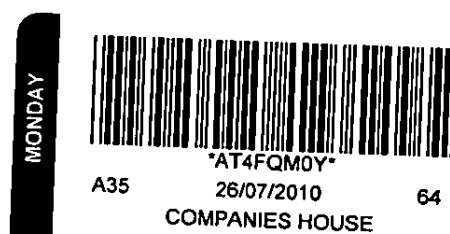


Viking UK Gas Limited

FINANCIAL STATEMENTS

for the year ended
31 December 2009



Company Registration No 1421481

Viking UK Gas Limited
CONTENTS OF THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

| | Page |
|------------------------------------------|-------------|
| Company Information | 1 |
| Director's Report | 2 |
| Statement of Director's Responsibilities | 4 |
| Report of the Independent Auditor | 5 |
| Profit and Loss account | 6 |
| Balance Sheet | 7 |
| Accounting Policies | 8 |
| Notes to the Financial Statements | 10 |

Viking UK Gas Limited
COMPANY INFORMATION
for the year ended 31 December 2009

DIRECTOR

J P Reynolds

SECRETARY

G P May

REGISTERED OFFICE

**Knapton Generating Station
East Knapton
Malton
North Yorkshire
YO17 8JF**

REGISTERED NUMBER

1421481

INDEPENDENT AUDITOR

**Baker Tilly UK Audit LLP
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST**

Viking UK Gas Limited

Directors' report

The director submits his report and the financial statements of Viking UK Gas Limited for the year ended 31 December 2009

Principal Activities

The principal activity of the Company continues to be that of exploring for and developing gas assets in the United Kingdom. The Company also operates an electricity generating power station at Knapton, North Yorkshire, on behalf of RGS Energy Limited, a fellow group company.

Review of the business

Gas assets

The Company successfully drilled two wells in 2009 and a constant supply of gas was assured from June 2009.

The results for the year are set out on page 6.

The director does not recommend the payment of a dividend.

Future developments

The Company will continue to explore and develop its gas assets in North Yorkshire.

The Company plans to drill one new well within the next twelve months to sustain a robust and continuous supply of gas and maximise the capacity of the gas turbine generating station operated by RGS Energy Limited, a fellow subsidiary. Although the directors expect the drilling program to be successful, the drilling of new wells has risks attached and there can be no certainty that the drilling program will deliver the volumes of gas that are anticipated.

Financial restructuring

In May 2009, as part of a larger financial restructuring of the Company's parent undertakings and the Group of which the Company is a subsidiary, the Company was the subject of a successful financial restructuring.

The key elements of this financial restructuring were:

- The waiver, on 22 May 2009, of £2.6 million of intercompany liabilities owed to UK Energy Systems Limited and £0.5 million of intercompany liabilities owed to RGS Energy Limited,
- A cash injection of £8.5 million raised by the issue of additional share capital on 26 May 2009, and
- The waiver, on 22 May 2009, of £18.7 million of intercompany liabilities owed to UK Energy Systems Limited.

This enabled the Company to return its balance sheet to solvency.

Principal risks and uncertainties

The Company is part of a Group of companies with its immediate parent company being UK Energy Systems Limited. Risks are managed on a Group-wide basis, as set out below.

Operational risk

The Group is reliant on being able to provide a reliable, continuous supply of gas to its electricity turbine to enable it to generate electricity for onward sale to Scottish Power. The Group currently has sufficient diversity of supply to enable it to continue operating if one of its wells ceases to be operational but will need to drill further wells in 2010 and subsequently to enable it to continue to guarantee supply. This activity has certain risks by its very nature and there can be no guarantee that future drilling operations will be successful.

The Group mitigates these risks by commissioning detailed seismic reports before choosing a drilling target and employing external experts to evaluate the lowest risk opportunities.

Financial risk

The nature of the Group's capital projects as described above mean that a return cannot be guaranteed. As a result, the Group is not in a position to support significant levels of borrowing and interest.

Viking UK Gas Limited

Directors' report (continued)

The Group has, therefore, negotiated an interest-free loan from its parent company with no fixed terms for repayment

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future

The director has considered the Company's forecasts for the period to July 2011 and believes that, following the financial restructuring referred to above, with the continued support of UK Energy Systems Limited, the Company can continue as a going concern, and has the necessary funding available to ensure that it continues to trade on a going concern basis, for the foreseeable future

In forming his opinion, the director has (i) sought and received assurances from UK Energy Systems Limited that they are able to and will provide the required financial support to the Company and its immediate parent undertaking to enable a reliable and continuous supply of gas to be provided to RGS Energy Limited, and (ii) reviewed the UK Energy Systems Limited Group's financial projections which support the assurances provided by UK Energy Systems Limited

Director

The sole director, Mr J P Reynolds, has held office since 1 January 2009

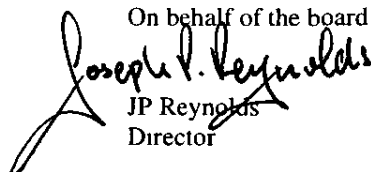
Statement as to disclosure of information to the auditor

The director who was in office on the date of approval of these financial statements has confirmed that, as far as he is aware, there is no relevant audit information of which the auditor is unaware. The director has confirmed that he has taken all the steps that he ought to have taken as director in order to make himself aware of any relevant audit information and to establish that it has been communicated to the auditor

Auditor

Baker Tilly UK Audit LLP has indicated its willingness to continue in office

On behalf of the board



JP Reynolds
Director

26 July 2010

Viking UK Gas Limited

Director's responsibilities in the preparation of financial statements

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the director must not approve the financial statements unless he is 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 those financial statements, the director is required to

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

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

Independent auditor's report of the members of Viking UK Gas Limited

We have audited the company financial statements (the "financial statements") on pages 6 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 more fully explained in the Director's Responsibilities Statement set out on page 4, the director is 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 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

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/UKNP.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of the profit for the year then ended,
- have been properly prepared in accordance with United Kingdom 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 Director's Report for the financial year 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 by the parent company, 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.



GREGORY CRAIG WALLER, Senior Statutory Auditor
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

26 July 2010

Viking UK Gas Limited

Profit and loss account

for the year ended 31 December 2009

| | <i>Notes</i> | 2009 £ | 2008 £ |
|------------------------------------------------------|--------------|-------------|-------------|
| TURNOVER | <i>1</i> | 2,570,427 | 2,643,632 |
| Cost of sales | | (3,895,598) | (4,183,624) |
| GROSS LOSS | | (1,325,171) | (1,539,992) |
| Administration expenses | | (392,646) | (536,087) |
| OPERATING LOSS | <i>2</i> | (1,717,817) | (2,076,079) |
| Exceptional items | <i>4</i> | 21,816,000 | - |
| Interest receivable and similar income | <i>5</i> | 1,029 | 301,136 |
| Interest payable and similar charges | <i>6</i> | (111,485) | (1,806,722) |
| PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION | | 19,987,727 | (3,581,665) |
| Tax on loss on ordinary activities | <i>7</i> | - | - |
| PROFIT/(LOSS) FOR THE FINANCIAL YEAR | <i>15</i> | 19,987,727 | (3,581,665) |

The result for the year arises from the Company's continuing operations

The Company has no other recognised gains or losses other than those passing through the profit and loss account


Viking UK Gas Limited

Balance sheet
31 December 2009

Company Registration No 01421481

| | Notes | 2009 £ | 2008 £ |
|---------------------------------------------------------------|-------|------------------|---------------------|
| FIXED ASSETS | | | |
| Tangible assets | 8 | 5,555,863 | 38,225 |
| CURRENT ASSETS | | | |
| Stocks | 9 | 309,501 | 270,892 |
| Debtors | 10 | 753,049 | 600,807 |
| Cash at bank and in hand | | 2,999,599 | 261,554 |
| | | <u>4,062,149</u> | <u>1,133,253</u> |
| CREDITORS Amounts falling due within one year | 11 | (1,879,112) | (22,023,085) |
| NET CURRENT ASSETS/(LIABILITIES) | | <u>2,183,037</u> | <u>(20,889,832)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>7,738,900</u> | <u>(20,851,607)</u> |
| CREDITORS amounts falling due after more than one year | 12 | - | (6,061) |
| PROVISIONS FOR LIABILITIES | 13 | (2,087,860) | (1,979,019) |
| NET ASSETS/(LIABILITIES) | | <u>5,651,040</u> | <u>(22,836,687)</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 14 | 11,600,000 | 3,100,000 |
| Capital contribution | | 5,789,842 | 5,789,842 |
| Profit and loss account – (deficit) | 15 | (11,738,802) | (31,726,529) |
| SHAREHOLDERS' FUNDS/(DEFICIT) | 16 | <u>5,651,040</u> | <u>(22,836,687)</u> |

The financial statements were approved by the board of directors and authorised for issue on 26 July 2010 and are signed on its behalf by


J P Reynolds
Director

Viking UK Gas Limited

Accounting policies

Accounting policies

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

The company has taken advantage of the exemptions under Financial Reporting Standards 1 - Cash Flow Statements not to prepare a Cash Flow Statement as consolidated financial statements of UK Energy System Limited, which include this company, are publicly available

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future

The director has reviewed the Company's forecasts for the period to July 2011 and believes that, following the financial restructuring referred in the directors report, with the continued support of UK Energy Systems Limited, the Company can continue as a going concern, and has the necessary funding available to ensure that it continues to trade on a going concern basis, for the foreseeable future

In forming his opinion, the director has (i) sought and received assurances from UK Energy Systems Limited that they are able to and will provide the required financial support to the Company and its immediate parent undertaking to enable a reliable and continuous supply of gas to be provided to RGS Energy Limited, and (ii) reviewed the UK Energy Systems Limited Group's financial projections which support the assurances provided by UK Energy Systems Limited

Deferred tax

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

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that the assets will be recovered

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which 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 is measured on a non-discounted basis

Foreign currencies

Assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating result

Tangible fixed assets

(a) Exploration and development of discovery fields

The Group follows the full cost method of accounting under which costs relating to the acquisition, exploration, appraisal and development of petroleum interests are capitalised

Depreciation is provided using the unit of production method based on entitlement to proved and probable reserves of gas and estimated future development expenditure expected to be incurred to access these reserves

Viking UK Gas Limited

Accounting policies

(b) Other fixed assets

Plant and machinery and motor vehicles and equipment are stated at historical cost less accumulated depreciation and less any provision for impairment

The decommissioning asset is stated at an amount equal to the initial provision for decommissioning less accumulated depreciation

Depreciation is provided so as to write off the costs of the assets to residual values over the assets' useful estimated lives, on the following bases -

| | | |
|------------------------------|---------------|---------------|
| Motor vehicles and equipment | 3-4 years | Straight line |
| Plant and Machinery | 3 to 15 years | Straight line |
| Decommissioning asset | 3 to 10 years | Straight line |

Impairment

An estimate of the discounted future net revenues is made where there are indications of impairment and compared to the net capitalised expenditure. Where, in the opinion of the directors, there is impairment, tangible asset values are written down accordingly through the profit and loss account.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Provision for decommissioning

A provision for decommissioning costs is recognised in full at the commencement of operations. The amount recognised is the present value of the estimated future expenditure that will be required to decommission the company's assets and bring the land back to the state that existed prior to the assets being built. The discount applied to the anticipated site restoration liability is subsequently released over the life of the field and is charged to interest expense.

A corresponding tangible fixed asset is created at an amount equal to the provision. This is subsequently depreciated as part of the capital costs of the production facilities.

Leasing and hire purchase commitments

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

Turnover

Turnover represents amounts receivable from the sale of the Company's petroleum products, net of trade discounts and VAT.

Viking UK Gas Limited

Notes to the financial statements
for the year ended 31 December 2009

1 TURNOVER

Turnover is wholly attributable to the principal activity of the Company and is generated within the United Kingdom

| 2 | OPERATING PROFIT | 2009 £ | 2008 £ |
|---|-------------------------------------------------------|-----------|-----------|
| | Operating profit is stated after charging/(crediting) | | |
| | Depreciation of tangible assets | | |
| | - owned assets | 1,199,393 | 795,363 |
| | - leased assets | 7,412 | 20,709 |
| | Impairment of tangible fixed assets | (187,196) | 52,771 |
| | Auditors' remuneration - audit | 14,000 | 24,000 |
| | Operating leases - land and buildings | 184,168 | 173,861 |

| 3 | STAFF COSTS | 2009 £ | 2008 £ |
|---|-----------------------|----------------|------------------|
| | Wages and salaries | 778,862 | 900,046 |
| | Social security costs | 91,998 | 100,578 |
| | Pension costs | 59,777 | 72,127 |
| | | <u>930,637</u> | <u>1,072,751</u> |
| | Director's emoluments | - | 154,248 |

The director received no remuneration for his services. The cost of the director's services are covered by a management charge from the parent company.

The average monthly number of employees during the year was as follows

| | 2009 No | 2008 No |
|-------------------------------|------------|------------|
| Management and administration | 5 | 6 |
| Technical and operations | 15 | 15 |
| | <u>20</u> | <u>21</u> |

| 4 | EXCEPTIONAL ITEMS | 2009 £ | 2008 £ |
|---|-------------------------------------------|------------|-----------|
| | Waiver of amounts owed to group companies | 21,816,000 | - |

Viking UK Gas Limited

Notes to the financial statements
for the year ended 31 December 2009

| | | | |
|---|----------------------------------------------------------------------------------------------------------------|-------------------|--------------------|
| 5 | INTEREST RECEIVABLE | 2009 £ | 2008 £ |
| | Interest receivable on intercompany balances | - | 294,289 |
| | Bank interest receivable | 1,029 | 6,847 |
| | | <u>1,029</u> | <u>301,136</u> |
| 6 | INTEREST PAYABLE AND SIMILAR CHARGES | 2009 £ | 2008 £ |
| | Intercompany loan interest | - | 1,698,117 |
| | Unwinding of discount on decommissioning provision | 108,840 | 103,173 |
| | Interest on finance lease agreements | 2,643 | 5,415 |
| | Other interest | 2 | 17 |
| | | <u>111,485</u> | <u>1,806,722</u> |
| 7 | TAXATION | 2009 £ | 2008 £ |
| | <i>Analysis of charge in the period</i> | | |
| | Current tax - UK corporation tax on profits for the period | - | - |
| | | <u>-</u> | <u>-</u> |
| | Deferred tax – origination and reversal of timing differences | - | - |
| | | <u>-</u> | <u>-</u> |
| | Tax on profit on ordinary activities | - | - |
| | | <u>-</u> | <u>-</u> |
| | <i>Factors affecting tax charge in the period</i> | | |
| | Profit/(Loss) on ordinary activities before taxation | 19,987,727 | (3,581,665) |
| | | <u>19,987,727</u> | <u>(3,581,665)</u> |
| | Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 50% (2008 – 50%) | 9,993,864 | (1,790,833) |
| | Expenses not deductible for tax purposes | 102,815 | 51,587 |
| | Income not taxable– waiver of group loans and reorganisation | (11,010,284) | - |
| | Capital allowances in excess of depreciation | (2,933,559) | (349,227) |
| | Ring fence expenditure supplement | (977,578) | (712,353) |
| | Unutilised taxation losses | 4,824,742 | 2,800,826 |
| | | <u>-</u> | <u>-</u> |
| | Current tax charge | - | - |
| | | <u>-</u> | <u>-</u> |

The Company has a net potential deferred tax asset at 31 December 2009 of £21.6 million (2008 £19.7 million) consisting of accumulated tax losses and accelerated capital allowances of £43.2m (2008 £39.4m). This asset has not been recognised as it is not certain that the Company will have sufficient taxable profits for these losses to be utilised in the foreseeable future.

The supplementary charge applicable to the company's oil and exploration activities is 20%. This charge is in addition to the standard rate of corporation tax that applies to oil and gas exploration activities in the UK of 30%. The potential deferred tax asset has therefore been calculated at 50%, the rate at which the deferred tax assets would potentially reverse in the future.

Viking UK Gas Limited

Notes to the financial statements
for the year ended 31 December 2009

8 TANGIBLE FIXED ASSETS

| | Gas exploration and development £ | Decomm- -issioning asset £ | Plant and machinery £ | Motor vehicles and equipment £ | Total £ |
|-------------------------------------|-----------------------------------------------|-------------------------------------|-----------------------------|--------------------------------------|------------|
| Cost | | | | | |
| At 1 January 2009 | 28,191,288 | 1,778,053 | 1,173,447 | 109,066 | 31,251,854 |
| Additions | 6,537,247 | - | - | - | 6,537,247 |
| At 31 December 2009 | 34,728,535 | 1,778,053 | 1,173,447 | 109,066 | 37,189,101 |
| Depreciation | | | | | |
| At 1 January 2009 | 28,191,288 | 1,778,053 | 1,173,447 | 70,841 | 31,213,629 |
| Reversal of impairment provision | (187,196) | - | - | - | (187,196) |
| Charge for the year | 1,187,999 | - | - | 18,806 | 1,206,805 |
| At 31 December 2009 | 29,192,091 | 1,778,053 | 1,173,447 | 89,647 | 32,233,238 |
| Net book value | | | | | |
| At 31 December 2009 | 5,536,444 | - | - | 19,419 | 5,555,863 |
| At 31 December 2008 | - | - | - | 38,225 | 38,225 |

The net book value of motor vehicles includes £8,551 (2008 £35,041) in respect of assets held under finance leases. The depreciation charge in respect of these assets was £7,412 (2008 £20,709).

9 STOCKS

| | 2009 £ | 2008 £ |
|---------------------------------|-----------|-----------|
| Spare parts | 139,672 | 119,102 |
| Tubulars and drilling equipment | 169,829 | 151,790 |
| | 309,501 | 270,892 |

10 DEBTORS amounts falling within one year

| | 2009 £ | 2008 £ |
|------------------------------------|-----------|-----------|
| Amounts owed by group companies | 409,484 | - |
| Prepayments and accrued income | 283,257 | 318,691 |
| Other debtors | 60,308 | 282,116 |
| | 753,049 | 600,807 |

Viking UK Gas Limited

Notes to the financial statements
for the year ended 31 December 2009

| | | | |
|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------------------|
| 11 | CREDITORS amounts falling due within one year | 2009 £ | 2008 £ |
| | Bank overdraft | - | 51 |
| | Trade creditors | 113,552 | 80,864 |
| | Amounts owed to group undertakings | 1,549,968 | 21,800,568 |
| | Obligations under finance leases | 7,446 | 20,881 |
| | Taxation and social security costs | 65,146 | 47,497 |
| | Other creditors | 9,053 | 10,119 |
| | Accruals and deferred income | 133,947 | 63,105 |
| | | <u>1,879,112</u> | <u>22,023,085</u> |
| 12 | CREDITORS amounts falling after more than one year due after more than one year | 2009 £ | 2008 £ |
| | Obligations under finance leases due in more than one but less than two years | - | 6,061 |
| | | <u>-</u> | <u>6,061</u> |
| 13 | PROVISIONS FOR LIABILITIES | 2009 £ | 2008 £ |
| | Decommissioning costs | 2,087,860 | 1,979,019 |
| | | <u>2,087,860</u> | <u>1,979,019</u> |
| | The provision for liabilities and charges relates to the decommissioning costs of the wellsites and other facilities | | |
| 14 | CALLED UP SHARE CAPITAL | 2009 £ | 2008 £ |
| | Authorised | | |
| | 11,600,000 ordinary shares of £1 each (2008 3,100,000) | 11,600,000 | 3,100,000 |
| | | <u>11,600,000</u> | <u>3,100,000</u> |
| | Allotted, issued and fully paid | | |
| | 11,600,000 ordinary share of £1 each (2008 3,100,000) | 11,600,000 | 3,100,000 |
| | | <u>11,600,000</u> | <u>3,100,000</u> |
| | On 26 May 2009, as part of the overall UK Energy System Limited group financial restructuring, the Company issued 8,500,000 ordinary shares of £1 each, at par, for cash consideration | | |
| 15 | STATEMENT OF MOVEMENTS ON RESERVES | | Profit and loss account £ |
| | Deficit at 1 January 2009 | | (31,726,529) |
| | Profit for the year | | 19,987,727 |
| | Deficit at 31 December 2009 | | <u>(11,738,802)</u> |

Viking UK Gas Limited

Notes to the financial statements
for the year ended 31 December 2009

| 16 | RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS | 2009 £ | 2008 £ |
|----|-------------------------------------------------------|--------------|--------------|
| | Profit/(loss) after tax for the year | 19,987,727 | (3,581,665) |
| | Net proceeds of issue of ordinary share capital | 8,500,000 | - |
| | Net change in shareholders' funds | 28,487,727 | (3,581,665) |
| | Deficit on shareholders' funds as at 31 December 2008 | (22,836,687) | (19,255,022) |
| | Shareholders' funds/(deficit) as at 31 December 2009 | 5,651,040 | (22,836,687) |

17 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

The Company is a member of a VAT group and the net potential liability under the group registration as of 31 December 2009 was £243,057 (2008 £113,605 recoverable)

18 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under Financial Reporting Standard No 8 not to disclose transactions between itself and other Group companies

19 ULTIMATE PARENT COMPANY

The Company's immediate parent company is Viking Petroleum UK Limited. The ultimate parent company is GBGH, LLC, a company incorporated in the United States of America.