

BLUE SKIES ENERGY

RESOURCES LIMITED

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FINANCIAL ACCOUNTS FOR THE YEAR

1st JUNE 2004 TO 31st MAY 2005

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REGISTERED NUMBER : SC 166127



BLUE SKIES ENERGY RESOURCES LTD.

YEAR ENDED 31st MAY 2005

DIRECTOR

A.J. McHardy

COMPANY SECRETARY

Mrs. E.A. McHardy

REGISTERED OFFICE

58 Abbotswell Drive,  
Aberdeen,  
AB12 5QN.

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The following does not form part of the Statutory Accounts :

- |    |                                  |
|----|----------------------------------|
| 9. | Detailed Profit and Loss Account |
|----|----------------------------------|

BLUE SKIES ENERGY RESOURCES LTD.REPORT OF THE DIRECTORFOR THE YEAR ENDED 31st MAY 2005

The Director presents the Annual Report of the affairs of the Company, together with the Accounts for the above year.

PRINCIPAL ACTIVITY

The Company's principal activity during the year remained the provision of drilling engineering consultancy services to the onshore and offshore oil industry.

No goods were exported from the United Kingdom during the year, although a service was provided outside the United Kingdom during the year.

DIRECTOR

The Director during the year under review who was beneficially interested in the shares in the Company at the beginning and end of the year was :-

	Ordinary Shares of £ 1 each	
	31st May 2005	1st June 2004
A.J. McHardy	2	2

POLITICAL OR CHARITABLE DONATIONS

No political or charitable donations were made during the year.

The Director has taken advantage, in the preparation of the above report, of the exemptions applicable to small Companies conferred by Schedule 8 Part 2 of the Companies Act 1985.

SIGNED ON BEHALF OF THE BOARD

12th September 2005  
 Date.....Director.....  
A.J. McHardy

BLUE SKIES ENERGY RESOURCES LTD.PROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31st MAY 2005

	Notes	2005	2004
	-----	-----	-----
		£	£
		-	-
TURNOVER		135,529	95,048
Administrative expenses		44,947	44,140
		-----	-----
OPERATING PROFIT	2	90,582	50,908
Interest Receivable	3	9,491	5,558
		-----	-----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		100,073	56,466
Tax on profit on ordinary activities	4	19,245	10,826
		-----	-----
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		80,828	45,640
Dividends	5	-	-
		-----	-----
RETAINED PROFIT FOR THE YEAR		80,828	45,640
Retained Profit brought forward		209,668	164,028
		-----	-----
Retained Profit carried forward		£ 290,496	£ 209,668
		=====	=====

All amounts relate to continuing activities.

The Company realised no gains or losses other than the profit for the year.

The notes set out on pages 4 to 8 form an integral part of these Accounts.

BLUE SKIES ENERGY RESOURCES LTD.BALANCE SHEET - 31st MAY 2005

	Notes	2005	2004
	-----	-----	-----
		£	£
<b>FIXED ASSETS</b>		-	-
Tangible assets	8	1,114	1,311
<b>CURRENT ASSETS</b>			
Debtors	9	33,559	26,648
Cash at bank and in hand		289,117	207,996
		-----	-----
		322,676	234,644
<b>CREDITORS</b>		-----	-----
Amounts falling due within one year	10	33,292	26,285
		-----	-----
<b>NET CURRENT ASSETS</b>		289,384	208,359
		-----	-----
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		£ 290,498	£ 209,670
		=====	=====
<b>CAPITAL AND RESERVES</b>			
Called-up Share Capital	11	2	2
Profit and Loss Account	13	290,496	209,668
		-----	-----
		£ 290,498	£ 209,670
		=====	=====

The Director has taken advantage, in the preparation of these financial statements, of the total exemption conferred by section 249A(1) Companies Act 1985. No notice of requirement for audit has been deposited by any member under section 249B(2) Companies Act 1985 in relation to the Company's Accounts for the year ended 31st May 2005. The Director acknowledges his responsibilities for both ensuring that the Company keeps accounting records which comply with section 221 Companies Act 1985 and for preparing Accounts which give a true and fair view of the state of affairs of the Company as at 31st May 2005 and of its profit for the year then ended in accordance with the requirements of section 226 Companies Act 1985, and which otherwise comply with the requirements of the Act relating to Accounts, so far as applicable to the Company. The Director has taken advantage, in the preparation of these financial statements, of the exemptions conferred by section 246 Companies Act 1985 on the basis that the Company qualifies as a small Company.

Approved on behalf of the Company :

12th September 2005  
 Date.....Director.....*Andrew J. McHardy*.....  
 A.J. McHardy

The notes set out on pages 4 to 8 form an integral part of these Accounts.

BLUE SKIES ENERGY RESOURCES LTD.NOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31st MAY 20051. ACCOUNTING POLICIESa) Basis of accounting

These Accounts have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

b) Cash flow statement

The Company has taken advantage of the exemption, conferred by Financial Reporting Standard 1, from presenting a cash flow statement as it qualifies as a small Company.

c) Turnover

Turnover represents sales to external customers at invoiced amount less value added tax.

d) Depreciation

Depreciation is calculated to write off the cost or valuation, less estimated residual values, of tangible fixed assets over their estimated useful lives to the business. The annual depreciation rate and method is as follows :-

Equipment	15% Reducing balance
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e) Deferred taxation

Provision is made for deferred taxation except where, in the opinion of the Director, it is not likely to become payable in the foreseeable future.

2. OPERATING PROFIT

Operating profit is stated after charging :-	2005	2004
	----	----
	£	£
Administrative expenses including :-	-	-
Depreciation	197	759
Loss on sale of Equipment	-	231
Director's Remuneration	34,000	34,000
	=====	=====

BLUE SKIES ENERGY RESOURCES LTD.NOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31st MAY 20053. INTEREST RECEIVABLE

	2005	2004
	----	----
	£	£
	-	-
Deposit Account Interest	9,491	5,555
Other Interest Receivable	-	3
	-----	-----
	£ 9,491	£ 5,558
	=====	=====

4. TAXATION

	2005	2004
	----	----
U.K. Corporation Tax at 19% on the profit adjusted for tax purposes	£ 19,245	£ 10,826
	=====	=====

5. DIVIDENDS

	2005	2004
	----	----
Ordinary Shares - no dividends paid (2004 - no dividends paid)	£ - =	£ - =

6. DIRECTOR'S EMOLUMENTS

	2005	2004
	----	----
Management Remuneration	£ 34,000	£ 34,000
	=====	=====

During the year the Director loaned funds to the Company and the balance owing to the Director at 31st May 2005 was £ 702.

BLUE SKIES ENERGY RESOURCES LTD.NOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31st MAY 20057. STAFF

	2005	2004
	----	----
	£	£
Aggregate amounts paid in respect of :-	-	-
Salaries and Wages	-	-
Social Security Costs	-	-
Other Pension Costs	-	-
	-	-
	£ -	£ -
	=	=

The average number of persons employed during the year (including the Director) by the Company was 1.

8. TANGIBLE FIXED ASSETS

	Equipment
	-----
COST	
As at 1st June 2004	
and	
As at 31st May 2005	1,911
	-----
DEPRECIATION	
As at 1st June 2004	600
Charge in year	197
	---
As at 31st May 2005	797
	---
NET BOOK VALUE	
As at 31st May 2005	£ 1,114
	=====
As at 31st May 2004	£ 1,311
	=====



BLUE SKIES ENERGY RESOURCES LTD.NOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31st MAY 20059. DEBTORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	----	----
	£	£
	-	-
Trade Debtors	33,095	26,143
Prepayments	367	367
Accrued Income	97	138
	-----	-----
	£ 33,559	£ 26,648
	=====	=====

10. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	----	----
	£	£
	-	-
U.K. Corporation Tax	19,245	10,826
Value Added Tax	11,753	10,302
Other Taxes and Social Security	1,080	1,078
Other Creditors	512	512
Director's Current Account	702	3,567
	-----	-----
	£ 33,292	£ 26,285
	=====	=====

11. SHARE CAPITAL

	2005	2004
	----	----
Authorised Share Capital -		
Ordinary Shares of £ 1 each	£ 1,000	£ 1,000
	=====	=====
Issued and Fully Paid Share Capital -		
Ordinary Shares of £ 1 each	£ 2	£ 2
	=	=

BLUE SKIES ENERGY RESOURCES LTD.NOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31st MAY 200512. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005	2004
	----	----
	£	£
	-	-
Profit for the year	80,828	45,640
Dividends	-	-
	-----	-----
Net addition to shareholders' funds	80,828	45,640
Opening shareholders' funds	209,670	164,030
	-----	-----
Closing shareholders' funds	£ 290,498	£ 209,670
	=====	=====

13. RESERVES

	Profit and Loss Account
	-----
	£
	-
As at 31st May 2004	209,668
Profit for the year	80,828
	-----
As at 31st May 2005	£ 290,496
	=====

BLUE SKIES ENERGY RESOURCES LTD.DETAILED PROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31st MAY 2005

	2005	2004
	----	----
	£	£
	-	-
Turnover	135,529	95,048
Other Income : Deposit Account Interest	9,491	5,555
: PAYE repayment supplement	-	3
	-----	-----
	145,020	100,606
Administrative expenses		
Sub-Contractors	600	-
Travel and Subsistence	251	676
Protective Clothing	-	51
Heating and Lighting	240	240
Telephone	2,373	1,334
Printing, Postage, Stationery and Advertising	183	96
Insurance	508	403
Subscriptions	43	41
Accountancy	1,580	1,580
Bank Charges	86	83
Sundries	18	15
Gifts	164	84
Entertaining	963	781
Interest on Overdue Tax	-	8
Depreciation of Equipment	197	759
Loss on sale of Equipment	-	231
Director's Remuneration :		
- A.J. McHardy	34,000	34,000
- National Insurance Contributions	3,741	3,758
	-----	-----
Total administrative expenses	44,947	44,140
	-----	-----
Net Profit before taxation	£ 100,073	£ 56,466
	=====	=====