Registered No 5119310

Directors' Report and Financial Statements

Scira Offshore Energy Limited

31 December 2009



Scira Offshore Energy Limited

Registered No 5119310

DIRECTORS
K M Aanstad
A S Lycke
H L Hatlestad
Haakon Alfstad
Elvind Jakob Torblaa
Bjorn Drangsholt

SECRETARY
Paul Fulton

AUDITOR
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DIRECTORS' REPORT

The directors present their report with the financial statements of the Company for the year ended 31 December 2009

RESULTS AND DIVIDENDS
The loss for the year after taxation was £1,924,413 (2008. £718,428) No dividends were declared or paid in the year ended 31 December 2009 (2008 £NIL)

PRINCIPAL ACTIVITIES
The principal activity of the Company in the year under review was that of a wind energy developer

REVIEW OF THE BUSINESS
The results for the year are satisfactory and in line with directors expectations

On the basis of current financial projections, available facilities and the continued financial support from the Company's shareholders in line with the shareholders agreement, we have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing the financial statements

The Company is currently involved with the Sheringham Shoal Offshore Wind Farm project which involves all activities related to planning and execution of the Sheringham Shoal Offshore Wind Farm This includes the design, procurement, construction, commissioning, start-up and operation of all offshore and onshore facilities The estimated investment in the project will be £850m

The Wind Farm is to be built between 17 and 23 kilometres (10 to 15 miles) off the coastline north of Sheringham and Cromer, on the border to international waters The diamond-shaped wind farm will cover about 35 square kilometres (13 square miles) There will be 88 wind turbines on foundations fixed to the seabed and two offshore substations generating an estimated 1 1 TWh annually (roughly equivalent to the annual energy consumption of 220,000 British homes)

Onshore the project has received the three planning permissions required to construct and operate the grid connection to join the wind farm to the electricity distribution network The planning permissions, granted by North Norfolk and the Broadland District Councils, are for a new substation adjacent to an existing facility at Salle, near Cawston and for the construction and operation of a 21 6 kilometre underground cable system between a landfall point at Weybourne, on the northern Norfolk coast and the new substation Initial works began in the spring of 2009

Offshore, the project has received Section 36 Consent from the Department for Business, Enterprise and Regulatory Reform and license from the Marine and Fisheries Agency under the Food and Environment Protection Act of 1985

Timetable for construction

2009 Start onshore installation
2010 Start offshore installation
2011 Start installation of turbines
2011 Project completed

PRINCIPAL RISKS AND UNCERTAINTIES
There are a number of risks that face the Company in the course of conducting its business operations Although not exhaustive, the following list highlights the principal issues

- Competitive Risks

This is the risk that the Company will not be competitive in the wind energy generation market and therefore lose its market share The Directors do not believe that the Company is exposed to competitive risk as the current site of the Sheringham Shoal Offshore Wind Farm project was awarded by the UK Government during the Round II allocation in 2004 The project has a 50 year lifespan Furthermore, the UK government is committed to the EU target that states that 20% of all energy should come from renewable energy (such as hydropower, waves and wind) by 2020

- Health and Safety

The nature of operations exposes the Company to a wide range of significant health, safety, security and environment (HSSE) risks Given the operational diversity and technical complexity of the project's daily operations, our potential HSSE risks cover a wide spectrum These risks include major process safety incidents, failure to comply with approved policies, effects of natural disasters, exposure to general operational hazards, personal health and safety, and crime The consequences of such risks materialising can be injuries, loss of life, environmental harm, disruption to business activities and, depending on their cause and severity, material damage to the Companies reputation The Company has programmes and policies in operation to supply team members and those with access to the Companies facilities with orientation and training on safe workplace expectations and practices There is no guarantee, however, that these practices are effectively performed in all circumstances

- Operational Risk

The Company has established a Risk Management Tool in order to increase the attention towards potential project development threats and opportunities It also provides a common platform to ensure identification, ownership and follow-up of risks at every level of the project thereby identifying events that hinder the achievement of performance objectives

- Liquidity Risks

Liquidity risk arises from the Company's management of working capital and is the risk that the Company will not be able to meet its financial obligations as they fall due Cash forecasts and plans are updated frequently and reviewed regularly by management and the Board The Company has short term borrowings with its joint owners discussed in detail in note 9 of the financial statements The shareholders are committed to jointly provide finance necessary for the Company to meet the capital expenditure and operating expenditure needs of the company in accordance with their approved business plan and budget It is possible (although highly unlikely) that either Statkraft AS or Statoil ASA may not be able to meet their financial or other obligations to the projects, threatening the viability of a given project

DIRECTORS

The directors during the year ended 31 December 2009 were as follows

A B van der Hem (Resigned 30 September 2009)
J A Roos (Resigned 30 September 2009)
K M Aanstad (Appointed on 30 May 2007)
A S Lycke (Appointed on 30 May 2007)
H L Hatlestad (Appointed 04 December 2009)
Haakon Alfstad (Appointed on 31 March 2009)
Elvind Jakob Torblaa (Appointed on 31 March 2009)
Bjorn Drangsholt (Appointed on 31 March 2009)

DIRECTORS' REPORT

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors who were members of the board at the time of approving the directors' report are listed on page 1 Having made inquiries of fellow directors and of the Company's auditors, each of these directors confirms that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information

AUDITORS

A resolution to reappoint Ernst & Young LLP as auditors will be placed before the members at the Annual General Meeting

On behalf of the board

K M Aanstad - Director

26/3 2010

Date

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year, 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 accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

The directors confirm that they have complied with these requirements, and having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the financial statements

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCIRA OFFSHORE ENERGY LIMITED

We have audited the financial statements of Scira Offshore Energy Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet, Cash Flow Statement and the related notes 1 to 16 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 explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on 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 its loss 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCIRA OFFSHORE ENERGY LIMITED

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' 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, 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

For and on behalf of Ernst & Young LLP, Registered Auditor

London

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2009	*Notes*	*2009* *£*	*2008* *£*
TURNOVER		-	-
ADMINISTRATION EXPENSES		(1,944,429)	(767,278)
OPERATING LOSS	3	(1,944,429)	(767,278)
Interest receivable and similar income	4	64,681	64,985
Interest payable and similar charges	5	(25,761)	(61)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,905,509)	(702,354)
Tax charge on profit on ordinary activities	6	(18,904)	(16,074)
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		(1,924,413)	(718,428)

None of the company's activities were acquired or discontinued during the current year or previous period

There are no recognised gains or losses attributable to the shareholders of the company other than the loss of £1,924,413 for the year ended 31 December 2009 (2008 £718,428)

Movements on reserves are set out in note 11

Notes 1 to 16 form part of these financial statements

BALANCE SHEET
at 31 December 2009

	Notes	2009 £	2008 £
FIXED ASSETS			
Intangible fixed assets	7.1	-	74,067,287
Tangible fixed assets	7.2	236,691,997	-
		236,691,997	74,067,287
CURRENT ASSETS			
Debtors	8	17,950,484	100,077
Cash at bank and in hand		110,798,666	3,537,223
		128,749,150	3,637,300
CREDITORS: Amounts falling due within one year	9	(237,469,509)	(67,681,940)
NET CURRENT LIABILITIES		(108,720,359)	(64,044,640)
NET ASSETS		127,971,638	10,022,647
CAPITAL AND RESERVES			
Called up share capital	10	138,122,826	18,249,422
Share premium account	11	999,800	999,800
Profit and loss account	11	(11,150,988)	(9,226,575)
EQUITY SHAREHOLDER'S FUNDS		127,971,638	10,022,647

Notes 1 to 16 form part of these financial statements

The financial statements of Scira Offshore Energy Limited were approved for issue by the Board of Directors on

26/3 2010

K Aanstad - Director

CASH FLOW STATEMENT
at 31 December 2009

	Notes	2009 £	2008 £
Net cash (outflow)/inflow from operating activities	15.1	(8,056,631)	65,273,171
Returns on investments and servicing of finance			
Interest received		64,681	64,985
Interest paid		(237,269)	(61)
Taxation			
Corporation tax paid		(28,119)	(12,359)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(162,413,204)	(74,067,287)
Assets under construction prepayment		(10,984,195)	-
Net cash outflow before management of liquid resources and financing		(181,654,736)	(8,741,550)
Management of liquid resources			
(Increase)/decrease in short-term deposits		(573,462)	15,885
Financing			
Issue of ordinary share capital		119,873,404	18,248,222
Long-term loans received/(repaid)	15.2	169,616,237	(7,800,000)
Increase in cash		107,261,442	1,722,556

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2009

1. ACCOUNTING POLICIES
The principal accounting policies are summarised below They have all been applied consistently throughout the year

Basis of preparation

The financial statements are prepared under the historical cost accounting convention in accordance with applicable UK accounting standards On the basis of current financial projections, available facilities and the continued financial support from the Company's shareholders in line with the shareholders agreement, we have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing the financial statements Risks in relation to liquidity and financing are contained in the Directors Report and note 16 in the financial statements Details of the Company's financing facilities are contained in note 9

Cash flow statement

For the prior year the company elected not to prepare a cash flow statement as its parent undertaking, Statoil ASA, controlled more than 90% of the voting rights and prepared group financial statements which included the results of the company for the period and a cash flow statement (Financial Reporting Standard No 1 - revised 1996) The Company become a jointly controlled entity on 31 March 2009, and as a result the Company prepared a Cash Flow Statement for the year ended 31 December 2009

Wind farm development costs

All development costs are initially capitalised as intangible pending determination by the company of commercial viability Intangible assets are carried forward until they are declared part of commercial development, at which point the relevant total cost is transferred to the relevant tangible cost pool The company undertakes a review for impairment of the costs capitalised if events or changes in circumstances indicate that the carrying amount of the development costs may not be recoverable To the extent that the carrying amount exceeds the recoverable amount that is the higher of net realisable value and value in use, the development costs are written down to their recoverable amount

Taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax in the future Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is more likely than not Current tax is provided at amounts to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date Where losses are surrendered from fellow group undertakings they are paid in full

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at the balance sheet date All differences are taken to the profit and loss account

Research and development

Research expenditure is written off as incurred Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects In such cases, the identifiable expenditure is deferred and expensed over the period during which the Group is expected to benefit Provision is made for any impairment

Capitalisation of interest

In accordance with FRS 15 Tangible fixed assets, all borrowing costs that are directly attributable to the construction of the wind farm are capitalised subject to the provision that the total amount of interest capitalised does not exceed the total finance cost for the period

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2009 (continued)

1. ACCOUNTING POLICIES (continued)

Derivative financial instruments
Derivative financial instruments, including separated embedded derivates are classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract Derivate financial instruments held for trading are measured at fair value and any gains or losses are recognised in the income statement

2. STAFF COST

There were no staff costs for the year ended 31 December 2009 or for the year ended 31 December 2008

The company has no employees The directors did not receive, nor were due, any remuneration in respect of their services to the company in either year

3. OPERATING LOSS

	2009	*2008*
	£	*£*
The operating loss is stated after charging		
Auditors' remuneration	10,000	10,000
Development costs	1,934,429	757,278
	1,944,429	767,278

4. INTEREST RECEIVABLE AND SIMILAR INCOME

Bank interest receivable	64,681	64,985
	64,681	64,985

5. INTEREST PAYABLE AND SIMILAR CHARGES

Miscellaneous interest payable	1,150	61
Barrowing cost on short term credit facility agreement	24,611	-
	25,761	61

6. TAX ON LOSS ON ORDINARY ACTIVITIES

a) Tax on loss on ordinary activities

Current tax		
Corporation tax on income for the period at 28% (2008 - 28 5%)	18,111	16,074
Corporation tax under provided in previous years	793	-
Total current tax (note 10 b)	18,904	16,074

b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28% (2008 – 28 5%) The differences are reconciled below

Loss on ordinary activities before tax	(1,905,509)	(702,353)

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2009 (continued)

6. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)	*2009* £	*2008* £
Profit on ordinary activities multiplied by standard rate of corporation		
Tax in the UK of 28% (2008 – 28 5%)	(533,543)	(200,171)
Pre-trading expenses	551,653	216,245
Corporation tax under provided in previous years	793	-
Total current tax (note 10 a)	18,904	16,074

A deferred tax asset of £551,653 relating to trading expenditure not yet deductible has not been recognised as the entity has not yet started earning income from its activities but will recognise it in the future once profits become available

7. FIXED ASSETS	*Fixed assets under development 2009* £	*Fixed assets under development 2008* £
7.1 Intangible fixed assets·		
Cost at 1 January	74,067,287	74,067,287
Transferred to tangible fixed assets	(74,067,287)	-
Cost at 31 December	-	74,067,287
Net book value 31 December	-	74,067,287
7 2 Tangible fixed assets		
Transferred from intangible fixed assets	74,067,287	-
Additions	162,413,204	-
Borrowing cost capitalised	211,507	-
At 31 December 2009	236,691,997	-
Net book value 31 December	236,691,997	-

8. DEBTORS	*2009* £	*2008* £
Amounts falling due within one year		
VAT	6,357,295	97,457
Prepayments	10,984,195	-
Deposits	576,082	2,620
Amount due from group undertakings	32,912	-
	17,950,484	100,077

9. CREDITORS		
9 1 Amounts falling due within one year		
Accruals	31,281,631	4,705,168
Amount due to group undertakings	1,478,274	62,876,411
Taxation	8,511	17,726
Trade creditors	35,084,856	82,636
Shareholders loan - Statoil ASA	84,808,118	-
Shareholders loan - Statkraft AS	84,808,118	-
	237,469,509	67,681,941

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2009 (continued)

9. CREDITORS (continued)

On 24 June 2009 the Company entered into a Short Term Credit Facility Agreement (STCFA) with Statoil ASA and Statkraft AS According to the terms of the STCFA, the Company can borrow an amount of up to £200m from its lenders Statoil ASA and Statkraft AS The total outstanding amount (including capitalised interest) at 31 Dec 2009 was £169,616,237 On the 1st March 2010 a new £400m STCFA replaced the current STCFA which comes to an end on 1 March 2010

Details of the STCFA are as follows

Facility Start Date	01 Jul 2009
Facility End Date	31 Mar 2010
Interest Rate	The aggregate of (i) The Margin, and (ii) One month London Inter Bank Offered Rate ("LIBOR") for GBP, as published by British Bankers Association (BBA) and displayed by REUTERS at or about 11 00 a m European Middle Time, set two working days before the start of the interest period
Margin	0,5 % p a
Interest Period	1 month, starting on disbursement date of the first advance

Borrowing cost for the year associated with the above facility was £236,118 44 A total of £211,507 17 was capitalised to tangible fixed assets

10. SHARE CAPITAL	*Authorised*		*Allotted, called up and fully paid*	
	2009	*2008*	*2009*	*2008*
	No.	*No*	*£*	*£*
Ordinary shares of £1 each	250,000,000	20,000,000	138,122,826	18,249,422
	250,000,000	20,000,000	138,122,826	18,249,422

During the year, the authorised share capital of the company was increased by £230,000,000 following the creation of 119,873,404 ordinary shares of £1 each

11. RESERVES	*Profit & loss account*	*Share Premium Account*	*Total*
	£	*£*	*£*
At 1 January 2008	(8,508,147)	999,800	(7,508,347)
Loss for the year	(718,428)	-	(718,428)
At 31 December 2008	(9,226,575)	999,800	(8,226,775)
Loss for the year	(1,924,413)	-	(1,924,413)
At 31 December 2009	(11,150,988)	999,800	(10,151,188)

12. SHAREHOLDING

On 1 January 2009, the entire share capital of Scira Offshore Energy Limited was owned by Statoil Petroleum AS, a subsidiary of Statoil ASA

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2009 (continued)

12. SHAREHOLDING (continued)

On 25 March 2009 62,662,562 additional shares were allotted to Statoil Petroleum AS Limited in respect of capitalisation of intra-group loans which increased the issued share capital to 80,911,984

On 31 March 2009 40,455,992 (50% of the issued share capital) were transferred by Statoil Petroleum AS Limited to Statkraft UK Limited

On 14 May 2009 Statoil Petroleum AS Limited and Statkraft UK Limited were allotted additional shares in equal proportions, in the aggregate number of 50,460,166 which further increased issued share capital following the allotment to

On 9 June 2009 Statoil Petroleum AS Limited and Statkraft UK Limited were allotted additional shares in equal proportions, in the aggregate number of 6,750,676 The issued share capital as at 22 June 2009 was 138,122,826 There were no other movements for the year

	Statoil Petroleum AS	Statkraft UK Limited	Share Capital
01/01/2009	18,249,422	-	18,249,422
25/03/2009	62,662,562	-	80,911,984
31/03/2009	(40,455,992)	40,455,992	80,911,984
14/05/2009	25,230,083	25,230,083	131,372,150
09/06/2009	3,375,338	3,375,338	138,122,826
31/12/2009	69,061,413	69,061,413	

13. RELATED PARTY DISCLOSURES

During the year the Company entered into transactions, in the ordinary course of business, with other related parties Transactions entered into and balances outstanding at 31 December are as follows

	Sales to related party £	Purchases from related party £	Amounts owed from related party £	Amounts owed to related party £
Statoil ASA				
- 2009	-	67,270,465	28,822	86,298,430
- 2008	-	956,685	-	-
Statoil Petroleum AS				
- 2009	-	41,550,080	-	-
- 2008	-	6,306,937	-	-
Statoil (UK) Limited				
- 2009	-	99,284	4,090	5,635
- 2008	-	24,210	-	2,677
Ecoventures BV				
- 2009	-	-	-	-
- 2008	-	44,721	-	-
Statkraft AS				
- 2009	-	-	-	84,808,118
- 2008	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2009 (continued)

13. RELATED PARTY DISCLOSURES (continued)

Statoil Petroleum AS is a wholly owned subsidiary of Statoil ASA During the year both Statoil Petroleum AS and Statoil ASA entered into various contracts on behalf of the Company At 31 December 2009, an amount of £1,490,311 was owed to Statoil ASA (2008 Nil) while the Company was owned £28,822 (2008 Nil) for taxation consulting services by Statoil ASA No mounts owed to or from Statoil Petroleum Limited at 31 December 2009 (2008 Nil)

As per note 9, £84,808,118 (2008 nil) was respectively owed to Statkraft UK Limited (a wholly owned subsidiary of Statkraft AS) and Statoil ASA

Statoil (UK) Limited provides manpower services to the Company During the year these services amounted to £99,284 of which £5,635 was outstanding (2008 £2,677) at 31 December 2009. The Company doesn't provide any services to Statoil (UK) Limited but a correction resulted that at 31 December 2009 an amount of £4,090 (2008 Nil) was owed to the Company by Statoil (UK) Limited

Ecoventures BV was a shareholder in the Company until 30 September 2008 and there were no purchases or outstanding amounts owed to or from Ecoventures BV during the current year (purchases 2008 £44,721)

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS	*2009* £	*2008* £
Loss for the financial year	(1,924,413)	(718,428)
Increase in share capital	119,873,404	18,248,222
Opening shareholder's funds / (deficit)	10,022,647	(7,507,147)
Closing shareholder's funds	127,971,638	10,022,647
Equity interests	127,971,638	10,022,647

15. NOTES TO THE STATEMENT OF CASH FLOWS

15.1 Reconciliation of operating profit to net cash inflow from operating activities

Operating loss	(1,944,429)	(767,278)
Increase in provision for audit fee accrual	10,000	10,000
Increase in debtors	(6,293,533)	(8,449)
Increase in creditors	171,331	66,038,898
Net cash (outflow)/inflow from operating activities	(8,056,631)	65,273,171

15.2 Analysis of net debt.

Cash at bank and in hand at 1 January	3,537,223	1,952,200
Increase in Cash at bank and in hand	107,261,443	1,585,023
Cash at bank and in hand at 31 December	110,798,666	3,537,223
Loans at 1 January	-	(7,800,000)
(Increase)/decrease in Loans	169,616,237	7,800,000
Loans at 31 December	(169,616,237)	-
Net debt at 1 January	3,537,223	(5,847,800)
Cash Flow	276,877,680	9,385,023
Net debt at 31 December	(58,817,571)	3,537,223

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2009 (continued)

	2009	*2008*
	£	*£*
15.3 Reconciliation of net cash flow to movement in net debt:		
Increase in cash	107,261,443	1,722,556
Cash (inflow)/outflow in loans	(169,616,237)	7,800,000
Change in net debt resulting from cash flows	(62,354,794)	9,522,556
Net debt at 1 January	3,537,223	(5,985,333)
Net debt at 31 December	(58,817,571)	3,537,223

16. FINANCIAL INSTRUMENTS

The Company's financial instruments principally comprised of the STCFA (refer to note 9 1) The main purpose of financial instruments, where the Company has had them, is to provide finance for the Company's operations

Financial assets and liabilities
The Company's policy is to ensure that adequate cash or intercompany funding is available The Company does not trade in financial instruments and has not entered into any derivative transactions

Liquidity risks
Liquidity risk arises from the Company's management of working capital and is the risk that the Company will not be able to meet its financial obligations as they fall due Cash forecasts and plans are updated frequently and reviewed regularly by management and the Board The Company has short term borrowings with its ultimate parent company All loans are repayable on demand

Interest rate risk profile of financial assets

Cash at bank, where it exists, earns interest at floating rates related to the published rate of the bank The intercompany loans and receivables are non-interest bearing financial liabilities and assets

Credit risk
Cash and treasury credit risks, where the Company has available funds to deposit, are mitigated through the exclusive use of institutions that carry acceptable published credit ratings so as to minimise counterparty risk All intercompany borrowings are non-interest bearing and are repayable on demand The STCFA is guaranteed by the Company's ultimate parent Statoil ASA

Capital Management
The Company's capital is managed on a joint basis by the management of the Company The Company monitors it's funding requirements biannually in order to evaluate the adequacy for any future requirements