

**CAPRICORN SENEGAL (HOLDING) LIMITED**  
**REPORT & FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**



COMPANIES HOUSE

**5 JUL 2021**

EDINBURGH MAILBOX

# **Capricorn Senegal (Holding) Limited**

## **Directors:**

James Smith  
Simon Thomson  
Paul Mayland

## **Secretary:**

Anne McSherry

## **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:**

4<sup>th</sup> 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 and the audited Financial Statements for the year ended 31 December 2020.

### Business Review

The operations of the Company and its sole subsidiary Capricorn Senegal Limited ("CSL") have been impacted by COVID-19, however this has been safely managed across the business. The Company and wider Cairn Energy PLC group ("the 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 together with supply-side risk as a result of increased production in the global oil market. These confirm that the Company can continue to operate as a going concern.

In December 2020 the Company's subsidiary, Capricorn Senegal Limited, completed the disposal of its 40% working interest in its Senegal exploration and development assets.

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.

### Results and Dividend

During the year the Company made a loss of US\$363.6m. This was predominantly due to impairment of the investment in its subsidiary of US\$572.8m and finance costs of US\$71.5m, which were offset by dividends receivable of US\$277.8m.

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, as provided in section 414B Companies Act 2006, a Strategic Report is not presented.

### 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 45 to 51 of the Group's annual report which does not form part of this report. The principal risks identified in the annual report include 'Volatile oil and gas prices'. Although the Senegal assets had been sold, there is a deferred consideration of up to US\$100.0m receivable dependent upon the first oil date and the oil price at that time.

### Accounting Policies

Capricorn Senegal (Holding) Limited applies accounting policies in line with those of the Cairn Energy PLC 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 year 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 accounting standards in conformity with the requirements of the Companies Act 2006. 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 year. 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 for the Company, international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed; 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 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

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, indicated their willingness to continue in office, and a resolution that they be re-appointed was passed at the annual general meeting of Cairn Energy PLC.

### BY ORDER OF THE BOARD



Anne McSherry  
Secretary

50 Lothian Road  
Edinburgh EH3 9BY

21 May 2021

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

**Report on the audit of the financial statements**

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**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 2020 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report & Financial Statements (the "Annual Report"), which comprise: balance sheet as at 31 December 2020; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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**Separate opinion in relation to IFRSs as issued by the IASB**

As explained in note 1 to the financial statements, the company, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

In our opinion, the company financial statements have been properly prepared in accordance with IFRSs as issued by the IASB.

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**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.

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**Conclusions relating to going concern**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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# **Capricorn Senegal (Holding) Limited**

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

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### **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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### ***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 year ended 31 December 2020 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.

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### **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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles including tax legislation, and those of the jurisdictions in which the company operates, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to areas of estimate in the financial statements and posting of inappropriate journal entries in order to improve reported performance. Audit procedures performed by the engagement team included:

## **Capricorn Senegal (Holding) Limited**

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

#### *Auditors' responsibilities for the audit of the financial statements (continued)*

- Discussion with management, internal audit, internal and external legal counsel, and individuals outside the finance function, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud.
- Understanding management's controls designed to prevent and detect irregularities.
- Review of Board minutes and Internal Audit reports.
- Challenging assumptions and judgements made by management in its significant accounting estimates, particularly the carrying value of its investment in subsidiaries, with a focus on any indicators of additional impairment.
- Identifying and testing journal entries, in particular, any journal entries posted by unexpected users, journals posted at unexpected times, journals reflecting unusual account combinations or journals with descriptions containing key unexpected words.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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](http://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.

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## **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 obtained 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.

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### **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  
21 May 2021

# Capricorn Senegal (Holding) Limited

## Income Statement

For the year ended 31 December 2020

|  |       |               | Period from<br>16 May 2019<br>to<br>31 December<br>2019 |
|--|-------|---------------|---|
|  |       | 2020<br>US\$m | 2019<br>US\$m   |
| <b>Continuing operations</b>                                     | Notes |               |   |
| Administrative expenses  |       | (6.3)         | -   |
| <b>Operating loss</b>  | 2     | (6.3)         | -   |
| Impairment of investment in subsidiary                           | 5     | (572.8)       | (568.0)   |
| Impairment reversal/(Impairment) of intercompany loan receivable | 2     | 5.2           | (5.2)   |
| Finance income   |       | 4.0           | -   |
| Dividends receivable   | 11    | 277.8         | -   |
| Finance costs  | 3     | (71.5)        | (28.0)  |
| <b>Loss before taxation</b>                                      |       | (363.6)       | (601.2)   |
| <b>Taxation</b>  | 4     | -             | -   |
| <b>Loss for the year/period</b>                                  |       | (363.6)       | (601.2)   |

## Statement of Comprehensive Income

For the year ended 31 December 2020

|  | 2020<br>US\$m  | Period from<br>16 May 2019<br>to<br>31 December<br>2019<br>US\$m |
|--|----------------|--|
| <b>Loss for the year/period</b>                        | <b>(363.6)</b> | <b>(601.2)</b>   |
| <b>Total comprehensive expense for the year/period</b> | <b>(363.6)</b> | <b>(601.2)</b>   |



# Capricorn Senegal (Holding) Limited

## Balance Sheet

As at 31 December 2020

|  | Notes | 2020<br>US\$m | 2019<br>US\$m  |
|--|-------|---------------|----------------|
| <b>Non-current assets</b>                          |       |               |                |
| Investment in subsidiary                           | 5     | 27.2          | 600.0          |
| <b>Current assets</b>                              |       |               |                |
| Cash and cash equivalents                          | 6     | 6.5           | -              |
| <b>Total assets</b>                                |       | <b>33.7</b>   | <b>600.0</b>   |
| <b>Current liabilities</b>                         |       |               |                |
| Other payables                                     | 7     | 6.0           | 1,201.2        |
| <b>Total liabilities</b>                           |       | <b>6.0</b>    | <b>1,201.2</b> |
| <b>Net assets/(liabilities)</b>                    |       | <b>27.7</b>   | <b>(601.2)</b> |
| <b>Equity attributable to owners of the parent</b> |       |               |                |
| Called-up share capital                            | 8     | -             | -              |
| Retained earnings/(accumulated losses)             |       | 27.7          | (601.2)        |
| <b>Total equity</b>                                |       | <b>27.7</b>   | <b>(601.2)</b> |

The Financial Statements on pages 7 to 18 were approved by the Board of Directors on 21 May 2021 and signed on its behalf by:



**James Smith**  
Director

Company Registered No: 12000255

# Capricorn Senegal (Holding) Limited

## Statement of Cash Flows

For the year ended 31 December 2020

|   | 2020<br>US\$m  | Period from<br>16 May 2019<br>to<br>31 December<br>2019<br>US\$m |
|---|----------------|--|
| <b>Cash flows from operating activities</b>                   |                |  |
| Loss before taxation  | (363.6)        | -  |
| Impairment of investment in subsidiary                        | 572.8          | -  |
| Reversal of loan impairment                                   | (5.2)          | -  |
| Finance income  | (4.0)          | -  |
| Dividends received  | (277.8)        | -  |
| Finance costs   | 71.5           | -  |
| Other payables movement                                       | 6.0            | -  |
| <b>Net cash flows used in operating activities</b>            | <b>(0.3)</b>   | <b>-</b>   |
| <b>Cash flows from investing activities</b>                   |                |  |
| Dividend received   | 277.8          | -  |
| Interest paid   | (0.1)          | -  |
| Group funding   | (31.2)         | -  |
| <b>Net cash flows from investing activities</b>               | <b>246.5</b>   | <b>-</b>   |
| <b>Cash flows used in financing activities</b>                |                |  |
| Loan drawdown   | 40.4           | -  |
| Arrangement and facility fee                                  | (3.0)          | -  |
| Group funding   | (277.1)        | -  |
| <b>Net cash flows used in financing activities</b>            | <b>(239.7)</b> | <b>-</b>   |
| Net increase in cash and cash equivalents                     | 6.5            | -  |
| Opening cash and cash equivalents at beginning of year/period | -              | -  |
| <b>Closing cash and cash equivalents</b>                      | <b>6.5</b>     | <b>-</b>   |

## Capricorn Senegal (Holding) Limited

### Statement of Changes in Equity

For the year ended 31 December 2020

|  | Called-up<br>share capital<br>US\$m | Accumulated<br>losses/Retained<br>earnings<br>US\$m | Total<br>Equity<br>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)                  |
| Loss for the year                          | -                                   | (363.6)   | (363.6)                  |
| Total comprehensive expense for the year   | -                                   | (363.6)   | (363.6)                  |
| Loan waiver                                | -                                   | 992.5   | 992.5                    |
| At 31 December 2020                        | -                                   | 27.7  | 27.7                     |

# 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 for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 21 May 2021. 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's registered number is 12000255.

The Company prepares its Financial Statements on a historical cost basis, applied consistently throughout the year. Where there are assets and liabilities calculated on a different basis, this fact is disclosed in the relevant accounting policy. The Financial Statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The accounting policies adopted during the year are consistent with those adopted by its parent company, Cairn Energy PLC.

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 9 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

In assessing whether the going concern assumption is appropriate, the Directors considered the Company cash flow forecasts under various scenarios, identifying risks and mitigants and ensuring the Company has sufficient funding to meet its current commitments as and when they fall due for a period of at least 12 months from the date of approval of the Financial Statements.

The Directors have a reasonable expectation that the Company will continue in operational existence for a period of at least 12 months from the date of approval of the 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 IFRS, issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") in conformity with the requirements of the Companies Act 2006. The Company's Financial Statements are also consistent with IFRS as issued by the IASB as they apply to accounting periods ended 31 December 2020.

Effective 1 January 2020, the Company has adopted the following amendments to standards:

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies"
- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"
- Revised Conceptual Framework for financial reporting

The adoption of the amendments above has had no material impact on the Company results or financial statement disclosures. There are no new standards or amendments, issued by the IASB and endorsed under the Companies Act, that have yet to be adopted by the Company that will materially impact the Company's Financial Statements.

#### d) Investments

The Company's investment in its 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 its 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.

# Capricorn Senegal (Holding) Limited

## Notes to the Financial Statements (continued)

### 1 Significant Accounting Policies (continued)

#### 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 assesses 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.

#### 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 was tested at 31 December 2019 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 prior year balance sheet date than using forecast profits through operations.

# Capricorn Senegal (Holding) Limited

## Notes to the Financial Statements (continued)

### 2 Operating Loss

#### (Impairment reversal)/Impairment of intercompany loan receivable

|   | 2020<br>US\$m | Period from<br>16 May 2019<br>to<br>31 December<br>2019<br>US\$m |
|---|---------------|--|
| (Impairment reversal)/Impairment of amounts due from subsidiary undertaking | (5.2)         | 5.2  |

In 2019, the Company recognised a loss against full amounts due from its subsidiary Capricorn Senegal Limited of US\$5.2m. A reversal of US\$5.2m was recognised in 2020 following the sale of the subsidiaries assets and settlement of the loan.

#### Auditors' Remuneration

The Company's auditors' remuneration of US\$2,300 (period from 16 May 2019 to 31 December 2019: US\$2,299) has been borne by its parent company Cairn Energy PLC. Auditors' remuneration for other services is disclosed in the Financial Statements of Cairn Energy PLC.

The Company has a policy in place for the award of non-audit work to the auditors which requires approval by the Audit Committee of Cairn Energy PLC, the parent company. No such costs were incurred by the Company during the year.

#### Remuneration of key management personnel and directors

The directors of the Company are also directors of other companies in the Cairn Energy PLC group. The directors received emoluments for the year of US\$3.3m (period from 16 May 2019 to 31 December 2019: US\$1.9m), share-based payments of US\$0.6m and pension contributions of US\$0.2m (period from 16 May 2019 to 31 December 2019: US\$0.1m) all of which was paid by other companies in the group. 389,169 LTIP share awards to Directors vested during 2020 (period from 16 May 2019 to 31 December 2019: none). Share-based payments shown above represent the market value at the vesting date of these awards.

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 (period from 16 May 2019 to 31 December 2019: none).

### 3 Finance costs

|                       | Year ended<br>2020<br>US\$m | Period from 16<br>May 2019 to 31<br>December<br>2019<br>US\$m |
|-----------------------|-----------------------------|---|
| Loan interest         | 68.5                        | 28.0  |
| Other finance charges | 3.0                         | -   |
|                       | <b>71.5</b>                 | <b>28.0</b>   |

Loan interest includes intercompany interest costs of US\$68.4m (period from 16 May 2019 to 31 December 2019: US\$28.0m). Intercompany interest is charged at market rates.

# Capricorn Senegal (Holding) Limited

## Notes to the Financial Statements (continued)

### 4 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:

|   | Year ended<br>2020<br>US\$m | Period from 16<br>May 2019 to 31<br>December<br>2019<br>US\$m |
|---|-----------------------------|---|
| <b>Loss before taxation</b>                           | <b>(363.6)</b>              | <b>(601.2)</b>  |
| Tax at the standard rate of UK corporation tax of 19% | <b>(69.1)</b>               | <b>(114.2)</b>  |
| <b>Effects of:</b>                                    |                             |   |
| Non-deductible expenses                               | <b>55.1</b>                 | <b>108.9</b>  |
| Tax losses surrendered to other group companies       | <b>14.0</b>                 | <b>5.3</b>  |
| <b>Total tax charge</b>                               | <b>-</b>                    | <b>-</b>  |

The reconciliation shown above has been based on the average UK statutory rate of corporation tax for 2020 of 19% (2019: 19%). There are no temporary differences at the Balance Sheet date.

The UK main rate of corporation tax is currently 19% (2019: 19%). In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements

### 5 Investment in subsidiary

|   | Subsidiary<br>undertaking<br>US\$m |
|---|------------------------------------|
| <b>Cost</b>                               |                                    |
| At 16 May 2019                            | -                                  |
| Additions                                 | 1,168.0                            |
| <b>At 31 December 2019 and 2020</b>       | <b>1,168.0</b>                     |
| <b>Impairments</b>                        |                                    |
| At 16 May 2019                            | -                                  |
| Impairment charge during the period       | 568.0                              |
| At 31 December 2019                       | 568.0                              |
| Impairment charge during the year         | 572.8                              |
| <b>At 31 December 2020</b>                | <b>1,140.8</b>                     |
| <b>Net book value at 31 December 2020</b> | <b>27.2</b>                        |
| Net book value at 31 December 2019        | 600.0                              |
| Net book value at 16 May 2019             | -                                  |

# Capricorn Senegal (Holding) Limited

## Notes to the Financial Statements (continued)

### 5 Investment in subsidiary (continued)

In December 2020 the Company's subsidiary, Capricorn Senegal Limited, completed the disposal of its 40% working interest in its Senegal exploration and development assets. At the year 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 deferred consideration of up to US\$100.0m which is receivable dependent upon the first oil date and the oil price at that time. At 31 December 2020, the risk-weighted fair value of the deferred consideration was US\$27.2m. An impairment charge of US\$572.8m was made to the Income Statement (2019: US\$568.0m).

The Company acquired the entire issued share capital of Capricorn Senegal Limited 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.

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 |

### 6 Cash and Cash Equivalents

|                                  | At<br>31 December<br>2020<br>US\$m | At<br>31 December<br>2019<br>US\$m |
|----------------------------------|------------------------------------|------------------------------------|
| <b>Cash and cash equivalents</b> | <b>6.5</b>                         | <b>-</b>                           |

Cash and cash equivalents earn interest at floating rates. Short-term investments are made for varying periods ranging from instant access to unlimited, but generally not more than three months depending on the cash requirements of the Company.

The Company participates in a cross-entity multicurrency notional cash pooling arrangement with Citibank. The pooling arrangement aggregates cash balances and overdrafts across the Cairn Energy group entities, ensuring the pool is positive at all times.

### 7 Other payables

|                                      | At<br>31 December<br>2020<br>US\$m | At<br>31 December<br>2019<br>US\$m |
|--------------------------------------|------------------------------------|------------------------------------|
| Amounts payable to related companies | -                                  | 1,201.2                            |
| Accruals                             | 6.0                                | -                                  |
|                                      | <b>6.0</b>                         | <b>1,201.2</b>                     |

The accruals are legal fees in relation to the sale of the Senegal assets. The amounts outstanding are unsecured, repayable on demand and will be settled in cash. 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 5 for further details. In 2019, additional funding of US\$19.0m was made available to the Company from a fellow subsidiary to finance the ongoing development of the SNE asset in its subsidiary CSL.



**Capricorn Senegal (Holding) Limited**  
Notes to the Financial Statements (continued)

**7 Other payables (continued)**

**Reconciliation of opening and closing amounts payable to group companies to cash flow movements:**

|  | At<br>31 December<br>2020<br>US\$m | At<br>31 December<br>2019<br>US\$m |
|--|------------------------------------|------------------------------------|
| Opening payable to group companies               | 1,201.2                            | -                                  |
| <i>Cash flow movement – financing activities</i> |                                    |                                    |
| Repayment of group funding                       | (277.1)                            |                                    |
| Bridge loan advance                              | 40.4                               | -                                  |
| <i>Non-cash movements</i>                        |                                    |                                    |
| Loan on acquisition of subsidiary                | -                                  | 1,168.0                            |
| Interest on intercompany loan balance            | 68.4                               | 28.0                               |
| Loan advanced to subsidiary                      | -                                  | 5.2                                |
| Loan waiver                                      | (992.5)                            | -                                  |
| Bridge loan repayment by CSL                     | (40.4)                             |                                    |
|  | -                                  | 1,201.2                            |

The Group signed a Bridge loan facility with a syndicate of international banks, effective 25 September 2020. The purpose of the facility was to fund Senegal-related development and general and administrative expenses from 1 September 2020 until completion of the sale of Senegal assets to Woodside.

Total commitments under the facility were US\$250.0m and interest on debt drawn was charged at the appropriate LIBOR for the interest period drawn plus an applicable margin.

The facility was drawn from September to December 2020, then repaid in full and cancelled on 23 December 2020, after proceeds were received from the sale of the Senegal assets.

The loan advanced to subsidiary of US\$5.2m was for an amount paid directly from Cairn Energy PLC to CSL. An equal and opposite receivable balance was also created between the group companies, with no cash impact to Capricorn Senegal (Holding) Limited.

The bridge loan drawdown of US\$40.4m was drawn by Capricorn Senegal (Holding) Limited and subsequently repaid by CSL during the year.

**8 Called-up share capital**

|  | £1<br>Ordinary<br>Number | £1<br>Ordinary<br>US\$m |
|--|--------------------------|-------------------------|
| <b>Allotted, issued and fully paid ordinary shares</b>       |                          |                         |
| <b>At 16 May 2019, 31 December 2019 and 31 December 2020</b> | <b>1</b>                 | <b>-</b>                |

# Capricorn Senegal (Holding) Limited

## Notes to the Financial Statements (continued)

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

#### Liquidity risk

The Company 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.

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 Company 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 year ended 31 December 2020.

Company capital and net debt were made up as follows:

|                                    | At<br>31 December<br>2020<br>US\$m | At<br>31 December<br>2019<br>US\$m |
|------------------------------------|------------------------------------|------------------------------------|
| Amounts payable to group companies | -                                  | 1,201.2                            |
| Less cash and cash equivalents     | (6.5)                              | -                                  |
| Net (funds)/debt                   | (6.5)                              | 1,201.2                            |
| Equity                             | 27.7                               | (601.2)                            |
| Capital and net (funds)/debt       | 21.2                               | 600.0                              |
| Gearing Ratio                      | 0%                                 | 200.2%                             |

# Capricorn Senegal (Holding) Limited

## Notes to the Financial Statements (continued)

### 10 Financial Instruments

#### Financial assets

The Company's sole financial asset as at 31 December 2020 is cash and cash equivalents of US\$6.5m (2019: US\$5.2m). The 2019 financial asset related to amounts due from its subsidiary. As the company recognised a loss allowance of US\$5.2m against this receivable the carrying value and fair value was 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<br>31 December<br>2020<br>US\$m | At<br>31 December<br>2019<br>US\$m | At<br>31 December<br>2020<br>US\$m | At<br>31 December<br>2019<br>US\$m |
| <i>Amortised cost</i>             |                                    |                                    |                                    |                                    |
| Amount payable to group companies | -                                  | 1,201.2                            | -                                  | 1,201.2                            |
| Accruals                          | 6.0                                | -                                  | 6.0                                | -                                  |
|                                   | 6.0                                | 1,201.2                            | 6.0                                | 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.

### 11 Related Party Transactions

The Company's subsidiary is detailed in note 5. The following table provides the Company's balances which are outstanding with group companies at the balance sheet date:

|                                    | At<br>31 December<br>2020<br>US\$m | At<br>31 December<br>2019<br>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.

Note 2 provides details of the remuneration of key management personnel and directors.

Dividends of US\$277.8m were declared and distributed to the Company in respect of the year ended 31 December 2020. The dividend was settled in cash from the subsidiary company Capricorn Senegal Limited.

During the year the Company waived an inter-company loan balance due from Capricorn Oil Limited of US\$853.8m and an amount due from Cairn Energy PLC of US\$138.7m.

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.

In 2019 additional funding of US\$19.0m was made available to the Company from a fellow subsidiary to finance the ongoing development of the SNE asset in its subsidiary CSL.

### 12 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.