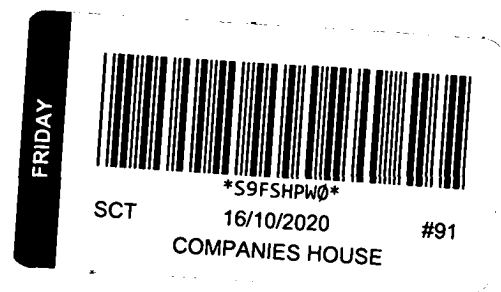


Registered No: 12000255

CAPRICORN SENEGAL (HOLDING) LIMITED
REPORT & FINANCIAL STATEMENTS
FOR THE PERIOD 16 MAY 2019 (DATE OF INCORPORATION)
TO 31 DECEMBER 2019



Capricorn Senegal (Holding) Limited

Directors:

James Smith
Simon Thomson
Paul Mayland

Secretary:

Duncan Wood

Independent Auditors:

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Solicitors:

Shepherd and Wedderburn LLP
1 Exchange Crescent
Conference Square
Edinburgh
EH3 8UL

Registered Office:

4th Floor
Wellington House
125 Strand
London
WC2R 0AP

Registered No:

12000255

Capricorn Senegal (Holding) Limited

Directors' Report

The Directors of Capricorn Senegal (Holding) Limited ("the Company") present their Annual Report for the period from the date of incorporation on 16 May 2019 to 31 December 2019 together with the audited financial statements of the Company for the said period.

The operations of Capricorn Senegal (Holding) Limited and its sole subsidiary Capricorn Senegal Limited have been impacted by COVID-19 and increased oil price volatility. The Company's subsidiary has deferred capital expenditure to preserve liquidity during this period of uncertainty. The Company and the wider Cairn Energy PLC Group have performed additional sensitivity analysis. This includes scenarios forecasting a prolonged economic downturn as a result of COVID-19 and the demand-side impact forecast on oil prices.

At the date of this report the Company's subsidiary, Capricorn Senegal Limited, has entered into a conditional agreement to sell its entire participating interest in the Senegal licence, subject to agreement by the Government of Senegal. The Group has taken action to ensure that it has the ability to access sufficient existing or additional funding for its share of the expenditure until completion of the sale, expected later in 2020. The likely impact of the proposed sale of the Senegal asset, (note 11) is estimated to be a further impairment charge to the Income Statement in 2020 in the region of US\$290m.

Although the Company holds net liabilities as at 31 December 2019, the Company's parent company, Cairn Energy PLC, has confirmed that it will make available sufficient funds to allow the Company to meet its liabilities as they fall due for the next twelve months. Hence these Financial Statements have been prepared on a going concern basis.

Consolidated financial statements are not produced for the Company and its wholly owned subsidiary (detailed in note 4 to the financial statements) given the exemption in section 400(1) of the Companies Act 2006.

The Company is a wholly-owned subsidiary of Cairn Energy PLC. The results of the Company are consolidated into those of the parent company, registered in Scotland, whose principal place of business is at 50 Lothian Road, Edinburgh, EH3 9BY. Copies of Cairn Energy PLC's financial statements are available to the public and may be obtained from the above-mentioned address.

Business Review

The Company was incorporated on 16 May 2019. The Company is a holding company. On 31 August 2019 the Company acquired the entire issued share capital of Capricorn Senegal Limited ('CSL') for consideration of US\$1,084.3m and the assumption of the pre-existing loan of US\$69.9m due to the vendor (Capricorn Energy Limited).

During the period 16 May to 31 December 2019 Capricorn Senegal (Holding) Limited made a loss of US\$601.2m. This was predominantly due to impairment of the investment in its subsidiary, CSL, of US\$568.0m. There was also impairment of an intercompany loan due from Capricorn Senegal (Holding) Limited of US\$5.2m.

Although the Company holds net liabilities as at 31 December 2019, the parent company, Cairn Energy PLC has provided a letter of support as noted above.

As there were no movements in cash and cash equivalents during the period, a Statement of Cash Flows has not been presented. No dividend has been paid or declared in respect of the period 16 May to 31 December 2019.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006 and therefore the directors have not prepared a Strategic Report.

Principal Risks and Uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group which include those of the Company, are discussed in pages 39 to 45 of the Group's annual report which does not form part of this report. The principal risks identified in the annual report included 'Delay in Senegal production start-up schedule'. The performance of the Company's investment in CSL is linked to the successful sale of the asset as noted above and at note 11. In addition, as noted above the COVID-19 pandemic is impacting the oil price globally and the operations of CSL.

Accounting Policies

Capricorn Senegal (Holding) Limited applies accounting policies in line with those of the Cairn Energy PLC Group ("the Group"). Significant accounting policies of the Group are included within the Annual Report and Accounts of Cairn Energy PLC.

Capricorn Senegal (Holding) Limited

Directors' Report (continued)

Directors

The directors of the Company who were in office during the period and up to the date of signing the financial statements were:

James Smith
Paul Mayland
Simon Thomson

The Company maintains qualifying third-party indemnity insurance on behalf of its directors.

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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 IFRSs as adopted by the European Union 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.

Disclosure of Information to Auditors

The directors of the Company who held office as at the date of this report confirm that, as far as they are aware, there is no relevant audit information of which the Company's auditors are unaware. In making this confirmation, the directors have taken appropriate steps to make themselves aware of the relevant audit information and that the Company's auditors are aware of this information.

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

BY ORDER OF THE BOARD



Duncan Wood
Secretary

50 Lothian Road
Edinburgh EH3 9BY

28 September 2020

Independent auditors' report to the members of Capricorn Senegal (Holding) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Capricorn Senegal (Holding) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss and cash flows for the 16 May 2019 to 31 December 2019 period (the "period") then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within Report & Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the income statement, the statement of comprehensive income, the statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Capricorn Senegal (Holding) Limited (continued)

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the period ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Lindsay Gardiner (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
28 September 2020

Capricorn Senegal (Holding) Limited

Income Statement

For the period 16 May 2019 to 31 December 2019

	Notes	2019 US\$m
Operating result	2	-
Impairment of investment in subsidiary	4	(568.0)
Impairment of intercompany loan receivable	2	(5.2)
Finance costs	5	(28.0)
Loss before taxation		(601.2)
Taxation	3	-
Loss for the period		(601.2)

Statement of Comprehensive Income

For the period 16 May 2019 to 31 December 2019

	2019 US\$m
Loss for the period	(601.2)
Total comprehensive expense for the period	(601.2)

Capricorn Senegal (Holding) Limited

Balance Sheet

As at 31 December 2019

	Notes	2019 US\$m
Non-current assets		
Investment in subsidiary	4	600.0
		600.0
Total assets		600.0
Current liabilities		
Other payables	5	1,201.2
Total liabilities		1,201.2
Net liabilities		(601.2)
Equity attributable to owners of the parent		
Called-up share capital	6	-
Accumulated losses		(601.2)
Total equity		(601.2)

As there were no movements in cash and cash equivalents during the period, a Statement of Cash Flows has not been presented.

The financial statements on pages 6 to 16 were approved by the Board of Directors on 28 September 2020 and signed on its behalf by:



James Smith
Director

Company Registered No: 12000255

Capricorn Senegal (Holding) Limited

Statement of Changes in Equity

For the period 16 May 2019 to 31 December 2019

	Called-up share capital US\$m	Accumulated losses US\$m	Total Equity US\$m
At 16 May 2019 on incorporation	-	-	-
Loss for the period	-	(601.2)	(601.2)
Total comprehensive expense for the period	-	(601.2)	(601.2)
At 31 December 2019	-	(601.2)	(601.2)

Capricorn Senegal (Holding) Limited

Notes to the Financial Statements

1 Significant Accounting Policies

a) Basis of preparation

The financial statements of Capricorn Senegal (Holding) Limited ("the Company") for the period ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 28 September 2020. The Company is a private company limited by shares incorporated in England and domiciled in the United Kingdom. The registered office is located at 4th Floor, Wellington House, 125 Strand, London, WC2R 0AP.

The Company prepares its financial statements on a historical cost basis applied consistently throughout the period, unless accounting standards require an alternate measurement basis. Where there are assets and liabilities calculated on a different basis, this fact is disclosed in the relevant accounting policy. The Company held no cash and cash equivalents during the period, and the Company had no cash movements during the period, therefore a Statement of Cash Flows has not been presented. The financial statements comply with the Companies Act 2006 as applicable to companies using International Financial Reporting Standards ("IFRS").

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 2. The financial position of the company, its liquidity position and borrowing facilities are presented in the financial statements and supporting notes. In addition, note 7 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives and details of its financial instruments; and its exposures to liquidity risk.

b) Going Concern

The directors have considered the factors relevant to support a statement of going concern.

In assessing whether the going concern assumption is appropriate, the Board considered the Cairn Energy PLC group forecasts under various scenarios, identifying risks and mitigants and ensuring the Cairn Energy PLC group and the Company have sufficient funding to meet its current commitments as and when they fall due. This includes scenarios run to take account of a prolonged economic downturn as a result of COVID-19 and the resultant demand-side impact forecast on oil prices which have led to a significant decrease in oil prices in the first four months of 2020. The directors also referred to the letter of support provided by the Company's parent company Cairn Energy PLC, where it was confirmed that Cairn Energy Plc would make available sufficient funds to allow the Company to meet its liabilities as they fall due for the next twelve months.

The directors have a reasonable expectation that the Company will continue in operational existence for a period of 12 months from the date of signing these financial statements and have therefore used the going concern basis in preparing the financial statements.

c) Accounting standards

The Company prepares its financial statements in accordance with applicable International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ('IASB') as adopted by the EU, and interpretations issued by the IFRS Interpretations Committee ('IFRS IC'), and Companies Act 2006 applicable to companies reporting under IFRS. The Company's financial statements are also consistent with IFRS as issued by the IASB as they apply to accounting periods ended 31 December 2019.

There are no new standards or amendments, issued by the IASB and endorsed by the EU, that have yet to be adopted by the Company that will materially affect the Company's financial statements.

Capricorn Senegal (Holding) Limited

Notes to the Financial Statements (continued)

1 Significant Accounting Policies (continued)

d) Investments

The Company's investment in subsidiary is carried at cost less provisions resulting from impairment. In testing for impairment, the carrying value of the investment is compared to its recoverable amount, being its fair value less costs of disposal. In determining fair value, the Company determines whether the recovery of its investment in subsidiary will be recovered through profits from the operating activities of the subsidiary or through the subsidiary disposing of its assets.

Where fair value is based on recovery through operating activities of the subsidiary this is determined using discounted future net cash flows of oil and gas assets held by the subsidiary based on cash flow projections over the licence period. For exploration assets, estimated discounted cash flows are risk-weighted for future exploration success.

e) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets are categorised as financial assets held at fair value through profit or loss, financial assets at fair value through other comprehensive income or financial assets subsequently measured at amortised cost. The Company holds financial assets at amortised cost.

Financial liabilities generally substantiate claims for repayment in cash or another financial asset. Financial liabilities are categorised as held at amortised cost. All of the Company's financial liabilities are held at amortised cost.

Financial instruments are generally recognised as soon as the Company becomes party to the contractual regulations of the financial instrument.

f) Equity

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs, allocated between share capital and share premium.

g) Taxation

The total tax charge or credit represents the sum of current tax and deferred tax.

The current tax credit is based on the taxable loss for the period. Taxable profit or loss differs from net profit or loss as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. Where there are uncertain tax positions, the Company assess whether it is probable that the position adopted in tax filings will be accepted by the relevant tax authority, with the results of this assessment determining the accounting that follows.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences that exist only where it is probable that taxable profits will be generated against which the carrying value of the deferred tax asset can be recovered.

Deferred tax liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset or liability is not recognised if a temporary difference arises on initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Current and deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Capricorn Senegal (Holding) Limited

Notes to the Financial Statements (continued)

h) Significant accounting judgements, estimates and assumptions

Key estimations and assumptions

The Company has used estimates and assumptions in arriving at certain figures within the financial statements. The resulting accounting estimates may not equate with the actual results which will only be known in time. Those areas believed to be key areas of estimation are noted below, with further details of the assumptions contained in the relevant note.

Impairment testing of investment in subsidiary

The Company's investment in its subsidiary has been tested for impairment by comparison against the underlying value of the subsidiary's exploration or development assets based on fair value, less costs of disposal, calculated using the estimated realisable value through sale of the assets of the subsidiary which was considered more likely at the balance sheet date than using forecast profits through operations.

2 Operating Result

Impairment of intercompany loan receivable

	Period ended 31 December 2019 US\$m
Impairment of amounts due from subsidiary undertaking	5.2

The Company recognised a loss against full amounts due from its subsidiary Capricorn Senegal Limited of US\$5.2m

Auditors' Remuneration

The Company's auditors' remuneration for 2019 was US\$2,299. This has been borne by the ultimate parent company Cairn Energy PLC.

Auditors' remuneration for other services is disclosed in the Financial Statements of Cairn Energy PLC the ultimate parent undertaking. The Company has a policy in place for the award of non-audit work to the auditors which, in all circumstances, requires Audit Committee approval. No such costs were incurred by the Company during the period.

Remuneration of key management personnel

The directors of the Company are also directors of other companies in the Cairn Energy PLC group. The directors received remuneration for the period of US\$1.9m and pension contributions of US\$0.1m all of which was paid by other companies in the group. The directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and their services as directors of Cairn Energy PLC and fellow subsidiary companies. There are no agreements between the Company and the Board of Directors.

Employees

The Company has no employees.

Capricorn Senegal (Holding) Limited

Notes to the Financial Statements (continued)

3 Taxation

A reconciliation of income tax expense applicable to loss before income tax at the applicable tax rate, to income tax expense at the Company's effective income tax rate is as follows:

	Period ended 31 December 2019 US\$m
Loss before taxation	(601.2)
Tax at the standard rate of UK corporation tax of 19%	(114.2)
Effects of:	
Non-deductible expenses	108.9
Tax losses surrendered to other group companies	5.3
Total tax charge	-

The UK main rate of corporation tax is currently 19%. There are no unprovided deferred tax assets or liabilities for the Company as at 31 December 2019 as there were no temporary differences at the Balance Sheet date.

4 Investment in subsidiary

	Subsidiary undertaking US\$m	Total US\$m
Cost		
At 16 May 2019	-	-
Additions	1,168.0	1,168.0
At 31 December 2019	1,168.0	1,168.0
Impairments		
At 16 May 2019	-	-
Impairment charge during the period	568.0	568.0
At 31 December 2019	568.0	568.0
Net book value at 31 December 2019	600.0	600.0
Net book value at 16 May 2019	-	-

The Company acquired the entire issued share capital of Capricorn Senegal Limited ('CSL') on 31 August 2019 from Capricorn Energy Limited, a fellow subsidiary of Cairn Energy PLC, at fair value at that date of US\$1,154.2m; the consideration being satisfied by US\$1,084.3m of new group borrowings plus the transfer of US\$69.9m of pre-existing lendings by the vendor to CSL. The loan of US\$69.9m was capitalised by CSL shortly thereafter. Subsequent additions during 2019 of US\$13.8m relate to further loan capitalisations by CSL.

At the period end, the investment in CSL was reviewed for indicators of impairment and an impairment test conducted as indicators were identified. Following this review, the Company's investment in CSL was impaired to reflect the fair value of its underlying assets changing from being based on the forecast profits through operations of the subsidiary to the estimated realisable value through sale of the assets of the subsidiary which was considered more likely at the balance sheet date. A charge of US\$568.0m was made to the Income Statement in 2019.

The likely impact of the proposed sale of the Senegal asset, expected to complete in late 2020 (note 11) is estimated to be a further impairment charge to the Income Statement in 2020 in the region of US\$290m.

Capricorn Senegal (Holding) Limited

Notes to the Financial Statements (continued)

4 Investment in subsidiary (continued)

The Company's sole subsidiary as at the balance sheet date is set out below. The Company holds 100% of the voting rights and ordinary shares.

Direct holdings

Company	Business	Country of incorporation	Country of operation	Registered office address
Capricorn Senegal Limited	Exploration	Scotland	Senegal	50 Lothian Road, Edinburgh, EH3 9BY

5 Other payables

	At 31 December 2019 US\$m
Amounts payable to related companies	1,201.2
	1,201.2

The amounts outstanding are unsecured, repayable on demand and will be settled in cash. Interest is charged at market rates amounting to US\$28.0m in 2019. No guarantees have been given.

The Company acquired its subsidiary CSL on 31 August 2019 from a fellow subsidiary of Cairn Energy PLC at its fair value at that date of US\$1,154.2m. See note 9 for further details. Additional funding of US\$19.0m has been made available to the Company from a fellow subsidiary to finance the ongoing development of the SNE asset in its subsidiary CSL.

6 Called-up share capital

	Number £1 Ordinary	£1 Ordinary US\$m
Allotted, issued and fully paid ordinary shares		
At 16 May 2019 and 31 December 2019	1	-

7 Financial Risk Management: Objectives and Policies

The main risk arising from the Company's financial instruments is liquidity risk. The Board of Cairn Energy PLC, through the Treasury Sub-Committee, reviews and agrees policies for managing this risk and these are summarised below.

Cairn Energy PLC's treasury function and Executive Team as appropriate are responsible for managing this risk, in accordance with the policies set by the Board. Management of this risk is carried out by monitoring of cash flows, investment and funding requirements using a variety of techniques. These potential exposures are managed whilst ensuring that the Company has adequate liquidity at all times in order to meet immediate cash requirements. There are no significant concentrations of risks unless otherwise stated. The Company does not enter into or trade financial instruments, including derivatives, for speculative purposes.

The primary financial assets and liabilities comprise intra-group loans. The Company's strategy has been to finance its operations through group funding. Other alternatives such as equity issues and other forms of non-investment-grade debt finance are reviewed by the Board, when appropriate.

Capricorn Senegal (Holding) Limited

Notes to the Financial Statements (continued)

7 Financial Risk Management: Objectives and Policies (continued)

Liquidity risk

Cairn Energy PLC's Group's treasury function closely monitors and manages its liquidity risk using both short and long-term cash flow projections, supplemented by debt and equity financing plans and active portfolio management. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in asset production profiles and cost schedules.

At the date of this report the Group has entered into a conditional agreement to sell its entire interests in the Senegal asset (see note 11); however if this was to fail to conclude and the Group could not fully fund its share of the expenditure through to completion of the development then the value of its investment in the project and/or its rights to participate in the project at its current equity levels may be affected. The recovery of the Company's investment is therefore linked to the successful sale of the asset. The Group runs various sensitivities on its liquidity position on a quarterly basis throughout the period.

The Company has received a letter of support from Cairn Energy PLC, the ultimate parent company to meet liabilities as they become due for the 12 month period from the date of approval of the 2019 financial statements.

The Group invests cash in a combination of money market liquidity funds and term deposits with a number of international and UK financial institutions, ensuring sufficient liquidity to enable the Group to meet its short and medium-term expenditure requirements.

Capital Management

The objective of the Company's capital management structure is to ensure that there remains sufficient liquidity within the Company to support its own funding requirements. The Company monitors the long-term cash flow requirements of the business in order to assess the requirement for changes to the capital structure to meet that objective and to maintain flexibility.

The Company manages the capital structure and makes adjustments to it in light of changes to economic conditions. No significant changes were made in the objectives, policies or processes during the period ended 31 December 2019.

Company capital and net debt were made up as follows:

	At 31 December 2019 US\$m
Amounts payable to group companies	1,201.2
Net debt	1,201.2
Equity	(601.2)
Capital and net debt	600.0
Gearing Ratio	200.2%

Capricorn Senegal (Holding) Limited

Notes to the Financial Statements (continued)

8 Financial Instruments

Financial assets

The Company's sole financial asset as at 31 December 2019 relates to amounts due from its subsidiary of US\$5.2m. As the company has recognised a loss allowance of US\$5.2m against this receivable the carrying value and fair value are US\$nil.

Set out below is the comparison by category of carrying amounts and fair values of the Company's financial liabilities that are carried in the Financial Statements.

Financial liabilities	Carrying amount	Fair value
	At 31 December 2019 US\$m	At 31 December 2019 US\$m
<i>Amortised cost</i>		
Amount payable to group companies	1,201.2	1,201.2
	1,201.2	1,201.2

The fair value of financial assets and liabilities has been calculated by discounting the expected future cash flows at prevailing interest rates. All of the Company's financial liabilities are expected to mature within one year.

9 Related Party Transactions

The Company's subsidiary is detailed in note 4. The following table provides the Company's balances which are outstanding with group companies at the balance sheet date:

	At 31 December 2019 US\$m
Amounts payable to group companies	(1,201.2)

The amounts outstanding are unsecured, repayable on demand and will be settled in cash. Interest is charged at market rates amounting to US\$28.0m in 2019. No guarantees have been given.

The Company acquired the entire issued share capital of CSL on 31 August 2019 from Capricorn Energy Limited, a fellow subsidiary, at fair value at that date of US\$1,154.2m; the consideration being satisfied by US\$1,084.3m of new group borrowings plus the transfer of US\$69.9m of pre-existing lendings by the vendor to CSL. The loan of US\$69.9m was capitalised by CSL shortly thereafter. Subsequent loans to CSL of US\$13.8m were capitalised during 2019.

Additional funding of US\$19.0m has been made available to the Company from a fellow subsidiary to finance the ongoing development of the SNE asset in its subsidiary CSL.

10 Ultimate Parent Company

The Company is a wholly-owned subsidiary of Cairn Energy PLC, which is the ultimate parent company, registered in Scotland and whose principal place of business is at 50 Lothian Road, Edinburgh, EH3 9BY. The results of the Company are consolidated into those of Cairn Energy PLC.

Copies of Cairn Energy PLC's financial statements are available to the public and may be obtained from the above mentioned address.

Capricorn Senegal (Holding) Limited

Notes to the Financial Statements (continued)

11 Post Balance Sheet Event

In July 2020, the Company's subsidiary, CSL, announced its intention to sell to LUKOIL its entire 40% interest in the RSSD Contract Area, including the Sangomar development, offshore Senegal for a cash consideration of up to US\$300m plus reimbursement of development capital expenditure incurred since 1 January 2020 and further contingent consideration of up to US\$100m. In August 2020 the operator of the Senegal licence, Woodside, exercised its right to pre-empt the transaction on the same terms and conditions. Completion of the transaction is subject to the approval of the Government of Senegal.

The likely impact of the proposed sale of the Senegal asset, expected to complete in late 2020 is estimated to be a further impairment charge to the Income Statement in 2020 in the region of US\$290m.