

# REGISTRAR'S COPY

**COMPANY**

**NUMBER: 3080778**

**Cirque Energy (UK) Limited**  
Report and Financial Statements

Year Ended  
31 December 2003



**BDO**

BDO Stoy Hayward  
Chartered Accountants

**Cirque Energy (UK) Limited**

**Annual report and financial statements for the year ended 31 December 2003**

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Directors

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**Directors**

J Alston  
S Bushell  
T Lindquist  
B Murray

**Secretary and registered office**

S Bushell, Green Acre Cottage, Shoreditch, Somerset, TA3 7BL

**Company number**

3080778

**Auditors**

BDO Stoy Hayward LLP, Kings Wharf, 20-30 Kings Road, Reading, Berkshire, RG1 3EX

**Bankers**

National Westminster Bank Plc, 49 North Street, Taunton, Somerset, TA1 1NB

## **Cirque Energy (UK) Limited**

### **Report of the directors for the year ended 31 December 2003**

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The directors present their report together with the audited financial statements for the year ended 31 December 2003.

#### **Results and dividends**

The profit and loss account is set out on page 5 and shows the result for the year.

The directors do not propose a dividend for the year (2002 - £Nil).

#### **Principal activities**

The principal activity of the company in the year was that of oil exploration and production.

#### **Directors**

The directors of the company during the year were:

S Bushell	
J Alston	(appointed 4 September 2003)
T Lindquist	(appointed 4 September 2003)
B Murray	(appointed 4 September 2003)
W Wilson	(resigned 4 September 2003)
J Luhowy	(resigned 4 September 2003)
K MacRitchie	(resigned 4 September 2003)

No director had any beneficial interest in the issued share capital of the company. The directors' interests in the ultimate parent company are disclosed in its financial statements.

#### **Directors' responsibilities**

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 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 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.

**Cirque Energy (UK) Limited**

**Report of the directors for the year ended 31 December 2003 (Continued)**

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**Auditors**

Subsequent to the resignation of KPMG LLP, BDO Stoy Hayward LLP were appointed as auditors. A resolution to reappoint them as auditors will be proposed at the next annual general meeting.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

**By order of the Board**



S Bushell  
Secretary

Date 30<sup>th</sup> July 2005

## **Cirque Energy (UK) Limited**

### **Report of the independent auditors**

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#### **To the shareholders of Cirque Energy (UK) Limited**

We have audited the financial statements of Cirque Energy (UK) Limited for the year ended 31 December 2003 on pages 5 to 12 which have been prepared under the accounting policies set out on page 7.

#### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 transactions with the company 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *Basis of audit opinion*

We conducted our audit in accordance with United Kingdom Auditing Standards 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 judgements 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.

#### *Going concern*

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the reliance on the company's ultimate parent company for continued financial support. In view of the significance of the uncertainty inherent in this matter, we consider that it should be brought to your attention but our opinion is not qualified in this respect.

**Cirque Energy (UK) Limited**

**Report of the independent auditors (Continued)**

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*Opinion*

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*BDO Stoy Hayward LLP*

**BDO STOY HAYWARD LLP**

*Chartered Accountants  
and Registered Auditors*  
Reading

Date *20 July 2005*

Cirque Energy (UK) Limited

Profit and loss account for the year ended 31 December 2003

	Note	2003 £	2002 £
<b>Turnover</b>	2	-	66,834
Cost of sales		<u>82,996</u>	<u>86,005</u>
<b>Gross loss</b>		<b>(82,996)</b>	<b>(19,171)</b>
Administrative expenses	3	<u>(22,776)</u>	<u>205,106</u>
<b>Operating loss</b>	5	<b>(60,220)</b>	<b>(224,277)</b>
<i>Interest receivable and similar income</i>		<b>553</b>	10,357
Interest payable and similar charges	6	<u>(904)</u>	<u>(1,310)</u>
<b>Loss on ordinary activities before and after taxation and amount transferred to reserves</b>	13	<b>(60,571)</b>	<b>(215,230)</b>

There are no movements in shareholders funds other than the accumulated loss for the year.

All amounts relate to continuing activities.

There were no recognised gains or losses for the current and prior year other than as shown above.

The notes on pages 7 to 12 form part of these financial statements.

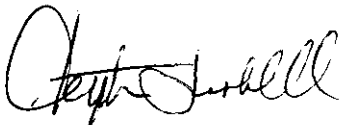
**Cirque Energy (UK) Limited**

**Balance sheet at 31 December 2003**

	Note	2003 £	2003 £	2002 £	2002 £
<b>Fixed assets</b>					
Intangible assets	8		100,000		100,000
<b>Current assets</b>					
Debtors	9	177,190		119,465	
Cash at bank and in hand		36,004		126,525	
		213,194		245,990	
<b>Creditors: amounts falling due within one year</b>	10	3,014,876		2,892,300	
<b>Net current liabilities</b>			(2,801,682)		(2,646,310)
<b>Total assets less current liabilities</b>			(2,701,684)		(2,546,310)
<b>Provision for liabilities and charges</b>	11		70,925		165,726
<b>Net liabilities</b>			(2,772,607)		(2,712,036)
<b>Capital and reserves</b>					
Called up share capital	12		2		2
Profit and loss account	13		(2,772,609)		(2,712,038)
<b>Shareholders' deficit</b>			(2,772,607)		(2,712,036)

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on 20 July 2005.



S Bushell  
Director

The notes on pages 7 to 12 form part of these financial statements.



**1 Accounting policies**

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

The following principal accounting policies have been applied:

*Turnover*

Turnover represents total amount receivable by the company for goods supplied and services provided to outside customers at invoiced amounts less value added tax and trade discounts.

*Going Concern*

The directors are of the opinion that the company has adequate resources to continue in operational existence for the foreseeable future, being not less than one year from the approval of these financial statements. Purcell Energy Limited, the ultimate parent company has undertaken to continue to give such financial support as the company requires to enable it to continue to trade in the foreseeable future. For this reason the directors have adopted the going concern basis in preparing the financial statements.

*Oil exploration and development costs*

Oil exploration and development activities are accounted for in accordance with the full cost method. Expenditures are capitalised, to the extent that they relate directly to the cost of exploration and development.

Capitalised expenditures are classified as an intangible asset and are stated at cost less provision for impairment.

*Foreign currency*

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Any differences are taken to the profit and loss account.

*Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are discounted.

**Cirque Energy (UK) Limited**

**Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)**

**2 Turnover**

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

**3 Administrative expenses**

Included within administrative expenses is an exceptional credit of £124,980 (2003 - £165,726 debit). The cost in the prior year of £165,726 relates to clean up costs associated with an oil leak at the Fiskerton site. The credit of £124,980 this year relates to the income received from the company's insurance policy, in respect of the clean up costs provided for in the prior year.

**4 Directors and employees**

The company had no employees other than the directors who were not paid any emoluments by the company during the year (2002 - £Nil), other than as disclosed in note 14.

**5 Operating loss**

	2003	2002
	£	£
This has been arrived at after charging:		
Auditors' remuneration – audit services	6,000	6,000
– non audit services	4,000	4,000
Provision for impairment of intangible fixed assets	27,651	15,433
	<u>37,651</u>	<u>25,433</u>

**6 Interest payable and similar charges**

	2003	2002
	£	£
Foreign exchange loss	904	-
Bank interest	-	1,310
	<u>904</u>	<u>1,310</u>

**Cirque Energy (UK) Limited**

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

**7 Taxation on loss on ordinary activities**

	2003 £	2002 £
<i>UK corporation tax</i>		
Current tax	-	-
Deferred tax	-	-
	<hr/>	<hr/>
Taxation on loss on ordinary activities	-	-
	<hr/> <hr/>	<hr/> <hr/>

The tax accrued for the period differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2003 £	2003 £
Loss on ordinary activities before tax	(60,571)	(215,230)
	<hr/>	<hr/>
Loss on ordinary activities at the standard rate of Corporation tax in the UK of 30% (2002 – 30%)	(18,171)	(64,569)
Effect of:		
Expenses not deductible for tax purposes	11,861	-
Capital allowances in excess of depreciation	(42,522)	(30,000)
Trading losses carried forward	48,832	94,569
	<hr/>	<hr/>
Current tax charge for the year	-	-
	<hr/> <hr/>	<hr/> <hr/>

*Factors which may affect future tax charges*

At 31 December 2003 the company had tax losses of £2,181,896 (2002 - £2,019,475) to be carried forward subject to the approval of the Inland Revenue.

**Cirque Energy (UK) Limited**

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

**8 Intangible assets**

	<b>Exploration costs £</b>
<i>Cost</i>	
At 1 January 2003	3,927,378
Additions	27,651
	<hr/>
At 31 December 2003	<b>3,955,029</b>
	<hr/>
<i>Amortisation</i>	
At 1 January 2003	3,827,378
Provision for impairment	27,651
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At 31 December 2003	<b>3,855,029</b>
	<hr/>
<i>Net book value</i>	
At 31 December 2003	<b>100,000</b>
	<hr/> <hr/>
At 31 December 2002	<b>100,000</b>
	<hr/> <hr/>

**9 Debtors**

	2003 £	2002 £
Other debtors	177,190	119,465
	<hr/>	<hr/>

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

	2003 £	2002 £
Trade creditors	21,066	35,145
Amounts owed to group undertakings	2,961,838	2,847,155
Accruals	31,972	10,000
	<hr/>	<hr/>
	<b>3,014,876</b>	<b>2,892,300</b>
	<hr/> <hr/>	<hr/> <hr/>

**Cirque Energy (UK) Limited**

Notes forming part of the financial statements for the year ended 31 December 2003 *(Continued)*

**11 Provisions for liabilities and charges**

	Site Restoration £	Oil spill clean up £	Total £
Balance at 1 January 2003	-	165,726	165,726
Addition in year	16,648	54,277	70,925
Utilised in year	-	(165,726)	(165,726)
	<u>16,648</u>	<u>54,277</u>	<u>70,925</u>
Balance at 31 December 2003	<u><u>16,648</u></u>	<u><u>54,277</u></u>	<u><u>70,925</u></u>

In September 2002, there was a rupture in the Fiskerton pipeline resulting in a leak. A provision was booked in the prior year using the directors' best estimate of the necessary clean up costs. In 2003 clean up costs were recoverable through the company's Environmental Insurance policy.

**12 Share capital**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
<i>Authorised</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
<i>Allotted, issued and fully paid</i>		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

**13 Profit and loss account**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
At 1 January 2003	(2,712,038)	(2,496,808)
Accumulated loss for year	(60,571)	(215,230)
	<u>(2,772,609)</u>	<u>(2,712,038)</u>
At 31 December 2003	<u><u>(2,772,609)</u></u>	<u><u>(2,712,038)</u></u>

## **Cirque Energy (UK) Limited**

Notes forming part of the financial statements for the year ended 31 December 2003 *(Continued)*

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### **14 Related party transactions**

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related Party Transactions" not to disclose transactions with members of the group headed by Purcell Energy Limited on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company.

During the year, payments of £56,675 (2002 - £60,032) were made in respect of directors' services to Steve Bushell Limited, a company owned by Steve Bushell, a director of the company.

At the end of the year there was a balance of £130 (2002 - £9,523) outstanding from Transanglia Hydrocarbon Exploration Limited, a company owned by Steve Bushell. During the year, recharges with a value of £Nil (2002 - £9,523) were made to that company.

### **15 Ultimate parent company**

At 31 December 2003 the company's ultimate parent company was Purcell Energy Limited, incorporated in Canada which is the parent of the largest group of which the company is a member.

Copies of the consolidated financial statements of Purcell Energy Limited are available from c/o Purcell Energy Limited, Suite 2810, 605 – 5<sup>th</sup> Avenue SW, Fifth and Fifth Tower, Calgary, Alberta, T2P 3H5, Canada.