
Mr. F. Siversten	9 November 2005	
Dr. P. Reichetseder	9 November 2005	
Mr. N. Prien	9 November 2005	

At 31 December 2005, no Director had any beneficial interest in the shares of the company or any of the Group Companies that would require disclosure under the Companies Act 1985.

Statement of Directors' Responsibilities

The Companies Act 1985 requires the Directors to prepare financial statements for each financial period which 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 those 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 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.

E.ON Ruhrgas UK Group Limited (formerly Caledonia Group Limited)


Directors' Report for the year ended 31 December 2005 (Continued)

The Directors are responsible for keeping proper accounting records which 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 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Ernst & Young resigned as auditors on 9 November 2005 and PricewaterhouseCoopers LLP were appointed to fill the casual vacancy. In accordance with section 386 of the Companies Act, the Company has elected to dispense with the requirement to appoint auditors annually. PricewaterhouseCoopers LLP are therefore deemed to be re-appointed as auditors for the next financial year.

By Order of the Board



R. Ashmore
Secretary

30 January 2007

Independent Auditors' Report To The Members Of E.ON Ruhrgas Group Limited (formerly Caledonia Group Limited)

We have audited the financial statements of E.ON Ruhrgas UK Group Limited for the year ended 31 December 2005, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

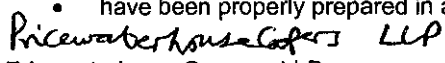
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

30 January 2007

E.ON Ruhrgas UK Group Limited (formerly Caledonia Group Limited)

Profit and Loss Account

For the year ended 31 December 2005

	Notes	2005	2004
		£ 000	£ 000
Administrative expenses		217	(3)
Operating profit/(loss)	3	217	(3)
Interest receivable and similar income	4	1,278	1,240
Interest payable and similar charges	5	(256)	-
Profit on ordinary activities before taxation		1,239	1,237
Tax on profit on ordinary activities	6	-	-
Profit on ordinary activities after taxation the for the financial year		1,239	1,237

There are no other recognised gains and losses attributable to the shareholder of the Company other than the profit of £1,239,000 for the year ended 31 December 2005 (2004 – profit £1,237,000). Accordingly a statement of total recognised gains and losses has not been presented.

All of the activities of the company are classed as continuing.

The notes on pages 7 to 15 form part of these financial statements.

E.ON Ruhrgas UK Group Limited (formerly Caledonia Group Limited)

Balance Sheet as at 31 December 2005

	Notes	2005 £ 000	2004 £ 000
Fixed assets			
Investments in subsidiary undertakings	8	-	-
Current assets			
Debtors	9	149,328	148,125
Cash at bank and in hand		5	5
		<u>149,333</u>	<u>148,130</u>
Creditors: (amounts falling due within one year)	10	(457)	(749)
Net current assets		<u>148,876</u>	<u>147,381</u>
Net assets		<u>148,876</u>	<u>147,381</u>
Capital and reserves			
Called up equity share capital	11	145,819	1,150
Called up non-equity share capital	11	-	144,413
Profit and loss account	12	3,057	1,818
Total shareholders' funds	13/14	<u>148,876</u>	<u>147,381</u>
Equity	14	148,876	(28,917)
Non-equity	14	-	176,298
	14	<u>148,876</u>	<u>147,381</u>

The financial statements on pages 5 to 15 were approved by the Board of Directors on 30 January 2007 and signed on its behalf by:



F Sivertsen

Director

30 January 2007

The notes on pages 7 to 15 form part of these financial statements.

E.ON Ruhrgas UK Group Limited (formerly Caledonia Group Limited)

1. Accounting Policies

Accounting convention

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 1985, applicable accounting standards in the UK and the Statement of Recommended Practice "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities" (SORP). A summary of the company's principal accounting policies is set out below.

Change in accounting policy

The company has adopted FRS 25 "Financial Instruments: Disclosure and Presentation" in these accounts. The adoption of these standards represents a change in accounting policy. The effect of the change in accounting policy to adopt the presentation requirements of FRS 25 was to present the dividend on the cumulative preference shares of £8,684,000 (2004 - £10,127,000 presented as an appropriation within reserves) and the interest on unpaid preference dividends of £2,232,000 (£2004 - £1,423,000 presented as an appropriation within reserves) within Note 5 "Interest Payable and similar charges" and to transfer the preference share dividend liability and the interest on unpaid dividends to creditors rather than classify them as non-equity appropriations.

As allowed by FRS 25, the Directors have elected not to restate the comparative information. Were they to have restated comparatives the amounts in respect of non-equity share capital and non-equity appropriation adjustments would have been reclassified on the Balance Sheet as creditors at 31 December 2004 and the preference dividend appropriation and that of the interest on unpaid dividends for the year ended 31 December 2004 would have been reclassified in the income statement as "Interest payable and similar charges". See notes 11 & 12 for the treatment applied to the non-equity appropriation adjustments in the current year.

The Company has adopted FRS 21, 'Events after the balance sheet date in these financial statements. The adoption of this standard represents a change in accounting policy, however, there was no financial impact of this change in accounting policy.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

E.ON Ruhrgas UK Group Limited (formerly Caledonia Group Limited)

Cash flow statement

In accordance with the terms of FRS 1 (Revised) the company has not prepared a statement of cash flows as the company is a wholly owned subsidiary of E.ON AG whose consolidated financial statements include those of E.ON Ruhrgas UK Group Limited and are publicly available.

Disclosure of related party transactions

The company, which is a wholly owned subsidiary, has elected to use the exemption provided in FRS 8, and has not disclosed related party transactions with Group companies.

Finance costs

Finance costs of debt are allocated to periods over the term of the related debt at a constant rate on the carrying amount. Arrangement fees and issue costs are amortised and charged to the profit and loss account as finance costs over the term of the debt.

Investments

Investments in subsidiaries are held at cost less any provision for impairment.

Group accounts

Group accounts of the company and its subsidiaries' participating undertakings have not been prepared. The company is exempt from the requirement to prepare consolidated accounts under the provisions of Section 228 of the Companies Act 1985 (as amended by Section 5 of the Companies Act 1989). The accounts present information about the company as an individual undertaking and not about its Group.

The immediate parent company is E.ON Ruhrgas UK North Sea Limited, which is its 100 per cent shareholder.

The largest group in which the results of E.ON Ruhrgas UK Group Limited are consolidated is that headed by E.ON AG, whose principal place of business is in Germany. The smallest group in which the results of E.ON Ruhrgas UK Group Limited are consolidated is that headed by E.ON Ruhrgas AG, whose principal place of business is in Germany. The consolidated accounts of E.ON AG are available to the public and may be obtained from its registered office - E.ON-Platz 1, D-40479 Dusseldorf, Germany.

2. Segmental information

In the opinion of the Directors, the group's activities comprise one class of business – the exploration, development and production of natural gas from the North West European Continental Shelf.

E.ON Ruhrgas UK Group Limited (formerly Caledonia Group Limited)

3. Operating profit

Transaction costs

Prior to the acquisition of the company by E.ON Ruhrgas UK North Sea Limited, and in order to provide funding for the future development of the then Group, the board gave approval in 2002 for work to commence on a corporate transaction that was expected to complete in 2003. Transaction costs of £1.1 million were incurred (£0.4m of which had been incurred as at 31 December 2002). As the transaction was aborted, these costs, principally consisting of professional fees, were expensed in 2003. VAT recovered in respect of these costs in the amount of £217,350 was recovered in 2005 and has been credited in administration expenses.

None of the directors received any emoluments during the year for services as a director of the company (2004 - £nil). The company employs no staff, and hence no staff costs were incurred (2004 - £nil).

Auditors' remuneration was borne by a fellow group undertaking (2004 - £nil).

4. Interest receivable and similar income

	Year ended 31 December 2005 £ 000	Year ended 31 December 2004 £ 000
Interest receivable from Group undertakings	1,278	1,240
Total	<u>1,278</u>	<u>1,240</u>

5. Interest payable and similar charges

	Year ended 31 December 2005	Year ended 31 December 2004
Amortisation of prior year issue costs	256	-
	<u>256</u>	<u>-</u>

Amounts were also accrued for the dividend on preference shares and interest on unpaid dividends during the period from 1 January 2005 until 10 November 2005, when the preference share reclassification took place (see note 11). The total amount accrued for the year of £10,916,000, being dividend of £8,684,000 and interest of £2,232,000 (see note 7), was extinguished upon the reclassification of the preference shares. The net effect of this on the Profit & Loss account is £nil.

E.ON Ruhrgas UK Group Limited (formerly Caledonia Group Limited)

6. Tax on profit on ordinary activities

The tax charge is based on the results for the year and comprises:

	Year ended 31 December 2005	Year ended 31 December 2004
	£ 000	£ 000
Corporation tax at 30% and supplementary charge at 10%		
Current tax on income for the period	-	-
Adjustments in respect of prior periods	-	-
Total current tax	-	-
Deferred taxation		
Originating timing differences in the year	-	170
Adjustments in respect of prior years	-	(170)
Total deferred tax	-	-
Total taxation charge/(credit)	-	-

The tax charge for the current year is different from the standard rate of corporation tax in the UK (30%) (2004 – 30%) applied to the profits for the year before tax. The differences are explained below:

	Year ended 31 December 2005	Year ended 31 December 2004
	£ 000	£ 000
Profit on ordinary activities before taxation	1,239	1,237
Tax charge on profit before tax at standard rate of 30%	(372)	(371)
Effect on tax charge of:		
Expenses not deductible for taxation purposes	(77)	(1)
Utilisation of losses	-	170
Group relief not paid for	449	202
Current year tax charge	-	-

7. Dividends and appropriations

	Year ended 31 December 2005	Year ended 31 December 2004
	£ 000	£ 000
Preference shares dividends and appropriations (including interest on unpaid dividends)		
Dividends		
7% fixed redeemable cumulative convertible 'A' shares of £10 each	2,433	2,583
7% fixed redeemable cumulative convertible 'B' shares of £12 each	8,483	8,967
	10,916	11,550

The amounts accrued in respect of preference dividends and interest on unpaid dividends during the year ended 31 December 2005 have been presented within Note 5 "Interest Payable and Similar Charges". The preference dividends and interest on unpaid dividends for the year ended 31 December 2004 were recorded as an appropriation adjustment within reserves. See note 14.

E.ON Ruhrgas UK Group Limited (formerly Caledonia Group Limited)

8. Investments in subsidiary undertakings

At 31 December 2005 the company held an investment in one subsidiary undertaking, namely E.ON Ruhrgas UK Holding Limited (formerly Caledonia Energy Limited). The investment represents the whole issued share capital of the company, which is incorporated in England.

	£
Cost and carrying value	
At 1 January 2005 and 31 December 2005	2

The companies listed below, which are all subsidiary undertakings as at 31 December 2005, are those in which the E.ON Ruhrgas UK Group Limited group's operating and financing activities are undertaken.

	Country of incorporation and operation	Activity	Group holding and share of net assets
E.ON Ruhrgas UK Holding Limited *	England	Services	100%
E.ON Ruhrgas UK Median Limited	England	Gas exploration & production	100%
E.ON Ruhrgas UK Caister Limited	England	Gas exploration & production	100%
E.ON Ruhrgas UK Energy Trading	England	Gas trading	100%
E.ON Ruhrgas UK EU Limited	England	Gas exploration & production	100%
Caledonia Europe Resources Limited	England	Non trading	100%
Caledonia Europe Hydrocarbons Limited	England	Non trading	100%
Caledonia Offshore Development Limited	England	Dormant	100%

* Shares are held by the company where marked by an asterisk; others are held by subsidiary undertakings.

9. Debtors

	2005 £ 000	2004 £ 000
Amounts owed by Group undertakings -		
Loan to Subsidiary undertaking	20,000	20,000
Owing from affiliates	129,328	128,008
Other debtors and prepayments	-	117
Total	<u>149,328</u>	<u>148,125</u>

The company has loaned £20,000,000 to its wholly owned subsidiary E.ON Ruhrgas UK Holding Limited for a period to 31 December 2020. Repayment, at the borrower's discretion, shall be made on December 31 each year in no less than £500,000 tranches. Interest is payable at the London Interbank Offer rate quoted at 30 June and 31 December each year plus 1.625% and shall be computed for six monthly periods on the balance outstanding on the day immediately prior to the interest payment date.

E.ON Ruhrgas UK Group Limited (formerly Caledonia Group Limited)

10. Creditors (amounts falling due within one year)

	2005	2004
	£ 000	£ 000
Amounts owed to Group undertakings	457	749
Total	457	749

11. Share capital

Authorised	2005	2004
	£ 000	£ 000
Equity shares		
13,500,000 (2004 – 13,500,000) ordinary 'B' shares of £2.125 each	-	28,687
5,000,000 (2004 – 5,000,000) ordinary 'A' shares of £2.125 each	-	10,625
329,312,500 ordinary shares of £1 each	329,312	-
Total	329,312	39,312
Non-equity shares		
5,000,000 (2004 – 5,000,000) 7% fixed redeemable cumulative convertible participating 'A' preference shares of £10 each	-	50,000
20,000,000 (2004 – 20,000,000) 7% fixed redeemable cumulative convertible participating 'B' preference shares of £12 each	-	240,000
Total	-	290,000
Total	329,312	329,312

Allotted, issued and fully paid	2005	2004
	£ 000	£ 000
Equity shares		
117,647 (2004 – 117,647) ordinary 'B' shares of £2.125 each	-	250
423,272 (2004 – 423,272) ordinary 'A' shares of £2.125 each	-	900
145,818,849 ordinary shares of £1 each	145,819	-
Total	145,819	1,150
Non-equity shares		
3,223,866 (2004 – 3,223,866) 7% fixed redeemable cumulative convertible participating 'A' preference shares of £10 each	-	32,239
9,369,228 (2004 – 9,369,228) 7% fixed redeemable cumulative convertible participating 'B' preference shares of £12 each	-	112,174
Total	145,819	145,563

E.ON Ruhrgas UK Group Limited (formerly Caledonia Group Limited)

Share capital (continued)

The share capital of the Company was reorganised with effect as of and from 10 November 2005 in the manner set out below and in terms of the new Articles of Association so that it constitutes 145,818,849 issued ordinary shares of £1 each and an authorised share capital of 329,312,500 ordinary shares of £1 each.

The 3,223,866 authorised and issued 7% fixed redeemable cumulative convertible participating 'A' preference shares of £10 each were reclassified as 32,238,660 ordinary shares of £1 each.

The 9,369,228 authorised and issued 7% fixed redeemable cumulative convertible participating 'B' preference shares of £12 each were reclassified as 112,430,736 ordinary shares of £1 each.

The 423,272 authorised and issued ordinary 'A' shares of £2.125 each were reclassified as 899,453 ordinary shares of £1 each

The 117,647 authorised and issued ordinary 'B' shares of £2.125 each with a capital contribution of £0.13 made by E.ON Ruhrgas UK NorthSea Limited were reclassified as 250,000 ordinary shares of £1 each

The 1,776,134 authorised but unissued 7% fixed redeemable cumulative convertible participating 'A' preference shares of £10 each were reclassified as 17,761,340 ordinary shares of £1 each

The 10,630,772 authorised but unissued 7% fixed redeemable cumulative convertible participating 'B' preference shares of £12 each were reclassified as 127,569,264 ordinary shares of £1 each

The 4,576,728 authorised but unissued ordinary 'A' shares of £2.125 each were reclassified as 9,725,547 ordinary shares of £1 each

The 13,382,353 authorised but unissued ordinary 'B' shares of £2.125 each with a capital contribution of £0.13 made by E.ON Ruhrgas UK North Sea Limited were reclassified as 28,437,500 ordinary shares of £1 each

** 2002 and 2003 share issue transactions incurred costs of £256,590, which had been appropriately offset against non-equity share capital. Following the above reorganization, this amount has been amortised in full in the Profit & Loss Account in the current year.

Upon the above reclassifications the amounts appropriated for unpaid preference dividends were extinguished.

12. Profit and loss reserve

	£ 000
Profit and loss reserve at 1 January 2005	1,818
Transfer of preference dividends to liabilities on adoption of FRS 25	(29,794)
Transfer of interest on unpaid dividends on preference shares, on adoption of FRS25	(2,091)
Extinguishment of liabilities on the reclassification of the preference shares as ordinary shares	31,885
Retained profit for the year	<u>1,239</u>
Profit and loss reserve at 31 December 2005	<u>3,057</u>

E.ON Ruhrgas UK Group Limited (formerly Caledonia Group Limited)

13. Reconciliation of movements in shareholders' funds

	31 December 2005	31 December 2004
	£ 000	£ 000
Shareholders' funds at 1 January 2005	147,381	146,144
Issue costs previously offset against share capital	256	-
Transfer of preference dividends to liabilities on adoption of FRS 25	(29,794)	-
Transfer of interest on unpaid dividends on preference shares, on adoption of FRS 25	(2,091)	-
Extinguishment of liabilities on the reclassification of the preference shares as ordinary shares	31,885	-
Profit for the financial year	<u>1,239</u>	<u>1,237</u>
Shareholders' funds at 31 December 2005	<u>148,876</u>	<u>147,381</u>

14. Analysis of shareholders' funds

	31 December 2005	31 December 2004
	£ 000	£ 000
Equity	<u>148,876</u>	<u>(28,917)</u>
Non-equity		
£10 preference shares	-	32,239
£12 preference shares	-	112,174
Non-equity appropriation adjustment (see below)	<u>-</u>	<u>31,885</u>
Shareholders' funds at 31 December	<u>148,876</u>	<u>147,381</u>

The company reclassified the redeemable cumulative participating preference shares to ordinary shares of £1 each on 10 November 2005. Accordingly the non-equity appropriation adjustments made in prior periods have been reversed. (See notes 11 and 13).

15. Commitments and contingencies

Contingent liabilities

The company had no contingent liabilities as at 31 December 2005 (2004 - £nil).

Capital commitments

The company had authorised and contracted for capital commitments at 31 December 2005 of £nil (2004 - £nil)

E.ON Ruhrgas UK Group Limited (formerly Caledonia Group Limited)

16. Ultimate parent undertaking

The ultimate parent company and controlling party as at 31 December 2005 was E.ON AG, a company incorporated in Germany.

The largest group in which the results of E.ON Ruhrgas UK Group Limited are consolidated is that headed by E.ON AG, whose principal place of business is in Germany. The consolidated accounts of E.ON AG are available to the public and may be obtained from its registered office - E.ON-Platz 1, D-40479 Dusseldorf, Germany.

17. Subsequent events

The entire issued share capital of the Company's immediate parent company was acquired from E.ON Ruhrgas E & P GmbH by E.ON Ruhrgas UK Exploration and Production Limited on 28 September 2006.