

Registered No: SC301223

CAPRICORN OIL LIMITED
REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

FRIDAY



SCT

S59B4SE3

17/06/2016

#96

COMPANIES HOUSE

Capricorn Oil Limited

Directors:

James Smith
Simon Thomson
Richard Heaton
Paul Mayland

Secretary:

Duncan Wood

Independent Auditors:

PricewaterhouseCoopers LLP
141 Bothwell Street
Glasgow
G2 7EQ

Solicitors:

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

Registered Office:

50 Lothian Road
Edinburgh
EH3 9BY

Registered No:

SC301223

Capricorn Oil Limited

Directors' Report

The Directors of Capricorn Oil Limited ("the Company") present their Annual Report for the year ended 31 December 2015 together with the audited financial statements of the Company for the year.

Consolidated financial statements are not produced for the Company and its wholly owned subsidiaries (detailed in note 5 to the financial statements) as provided under 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\$5.5m (2014: US\$25.9m) due to exchange losses. No dividend has been paid or declared in respect of the year ended 31 December 2015 (2014: US\$nil).

Strategic Report

Included in the Strategic Report are the Company's Business Review and principal risks and uncertainties.

Accounting Policies

Capricorn Oil Limited applies accounting policies in line with the Cairn Energy PLC Group accounting policies. Significant accounting policies of the Group are included in their financial statements. Accounting policies relating to non-material items are available on the Cairn Energy PLC website.

Key Performance Indicators

The key performance indicators of the Company are the same as that of the Group. These are discussed on pages 20 to 25 of the Group's annual report and does not form part of this report.

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
Richard Heaton

Capricorn Oil Limited

Directors' Report (continued)

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, 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 International Financial Reporting Standards (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

29 March 2016

Capricorn Oil Limited

Strategic Report

Results and Dividend

During the year the Company made a loss of US\$5.5m (2014: US\$25.9m) due to exchange losses. No dividend has been paid or declared in respect of the year ended 31 December 2015 (2014: US\$nil).

Business Review

The Company's principal activity is that of a holding Company.

The Company's strategy and business model are linked to those of the Group during the year and the information that fulfils the requirements of the Strategic Report can be found in the Strategic Report section of the Group's annual report on pages 1 to 61, which does not form part of this report.

During the coming year the Company will continue to invest funds as required to support subsidiary exploration activity. The Company will also be closely reviewing the progress of exploration programmes to evaluate capital allocation for future periods.

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 36 to 42 of the Group's annual report which does not form part of this report.

Key Performance Indicators

The key performance indicators of the Company are the same as that of the Group. These are discussed on pages 20 to 25 of the Group's annual report and does not form part of this report.

BY ORDER OF THE BOARD



Duncan Wood
Secretary

50 Lothian Road
Edinburgh EH3 9BY

29 March 2016

Independent auditors' report to the members of Capricorn Oil Limited

Report on the financial statements

Our opinion

In our opinion, Capricorn Oil Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss and cash flows for the year 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.
-

What we have audited

The financial statements, included within the Report & Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2015;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Bruce Collins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow

29 March 2016

Capricorn Oil Limited

Income Statement

For the year ended 31 December 2015

	Notes	2015 US\$m	2014 US\$m
Administrative expenses		(1.6)	(1.6)
Impairment/waiver of intercompany loan		(2.4)	(1.6)
Impairment of investments	5	-	(23.4)
Operating loss	2	(4.0)	(26.6)
Finance income		1.6	0.9
Finance costs	3	(3.1)	(0.2)
Loss before taxation		(5.5)	(25.9)
Taxation	4	-	-
Loss for the year		(5.5)	(25.9)

Statement of Comprehensive Income

For the year ended 31 December 2015

	2015 US\$m	2014 US\$m
Loss for the year	(5.5)	(25.9)
Total comprehensive income for the year	(5.5)	(25.9)

Capricorn Oil Limited

Balance Sheet

As at 31 December 2015

	Notes	2015 US\$m	2014 US\$m
Non-current assets			
Investments	5	1,457.1	1,457.1
		1,457.1	1,457.1
Current assets			
Other receivables	6	165.5	2.0
Cash and cash equivalents	7	554.6	725.2
		720.1	727.2
Total assets		2,177.2	2,184.3
Current liabilities			
Other payables	8	25.0	26.6
		25.0	26.6
Total liabilities		25.0	26.6
Net assets		2,152.2	2,157.7
Equity attributable to owners of the parent			
Called-up share capital	9	2,196.8	2,196.8
Share premium		56.2	56.2
Capital reserve		1,748.9	1,748.9
Accumulated losses		(1,849.7)	(1,844.2)
Total equity		2,152.2	2,157.7

The financial statements on pages 7 to 21 were approved by the Board of Directors on 29 March 2016 and signed on its behalf by:

James Smith
Director

Capricorn Oil Limited
Statement of Cash Flows
For the year ended 31 December 2015

	Notes	2015 US\$m	2014 US\$m
Cash flows used in operating activities			
Loss before taxation		(5.5)	(25.9)
Impairment/waiver of intercompany loan		2.4	1.6
Impairment of investments		-	23.4
Finance income		(1.6)	(0.9)
Finance costs		3.1	0.2
Other receivables movement		-	(0.1)
Other payables movement		-	-
Net cash used in operating activities		(1.6)	(1.7)
Cash flows from investing activities			
Interest received		1.6	0.9
Net cash from investing activities		1.6	0.9
Cash flows (used in)/from financing activities			
Group funding		(167.5)	526.1
Bank charges		(0.1)	(0.1)
Net cash flows (used)/from in financing activities		(167.6)	526.0
Net (decrease)/increase in cash and cash equivalents		(167.6)	525.2
Exchange losses on cash and cash equivalents		(3.0)	-
Opening cash and cash equivalents at beginning of year		725.2	200.0
Closing cash and cash equivalents	7	554.6	725.2

Capricorn Oil Limited
Statement of Changes in Equity
For the year ended 31 December 2015

	Called-up share capital US\$m	Share premium US\$m	Capital reserve US\$m	Accumulated losses US\$m	Total Equity US\$m
At 1 January 2014	1,057.9	56.2	1,748.9	(1,818.3)	1,044.7
Loss for the year	-	-	-	(25.9)	(25.9)
Total comprehensive income for the year	-	-	-	(25.9)	(25.9)
Shares issued	1,138.9	-	-	-	1,138.9
At 1 January 2015	2,196.8	56.2	1,748.9	(1,844.2)	2,157.7
Loss for the year	-	-	-	(5.5)	(5.5)
Total comprehensive income for the year	-	-	-	(5.5)	(5.5)
At 31 December 2015	2,196.8	56.2	1,748.9	(1,849.7)	2,152.2

Capricorn Oil Limited

Notes to the Financial Statements (continued)

1 Significant Accounting Policies

a) Basis of preparation

The financial statements of Capricorn Oil Limited ("the Company") for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 29 March 2016. The Company is a limited company incorporated in Scotland and domiciled in the United Kingdom. The registered office is located at 50 Lothian Road, Edinburgh, Scotland.

The Company prepares its financial statements on a historical cost basis. Where there are assets and liabilities calculated on a different basis, this fact is disclosed in the relevant accounting policy. The Company's financial statements comply with the Companies Act 2006. The accounting policies adopted during the year are consistent with those adopted by the parent Cairn Energy PLC and have been applied consistently throughout the period.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 4. The financial position of the company, its liquidity position and borrowing facilities are presented in the financial statements and supporting notes. In addition, note 10 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 credit risk and 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 Group and the Company cash flow forecasts under various scenarios, identifying risks and mitigants and ensuring the Group and the Company have sufficient funding to meet its current commitments as and when they fall due.

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) Foreign currencies

These financial statements continue to be presented in US dollars (US\$), the functional currency of the Company.

The Company translates foreign currency transactions into the functional currency at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the rate of exchange prevailing at the Balance Sheet date. Exchange differences arising are taken to the Income Statement except for those incurred on borrowings specifically allocable to development projects, which are capitalised as part of the cost of the asset.

Rates of exchange to US\$1 were as follows:

	Closing 2015	YTD Average 2015	Closing 2014	YTD Average 2014
Norwegian Kroner	8.842	8.048	7.474	6.282
Sterling	0.679	0.654	0.642	0.640

Capricorn Oil Limited

Notes to the Financial Statements (continued)

d) 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 International Accounting Standards Board ("IASB") as they apply to accounting periods ended 31 December 2015.

Effective 1 January 2015, the Company has adopted the following standards:

- Annual improvements to IFRSs 2011-2013 Cycle

The adoption of these amendments will have no material impact on Cairn's results or financial statement disclosures.

The following amendments to standards issued by the IASB and endorsed by the EU have yet to be adopted by the Group:

- Annual improvements to IFRSs 2010-2012 Cycle (effective 1 February 2015)
- Amendments to IFRS11: Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016)
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (effective 1 January 2016)
- Annual improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016)
- Amendments to IAS 1: Disclosure Initiative (effective 1 January 2016)
- Amendments to IAS 27: Equity Method in Separate Financial Statements (effective 1 January 2016)
- Amendments to IAS 7: Statement of Cash Flows (effective 1 January 2017)

The adoption of these amendments will have no material impact on Company's results or financial statement disclosures. There are no other standards or amendments issued by the IASB and endorsed by the EU that will impact the Company.

e) Investments

The Company's investments in subsidiaries are 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. The fair value is based on the discounted future net cash flows of oil and gas assets held by the subsidiary, using estimated cash flow projections over the licence period. For exploration assets, estimated discounted cash flows are risk-weighted for future exploration success.

Discounted future net cash flows are calculated using an estimated short-term oil price based on the forward curve and long-term oil price of US\$80 per boe (2014: long-term oil price of US\$90 per boe), escalation for prices and costs of 2.0% (2014: 2.5%), and a discount rate of 10% (2014: 10%).

f) 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, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The Company holds financial assets which are classified as either available-for-sale financial assets or loans and receivables, with the exception of derivative financial instruments which are held at fair value through profit or loss.

Financial liabilities generally substantiate claims for repayment in cash or another financial asset. Financial liabilities are categorised as either fair value through profit or loss or held at amortised cost. All of the Company's financial liabilities are held at amortised cost, with the exception of derivative financial instruments which are held at fair value through profit or loss.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short-term deposits with an original maturity of three months or less.

For the purposes of the Statements of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Other payables and other non derivative financial liabilities

Other payables are non-interest bearing and are measured initially at fair value and subsequently amortised cost.

Capricorn Oil Limited

Notes to the Financial Statements (continued)

g) Equity

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

Capital Contribution

Capital contribution from parent is recognised at fair value of the debt forgiven by the parent company. At the reporting date, any debts due to or due from group companies are reviewed. Where the fair value of the assets in the underlying subsidiary supports fresh issue of equity shares, the debt due is reduced by issue of equity shares. However, if this is not the case, the debt is usually forgiven by the parent, and the amount is considered as Capital contribution.

h) Taxation

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

The current tax is based on taxable profit or loss for the year. 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 years and it further excludes items that are never taxable or deductible.

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 liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint operations 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. 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, associates and interests in joint operations 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.

i) 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 investments in subsidiaries

The Company's investments in subsidiaries have been tested for impairment by comparison against the underlying value of the subsidiaries' exploration/appraisal or development assets based on fair value less costs of disposal. This is based on either a verifiable third-party arm's-length transaction from which a fair value can be obtained or where there is no such transaction, the fair value less costs of disposal of an asset is calculated using discounted post-tax cash flow models over the field life of the asset.

The key assumptions used in the Group's discounted cash flow models reflect past experience and take account of external factors. These assumptions include:

- Short/medium-term oil price based on a three-month average forward curve for three years from the Balance Sheet date;
- Long-term oil price of US\$80 per boe (2014: US\$90 per boe) escalated at 2.0% (2014: 2.5%) per annum;
- Reserve estimates of discovered resource (2P and 2C) based on P50 reserve estimates;
- Production profiles based on Cairn's internal estimates which are not materially different from those of the operators;
- Cost profiles for the development of the field and subsequent operating costs supplied by the operator and escalated at 2.0% (2014: 2.0%) per annum; and
- Post-tax discount rates of 10% (2014: 10%) for the Group's UK and Norwegian North Sea assets.

Capricorn Oil Limited

Notes to the Financial Statements (continued)

2 Operating Loss

Auditors' Remuneration

The Company's auditors' remuneration of US\$11,645 (2014: US\$12,186) has been borne by Capricorn Energy Limited, a subsidiary company. 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 certain circumstances, requires Audit Committee approval. No such costs were incurred by the Company during the year (2014: US\$nil).

Employees

This company has no employees (2014: none).

3 Finance Costs

	2015 US\$m	2014 US\$m
Interest payable	0.1	0.1
Exchange loss	3.0	0.1
	3.1	0.2

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:

	2015 US\$m	2014 US\$m
Loss before taxation	(5.5)	(25.9)
Tax at the standard rate of UK corporation tax of 20.25% (2014: 21.5%)	(1.1)	(5.6)
Effects of:		
Non-deductible expenses and non-taxable income	0.5	5.4
Temporary differences not recognised	0.6	0.2
Total tax charge	-	-

Factors that may affect future corporation tax charges

The UK main rate of corporation tax was 21% prior to 1 April 2015, and 20% from that date onwards. The reduction in the tax rate from 21% to 20% has resulted in an average rate of corporation tax of 20.25% for the year ended 31 December 2015, as shown above.

No deferred tax asset has been recognised at the year end on temporary differences in respect of expenses of management carried forward for future relief of US\$nil (2014: US\$nil).

Capricorn Oil Limited

Notes to the Financial Statements (continued)

5 Investments

	Subsidiary undertakings US\$m	Total US\$m
Cost		
At 1 January 2014	1,944.5	1,944.5
Additions	713.9	713.9
At 31 December 2014 and 31 December 2015	2,658.4	2,658.4
Impairments		
At 1 January 2014	1,177.9	1,177.9
Charge during the year	23.4	23.4
At 31 December 2014 and 31 December 2015	1,201.3	1,201.3
Net book value at 31 December 2015	1,457.1	1,457.1
Net book value at 31 December 2014	1,457.1	1,457.1

Additions during 2014 were for shares issued by Capricorn Energy Limited. The subsidiary issued 458,466,443 fully paid ordinary shares of £1 each at par, to the Company for US\$713.9m in total. The share capital issued was in settlement of debts due to the Company.

At the year end, investments in subsidiaries were reviewed for indicators of impairment and impairment tests conducted where indicators found. Impairment tests confirmed that no impairments of the Company's investments in its subsidiaries were required.

As at 31 December 2014, the Company's investments in Capricorn Minerals Limited were fully impaired to reflect the fair value of the underlying assets of the subsidiary. A charge of US\$23.4m was made to the Company's Income statement.

The Company's subsidiaries as at the Balance Sheet date are set out below. The Company holds 100% of the voting rights and ordinary shares of all the companies listed below.

Direct holdings

Company	Principal activity	Country of incorporation	Country of operation
Capricorn Energy Limited	Holding Company	Scotland	Scotland
Capricorn Minerals Limited (in liquidation*)	Holding Company	Scotland	Scotland

Capricorn Oil Limited

Notes to the Financial Statements (continued)

5 Investments (continued)

Indirect holdings - Capricorn Energy Limited

Company	Principal activity	Country of incorporation	Country of operation
Capricorn Spain Limited	Exploration	Scotland	Spain
Capricorn Malta Limited	Exploration	Scotland	Malta
Capricorn Greenland Exploration 1 Limited	Holding company	Scotland	Scotland
Capricorn Greenland Exploration A/S	Exploration	Greenland	Greenland
Capricorn Exploration and Development Company Limited	Exploration	Scotland	Morocco
Capricorn Mauritania Limited	Exploration	Scotland	Mauritania
Capricorn Senegal Limited	Exploration	Scotland	Senegal
Capricorn Ireland Limited	Exploration	Scotland	Republic of Ireland
Capricorn Norge AS	Exploration	Norway	Norway
Nautical Petroleum Limited	Exploration	England	UK
Nautical Petroleum AG	Exploration and development	Switzerland	UK
Agora Oil and Gas (UK) Limited	Exploration	Scotland	UK
Alba Resources Limited	Exploration	Scotland	UK
Transunion Petroleum Italia SRL	Exploration	Italy	Italy
Nautical Italia SRL	Exploration	Italy	Italy
Nautical Holdings Limited+	Holding company	England	UK
UAH Limited+	Holding company	England	UK
Capricorn Energy Search Limited	Exploration	Scotland	India
Capricorn Resources Management Limited	Royalty interest	Scotland	Mongolia
Capricorn Petroleum Limited	Holding company	Scotland	Scotland
Capricorn Oil and Gas Tunisia GmbH	Non-trading	Switzerland	None
Command Petroleum (Gulf) Limited (in liquidation)	Non-trading	Papua New Guinea	None
Cairn Energy Nepal Holdings Limited (in liquidation)	Holding company	Scotland	Nepal
Cairn Energy Dhangari Limited (in liquidation)	Exploration	Scotland	Nepal
Cairn Energy Karnali Limited (in liquidation)	Exploration	Scotland	Nepal
Cairn Energy Lumbini Limited (in liquidation)	Exploration	Scotland	Nepal
Cairn Energy Malangawa Limited (in liquidation)	Exploration	Scotland	Nepal
Cairn Energy Birganj Limited (in liquidation)	Exploration	Scotland	Nepal
Capricorn Greenland Exploration 7 Limited (in liquidation)	Exploration	Scotland	Greenland
Capricorn Greenland Exploration 8 Limited (in liquidation)	Exploration	Scotland	Greenland
Capricorn Greenland Exploration 9 Limited (in liquidation)	Exploration	Scotland	Greenland
Mountwest 560 Limited (in liquidation)	Exploration	Scotland	UK
Alba Resources (Holdings) Limited (in liquidation)	Holding company	Scotland	UK

Indirect holdings – Capricorn Minerals Limited

Company	Principal activity	Country of incorporation	Country of operation
Avannaa Resources Limited (in liquidation*)	Holding company	England	Scotland
Avannaa Diamonds Limited (in liquidation*)	Non-trading	England	None
Avannaa Exploration Limited	Exploration	England	Greenland

*in liquidation from January 2016

+exempt from audit under Section 480 of the Companies Act

Capricorn Oil Limited

Notes to the Financial Statements (continued)

6 Other Receivables

	2015 US\$m	2014 US\$m
Amounts receivable from subsidiary undertakings	165.4	1.9
Other debtors	0.1	0.1
	165.5	2.0

As at 31 December 2015, the ageing analysis of other receivables is set out below:

	Total US\$'000	< 30 days US\$'000	30-60 days US\$'000	60-90 days US\$'000	90-120 days US\$'000	>120 days US\$'000
2015						
Neither past due nor impaired	34.3	34.3	-	-	-	-
Past due and unimpaired	131.2	-	33.4	-	34.8	63.0
Past due and impaired	2.4	-	0.4	-	-	2.0
Allowance for doubtful debts	(2.4)	-	(0.4)	-	-	(2.0)
As at 31 December 2015	165.5	34.3	33.4	-	34.8	63.0
2014						
Neither past due nor impaired	2.0	2.0	-	-	-	-
Current but impaired	-	-	-	-	-	-
Past due and impaired	0.2	-	-	-	-	0.2
Allowance for doubtful debts	(0.2)	-	-	-	-	(0.2)
As at 31 December 2014	2.0	2.0	-	-	-	-

The movement in the allowance for doubtful debts individually or collectively impaired is set out below:

	Amounts owed by subsidiary undertakings US\$m	Total US\$m
At 1 January 2014	(26.2)	(26.2)
Amount released during the year	26.2	26.2
Amount provided during the year	(0.2)	(0.2)
At 31 December 2014	(0.2)	(0.2)
At 1 January 2015	(0.2)	(0.2)
Amount released during the year	0.2	0.2
Amount provided during the year	(2.4)	(2.4)
At 31 December 2015	(2.4)	(2.4)

During the year the Company provided US\$2.4m against a debt due from Capricorn Minerals Limited, a subsidiary company.

In 2014 US\$26.2m was waived by Capricorn Oil Limited which reduced the amounts owed to the Company by Capricorn Petroleum Limited. The provision for US\$26.2m was netted against the intercompany amount due.

Capricorn Oil Limited

Notes to the Financial Statements (continued)

7 Cash and Cash Equivalents

	2015 US\$m	2014 US\$m
Cash and cash equivalents	554.6	725.2

8 Other payables

	2015 US\$m	2014 US\$m
Accruals	0.1	-
Amounts payable to group companies	24.9	26.6
	25.0	26.6

The amounts outstanding are unsecured, repayable on demand and will be settled in cash. Interest, where charged, is at market rates. No guarantees have been given.

9 Called-up share capital

	Number £1 Ordinary '000	£1 Ordinary US\$m
Allotted, issued and fully paid ordinary shares		
At 1 January 2014	636,418	1,057.9
Shares issued	731,262	1,138.9
31 December 2014 and 2015	1,367,680	2,196.8

During 2014, the Company issued 731,262,214 fully paid ordinary shares of £1 each at par, to Cairn Energy PLC for US\$1,138.9m. The share capital issued was in settlement of a debt owed to the parent company.

10 Financial Risk Management: Objectives and Policies

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

Cairn Energy PLC's treasury function and Executive Team as appropriate are responsible for managing these risks, in accordance with the policies set by the Board. Management of these risks 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, short and medium-term deposits, notice accounts, certificates of deposit, money market liquidity funds, intra-group loans and other receivables and financial liabilities held at amortised cost. The Company's strategy has been to finance its operations through a mixture of retained profits and bank borrowings. Other alternatives such as equity issues are reviewed by the Board, when appropriate.

Capricorn Oil Limited

Notes to the Financial Statements (continued)

10 Financial Risk Management: Objectives and Policies (continued)

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 and delays of development projects. The forecasts show that the Company will be able to operate within its current funds and have financial headroom for the 12 months from the date of approval of the 2015 Annual Report and Accounts.

The Company is subject to quarterly forecast liquidity tests as part of the debt facility agreement. The Company has complied with the capital requirements of this test at all times during the year.

The Company currently has surplus cash that is invested in a combination of money market liquidity funds, notice accounts 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.

Interest rate risk

Surplus funds are invested at floating rates. Borrowing arrangements are generally entered into at floating rates. From time to time the Company may opt to manage a proportion of the interest costs by using derivative financial instruments like interest rate swaps. At this time, however, there are no such instruments (2014: none).

The Company's loss before tax is not sensitive to changes in interest rates.

Foreign currency risk

The Company manages exposures that arise from non-functional currency receipts and payments by matching receipts and payments in the same currency and actively managing the residual net position. Generally the exposure has been limited given that receipts and payments have mostly been in US dollars, the functional currency of the Company.

The Company also aims where possible to hold surplus cash, debt and working capital balances in functional currency, thereby matching the reporting currency and functional currency to minimise the impact of foreign exchange movements on the Company's Balance Sheet. Where residual net exposures exist and they are considered significant the Company may from time to time opt to use derivative financial instruments to minimise exposure to fluctuations in foreign exchange and interest rates.

The following table demonstrates the sensitivity to movements in the US\$:NOK exchange rates, with all other variables held constant, on the Company's monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is not material.

	2015		2014	
	Effect on loss before tax US\$m	Effect on Equity US\$m	Effect on loss before tax US\$m	Effect on Equity US\$m
10% increase in NOK to US\$	3.6	3.6	-	-
10% decrease in NOK to US\$	(3.6)	(3.6)	-	-

Credit risk

Credit risk arises from cash and cash equivalents, investments with banks and financial institutions and joint operations.

Investment credit risk for investments with banks and other financial institutions is managed by the Group Treasury function in accordance with the Board-approved policies of Cairn Energy PLC. These policies limit counterparty exposure and maturity and take account of published ratings, market measures and other market information. The limits are set to minimise the concentration of risks and therefore mitigate the risk of financial loss through counterparty failure. It is the Company's policy to invest with banks or other financial institutions that firstly offer the greatest degree of security in the view of the Company, and, secondly the most competitive interest rates. Repayment of principal is the overriding priority and this is achieved by diversification and shorter maturities to provide flexibility. The Board continually assesses these policies and updates as required.

At the year end the Company does not have any significant concentrations of bad debt risk. As at 31 December 2015 the Company had investments with 24 counterparties (2014: 22) to ensure no concentration of counterparty investment risk. The maturity of these investments ranged from instant access to three months.

The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the Balance Sheet date.

Capricorn Oil Limited

Notes to the Financial Statements (continued)

10 Financial Risk Management: Objectives and Policies (continued)

Capital Management

The objective of the Company's capital management structure is to ensure that there remains sufficient liquidity within the Company to support subsidiaries' exploration and development programmes. 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 is subject to quarterly forecast liquidity tests as part of the Reserve Based Lending facility. The Company has complied with the capital requirements of this test at all times during the year.

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 2015.

Company capital and net debt were made up as follows:

	2015 US\$m	2014 US\$m
Other payables	25.0	26.6
Less cash and cash equivalents	(554.6)	(725.2)
Net (funds)/debt	(529.6)	(698.6)
Equity	2,152.2	2,157.7
Capital and net (funds)/debt	1,622.6	1,459.1
Gearing Ratio	0%	0%

11 Financial Instruments

The Company calculates the fair value of assets and liabilities by reference to amounts considered to be receivable or payable on the Balance Sheet date. The Company's financial assets and liabilities, together with their fair values are as follows:

Financial assets	Carrying amount		Fair value	
	2015 US\$m	2014 US\$m	2015 US\$m	2014 US\$m
Cash and cash equivalents	554.6	725.2	554.6	725.2
Amounts receivable from subsidiary undertakings	165.4	1.9	165.4	1.9
Other debtors	0.1	0.1	0.1	0.1
	720.1	727.2	720.1	727.2

All of the above financial assets are current and stated after allowances for doubtful debts. An analysis of the ageing of other receivables is provided in note 6.

Capricorn Oil Limited

Notes to the Financial Statements (continued)

11 Financial Instruments (continued)

Financial liabilities	Carrying amount		Fair value	
	2015 US\$m	2014 US\$m	2015 US\$m	2014 US\$m
Accruals	0.1	-	0.1	-
Amount payable to group companies	24.9	26.6	24.9	26.6
	25.0	26.6	25.0	26.6

The fair value of financial assets and liabilities has been calculated by discounting the expected future cash flows at prevailing interest rates.

Maturity analysis

All of the Company's financial liabilities have maturity dates of less than one year.

12 Related Party Transactions

The Company's principal subsidiaries are listed in note 5. The following table provides the Company's balances which are outstanding with subsidiary companies at the Balance Sheet date:

	2015 US\$m	2014 US\$m
Amounts receivable from subsidiary undertakings	165.4	1.9
Amounts payable to group companies	(24.9)	(26.6)
	140.5	(24.7)

The amounts outstanding are unsecured, repayable on demand and will be settled in cash. No guarantees have been given.

a) 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 year of US\$4.2m (2014: US\$5.9m) and pension contributions of US\$0.3m (2014: US\$0.5m) 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.

b) Other transactions

During the year, Capricorn Energy, a subsidiary company issued invoices of US\$1.5m (2014: US\$1.6m).

During 2014, the Company increased its investment in Capricorn Energy Limited through capitalisation of loan balances receivable from the subsidiary. The Company waived a debt due by Capricorn Petroleum Limited and issued share capital to Cairn Energy PLC in settlement of a debt owed to the parent company. Also, in 2014 US\$1.6m was impaired/waived by Capricorn Oil Limited which reduced the amounts owed to the Company by Capricorn Minerals Limited. This was netted against the intercompany amount due and debited to the Income Statement.

See notes 4, 5 and 8 for further details.

13 Ultimate Parent Company

The Company is a wholly-owned subsidiary of Cairn Energy PLC. The results of the Company are consolidated into those of the ultimate parent company, Cairn Energy PLC, 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.