

CAIRN ENERGY EXPLORATION AND PRODUCTION COMPANY LIMITED

REPORT & ACCOUNTS

For the period 25 July 2002 (date of incorporation) to 31 December 2003

Registered No: SC 234510-~~England~~



CAIRN ENERGY EXPLORATION AND PRODUCTION COMPANY LIMITED

REPORT OF THE DIRECTORS

FOR THE PERIOD ENDED 31 DECEMBER 2003

The Directors submit their Report and Accounts for the period to 31 December 2003. The Company was incorporated on 25 July 2002 but did not trade during the period. It is not envisaged that trading will resume during 2004 but business opportunities may arise in the future.

Directors and Their Interests

The Directors who served during the period and subsequently are shown below:

W B B Gammell	(appointed 25 July 2002)
K Hart	(appointed 25 July 2002)

No Director had any interest in the share capital of the Company. The Directors at 31 December 2003, were also Directors of Cairn Energy PLC. The interests of the Directors in Cairn Energy PLC are disclosed in the Directors' Report of that company.

Auditors

In accordance with section 388A of the Companies Act 1985, the Company is, by virtue of section 249A, exempt from the obligation to appoint auditors.

By Order of the Board

18 May 2004



Kevin Hart
Secretary

50 Lothian Road
Edinburgh EH3 9BY

Directors' Responsibility Statement

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss for that period. The financial statements have been prepared on a going concern basis. The Directors consider that applicable accounting standards have been followed, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. The Directors have responsibility for ensuring that accounting records are kept which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

CAIRN ENERGY EXPLORATION AND PRODUCTION COMPANY LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2003

	Notes	2003 £
Current Assets		
Debtors	3	<u>1</u>
Capital and Reserves - Equity Interests		
Called-up share capital	4	<u>1</u>

For the period ended 31 December 2003 the Company was entitled to exemption under section 249A(1) of the Companies Act 1985 ("the Act").

No members have required the Company to obtain an audit of its accounts for the period in question in accordance with section 249B(2) of the Act.

The directors acknowledge their responsibility for:

- (a) Ensuring the company keeps accounting records which comply with section 221 of the Act;
- (b) Preparing accounts which give a true and fair view of the state of affairs of the Company as at the end of its financial period, and of its profit and loss for the financial period in accordance with section 226 of the Act, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the Company.

Signed on behalf of the Board on 18 May 2004.



: Director

CAIRN ENERGY EXPLORATION AND PRODUCTION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2003

1 Accounting policies

Basis of accounting

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

Any expenses for the period from date of incorporation until 31 December 2003 have been met by Cairn Energy Bangladesh PLC (formerly Cairn Energy PLC) and Cairn Energy PLC.

2 Directors' Emoluments

There were no employees of the Company other than the directors and no remuneration was paid to any director of the Company during the period.

3	Debtors	2003
		£
	Amounts due by Parent Company	<u>1</u>

4	Share Capital	31 December	2003
		£1 Ordinary	shares
		No.	£
	Authorised share capital	<u>100</u>	<u>100</u>
	Issued share capital	<u>1</u>	<u>1</u>

The company has only 1 ordinary share of £1 in issue. This is held by the immediate parent undertaking. No consideration has been received for this share.

5 Ultimate Parent Undertaking

The ultimate parent company is Cairn Energy PLC, a company registered in Scotland, whose principal place of business is at 50 Lothian Road, Edinburgh, EH3 9BY. This became the ultimate parent company by way of a Companies Act 1985 section 425 scheme of arrangement which gained court approval on 19 February 2003.

The results of the Company are consolidated in those of its immediate parent, Cairn Energy Bangladesh PLC, at 31 December 2003.

The consolidated accounts of the Cairn Energy Bangladesh PLC group are incorporated within those of the ultimate parent company for the period to 31 December 2003 and are available to the public, copies of which can be obtained from the above mentioned address.