

Company Registration No. 3084447

PETRO-CANADA ENERGY NORTH SEA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

THURSDAY



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PETRO-CANADA ENERGY NORTH SEA LIMITED

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PETRO-CANADA ENERGY NORTH SEA LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2010. The directors' report has been prepared in accordance with the special provisions relating to small companies under section 415 (A) of the Companies Act 2006.

Principal activities

The Company has no trading activities and only generates income from a loan to its parent company, Suncor Energy UK Limited (formerly known as Petro-Canada UK Limited).

Business review

As this Company sold its main asset to Petro-Canada UK Limited on 1 January 2005, there have been no transactions other than inter-company interest receipts on two loans and the related tax thereon. At the balance sheet date, the amount of £100.00 million plus accrued interest remains outstanding on such loans.

Future developments

Petro-Canada UK Limited intends to repay the remaining loan in four equal annual instalments. A repayment was made in January 2010 and the next repayment is due in January 2011, however, it may be decided to bring forward the two final instalments as the ultimate shareholder, Suncor Energy Inc., has indicated a desire to wind up the Company in 2011. The directors have assessed and concluded that all the existing balances will be recovered at book value.

Results and dividends

The profit for the year after taxation amounted to £4.8 million (2009 – £6.0 million).

The Company has paid dividends of £9.5 million (2009 – £45.5 million).

Directors and their interests

The directors who served during the year and subsequently were

N. A. Maden	(British)	Resigned 30 November 2010
G. J. Carrick	(Canadian)	Resigned 7 January 2010
J. A. Scrimgeour	(British)	Resigned 31 March 2011
H. J. van Driel	(Dutch)	Resigned 31 August 2010
J. D. Serna	(British)	Resigned 30 March 2011
K. R. Russell	(British)	Appointed 19 February 2011
R. A. Davie	(British)	Appointed 16 November 2010

The directors who held office at the end of the financial year do not have any interests in the shares of the Company or any other UK company, nor received any remuneration from the Company.

Going Concern

The Company's business activities, together with the factors likely to affect its future development and performance, are set out above.

The Company relies upon its parent, Suncor Energy UK Limited, to repay the intercompany loan. The directors of the Company (who are also directors of Suncor Energy UK Limited) are satisfied that the Company's counterparty is in a strong financial position and that these receivables are fully recoverable.

PETRO-CANADA ENERGY NORTH SEA LIMITED

DIRECTORS' REPORT (CONTINUED)

Charitable and political contributions

The Company did not make any charitable or political contributions

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 (1) to (4) of the Companies Act 2006

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the annual general meeting

ON BEHALF OF THE BOARD



R A Davie
Director

23 September 2011

PETRO-CANADA ENERGY NORTH SEA LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

PETRO-CANADA ENERGY NORTH SEA LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PETRO-CANADA ENERGY NORTH SEA LIMITED

We have audited the financial statements of Petro-Canada Energy North Sea Limited for the year ended 31 December 2010 which comprise Profit and Loss Account, the Balance Sheet and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

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 2010 and of its results 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 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.



Kevin Reynard (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen

28 September 2011

PETRO-CANADA ENERGY NORTH SEA LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	2010 £000	2009 £000
Administrative expenses		(12)	(11)
Operating loss		(12)	(11)
Interest receivable and similar income	3	5,942	7,833
Profit on ordinary activities before taxation		5,930	7,822
Tax charge on profit before ordinary activities	4	(1,140)	(1,837)
Profit for the financial year		4,790	5,985
Dividends paid	9	(9,500)	(45,500)
Loss after dividends and taxes		(4,710)	(39,515)

There are no recognised gains and losses during the year other than the profit for the year. Accordingly, a statement of total recognised gains and losses is not presented.

The Company's results are all derived from continuing activities.

There is no difference between the profit on ordinary activities before taxation and the profit for the financial years stated above, and their historical cost equivalents.

PETRO-CANADA ENERGY NORTH SEA LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2010**

	Notes	2010 £000	2009 £000
Current assets			
Debtors			
- due within one year	6	35,800	41,716
- due after one year	6	100,000	100,000
		<u>135,800</u>	<u>141,716</u>
Creditors: amounts falling due within one year	7	<u>(12)</u>	<u>(1,218)</u>
Net current assets		<u>135,788</u>	<u>140,498</u>
Total assets less current liabilities		<u>135,788</u>	<u>140,498</u>
Capital and reserves			
Called up share capital	8	1,279	1,279
Share premium account	9	129,715	129,715
Profit and loss account	9	4,794	9,504
Total shareholder's funds	9	<u>135,788</u>	<u>140,498</u>

The financial statement on pages 6 to 12 were approved by the Board of Directors on 23 September 2011 and were signed on its behalf by



**R A Davie
Director**

Company Number 3084447

PETRO-CANADA ENERGY NORTH SEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below

(a) Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

Under the provisions of FRS 1 (Revised 1996) "Cash flow statements", the Company has not presented a cash flow statement because it is a wholly owned subsidiary of Suncor Energy UK Limited which itself is a wholly owned subsidiary of Suncor Energy Inc, incorporated in Canada. The consolidated accounts of Suncor Energy Inc are publicly available

(b) 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 substantively enacted by the balance sheet date

Tax losses are surrendered or claimed in the form of group relief with consideration being received or paid accordingly. The group relief amount is recorded separately within the debtors and creditors amounts in the balance sheet as appropriate and is calculated by applying the tax rate enacted or substantively enacted at the balance sheet date to the loss amount

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 accounts that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the accounts

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 substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

(c) Foreign currencies

Transactions in foreign currencies are recorded at the relevant rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account

d) Interest receivable and payable

Interest arising is charged or credited to the profit and loss account in the year in which it is payable or receivable

PETRO-CANADA ENERGY NORTH SEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2010 (continued)

2. Administration costs

The Company had no employees in 2010 (2009 – nil)

The directors received no remuneration for services to the Company during either year

Five directors exercised stock options in the ultimate parent company during 2010 (2009 two)

Auditors' remuneration

	2010	2009
	£000	£000
The analysis of the auditors' remuneration in respect of the Company is as follows		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	12	11

There were no fees payable for other services in either year

3. Interest receivable and similar income

	2010	2009
	£000	£000
Interest received and receivable from group undertakings	5,942	7,833

PETRO-CANADA ENERGY NORTH SEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2010 (continued)

4 Tax charge on profit on ordinary activities

(a) Analysis of tax charge in the year

	2010	2009
	£000	£000
Current tax		
UK corporation tax for current year	1,660	2,191
Adjustment in respect of prior years	(520)	(354)
Total tax charge on profit on ordinary activities	1,140	1,837

(b) Reconciliation of current tax charge in the year

	2010	2009
	£000	£000
Profit on ordinary activities before tax	5,930	7,822
Tax at 28.0% (2009 28.0%)	1,660	2,191
Effects of Adjustment in respect of prior years	(520)	(354)
Current tax charge for the year	1,140	1,837

There was no deferred tax at either balance sheet date

Factors affecting current and future tax changes

The UK substantively enacted on 20 July 2010 an amendment to the corporation tax rate from 28% to 27% that was and that would be effective from 1 April 2011

Further reductions to the UK corporation tax rate were announced in the March 2011 Budget. The changes propose to reduce the corporation tax rate to 26% on 1 April 2011 and reduce the rate by 1% per annum thereafter to 24% by 1 April 2014. The reduction of the main corporation tax rate to 25% was substantively enacted on 29 March 2011.

The changes to the tax rates do not have a material impact on these financial statements

5. Dividends paid

The Company paid dividends of £9.5 million (2009 £45.5 million) representing £40.50 (2009 £193.96) per equity share during the year to its immediate parent company, Suncor Energy UK Limited.

PETRO-CANADA ENERGY NORTH SEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2010 (continued)

6. Debtors

	2010 £000	2009 £000
Amounts falling due within one year		
Amounts owed by parent undertaking	5,526	40,680
Amounts owed by group undertakings		
- internal clearing cash account	30,147	1,036
Corporation Tax	127	-
	35,800	41,716
	2010 £000	2009 £000
Amounts falling due after one year		
Amounts owed by parent undertaking	100,000	100,000

The amounts owed by parent undertaking represents an unsecured loan of £200 million, and interest thereon, less repayments to date, which was issued on 18 January 2005 and is expected to be fully repaid in six equal annual instalments commencing in January 2008. The loan carries interest at 5.8125% to be received annually in arrears commencing on the first anniversary of the date of issue.

To optimise the use of liquid funds, the Company's cash is held within a cash pooling system administered by another company within the group. These accounts receive or pay interest based on market rates.

7. Creditors falling due within one year

	2010 £000	2009 £000
Sundry creditors	12	11
Corporation tax	-	1,207
	12	1,218

PETRO-CANADA ENERGY NORTH SEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2010 (continued)

8. Called up share capital

	2010 £'000	2009 £'000
Authorised:		
300,000 Class A ordinary shares of US\$10 each	1,634	1,634
10,000 Class B ordinary shares of £1 each	10	10
	<u>1,644</u>	<u>1,644</u>
Called up, allotted and fully paid		
234,588 (2009– 234,588) Class A ordinary shares of US\$10 each	1,277	1,277
1,000 Class B ordinary shares of £1 each	1	1
	<u>1,278</u>	<u>1,278</u>

Class B ordinary shares carry full voting rights, however, they carry no right to receive dividends from the Company and their economic worth is limited to the nominal value of the shares

9. Reconciliation of movement in shareholder's funds

	Share capital £000	Share premium £000	Profit and loss account £000	Total shareholder's funds £000
At 1 January 2010	1,279	129,715	9,504	140,498
Profit for the year	-	-	4,790	4,790
Dividend	-	-	(9,500)	(9,500)
At 31 December 2010	<u>1,279</u>	<u>129,715</u>	<u>4,794</u>	<u>135,788</u>

10. Related party transactions

The Company has taken advantage of the exemption available under Financial Reporting Standard 8 "Related Party Disclosures" and has not disclosed details of transactions with other group undertakings as it is a wholly owned subsidiary of Suncor Energy UK Limited which itself is a wholly owned subsidiary of Suncor Energy Inc. The consolidated accounts of Suncor Energy Incorporated are publicly available.

11. Ultimate parent company

Suncor Energy UK Limited is the immediate parent company. The ultimate parent company and controlling entity at 31 December 2010 was Suncor Energy Inc., a company incorporated in Canada. The consolidated accounts of the Suncor Energy Inc. Group, the smallest and largest to include the accounts of the Company, are available from Suncor Energy Incorporated at 150 – 6th Avenue SW, Calgary, Alberta, Canada T2P 3E5.