

**CAPRICORN EXPLORATION LIMITED**  
**ABBREVIATED REPORT & FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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# **Capricorn Exploration Limited**

## **Directors:**

W B B Gammell  
J M Brown  
S J Thomson  
M J Watts  
M S Thoms

## **Secretary:**

D A Wood

## **Auditors:**

In accordance with section 475 of the Companies Act 2006, the Company is, by virtue of section 480, exempt from the obligation to appoint auditors.

## **Solicitors:**

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

## **Registered Office:**

50 Lothian Road  
Edinburgh EH3 9BY

## **Registered No:**

SC307662

# Capricorn Exploration Limited

## Directors' Report

The directors present their report and financial statements for the year ended 31 December 2010.

### Principal Activities and Business Review

The Company did not trade during the year and made neither profits nor losses (2009: £nil). Consequently neither an Income Statement nor a Statement of Comprehensive Income have been presented. There were no movements in cash and cash equivalents during the year, or prior year, therefore a Statement of Cash Flows has not been presented. No dividend has been paid or declared in respect of the year ended 31 December 2010 (2009: £nil).

### Principal Risks and Uncertainties

The Company did not trade during the year. A similar outlook is expected for 2011. Therefore, no specific risks and uncertainties have been identified in relation to its results.

### Directors

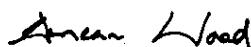
The directors who held office during the year and subsequently are as follows:

W B B Gammell  
J M Brown  
S J Thomson  
M J Watts  
M S Thoms

### Charitable and Political Donations

The Company did not make any charitable or political contributions during the year (2009: £nil).

### BY ORDER OF THE BOARD



Duncan Wood  
Secretary

50 Lothian Road  
Edinburgh EH3 9BY

31 May 2011

# Capricorn Exploration Limited

## Directors' Responsibility Statement

The directors are responsible for preparing the Annual Report and the Company financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

Under Company Law the directors must not approve the Company financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Company for that period. In preparing the Company financial statements the directors are required to:

- Select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- State that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

Each of the directors, whose names are listed in the Board of Directors on page 1 confirms to the best of his knowledge that:

- The financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- The Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

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 Company 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.

# Capricorn Exploration Limited

## Balance Sheet

As at 31 December 2010

	Notes	2010 £	2009 £
<b>Current assets</b>			
Trade and other receivables	3	1	1
<b>Net assets</b>		<b>1</b>	<b>1</b>
<b>Equity attributable to equity holders of the parent</b>			
Called-up share capital	4	1	1
<b>Total equity</b>		<b>1</b>	<b>1</b>

The accounts are prepared in accordance with the special provisions of Part 16 of the Companies Act 2006 relating to dormant companies.

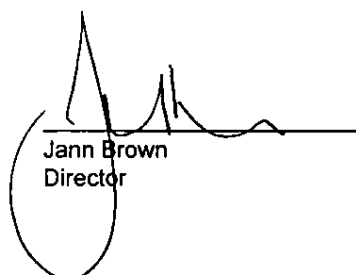
For the year ended 31 December 2010 the Company was entitled to exemption under section 480(1) of the Companies Act 2006 ("the Act").

No members have required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Act.

The directors acknowledge their responsibility for:

- (a) Ensuring the Company keeps accounting records which comply with section 386 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 year, and of its profit and loss for the financial year in accordance with sections 393, 394 and 395 of the Act, and which otherwise comply with the requirements of the Act relating to accounts, so far as applicable to the Company.

Signed on behalf of the Board on 31 May 2011.



Jann Brown  
Director

## Capricorn Exploration Limited

### Statement of Changes in Equity

For the year ended 31 December 2010

	Equity share capital £	Retained earnings £	Total Equity £
At 1 January 2009	1	1	1
Result for the year	-	-	-
At 1 January 2010	1	1	1
Result for the year	-	-	-
At 31 December 2010	1	1	1

# Capricorn Exploration Limited

## Notes to the Accounts

### 1 Accounting Policies

#### a) Basis of preparation

The financial statements of Capricorn Exploration Limited ("the Company") for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 31 May 2011. 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 are presented in the financial statements and supporting notes.

The Company prepares its accounts 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 has sufficient financial resources with which the directors believe that the Company is well placed to manage its business risks successfully, despite the current uncertain economic outlook.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### b) Accounting standards

The Company prepares its accounts in accordance with applicable International Financial Reporting Standards ("IFRS") as adopted by the EU. 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 2010.

For the year ending 31 December 2010, the Company has not adopted any new standards or interpretations.

Other amendments to IFRS effective during the year but with no impact on the accounting policies, financial position or performance of the Company were as follows:

- IFRS 2 'Group-settled Share-based Payment Arrangements';
- IFRS 3 'Business Combinations (Revised)';
- IFRS 5 'Non-current Assets Held-for-sale and Discontinued Operations';
- IFRS 8 'Operating Segments';
- IAS 1 'Presentation of Financial Statements';
- IAS 7 'Statement of Cash Flows';
- IAS 17 'Leases';
- IAS 18 'Revenue';
- IAS 27 'Consolidated and Separate Financial Statements (amended)';
- IAS 38 'Intangible assets';
- Amendment to IAS 39 'Financial Instruments: Recognition and Measurement';
- IFRIC 12 'Service Concession Arrangements';
- IFRIC 15 'Agreements for the Construction of Real Estate';
- IFRIC 17 'Distributions of Non-cash Assets to Owners'; and
- IFRIC 18 'Transfers of Assets from Customers'

The following new standards and interpretations, which are not yet effective and which are not expected to impact the Company's financial position or performance, have been issued by the IASB:

- Improvements to IFRS 7 'Transfers of financial assets';
- IFRS 9 'Financial Instruments: Classification and Measurement';
- IFRS 10 'Consolidation';
- IFRS 11 'Joint Arrangements';
- IFRS 12 'Disclosure of Interests in Other Entities';
- IFRS 13 'Fair Value Measurement';
- Amendment to IAS 12 'Deferred tax: Recovery of underlying assets';
- IAS 24 (Revised) 'Related Party Disclosures';
- Amendment to IAS 32 'Classification of rights issues'; and
- IFRIC 19 'Extinguishment of financial liabilities with equity instruments'

# Capricorn Exploration Limited

## Notes to the Accounts (continued)

### 1 Accounting Policies (continued)

#### c) Presentation currency

The functional and presentation currency of the Company is Pounds Sterling (£).

#### d) 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.

#### Loans and other receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted on an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Trade and other receivables are recognised when invoiced. Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

The carrying amounts of loans and other receivables are tested at each reporting date to determine whether there is objective material evidence of impairment, for example overdue trade debt. Any impairment losses are recognised through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Income Statement or Balance Sheet in accordance with where the original receivable was recognised.

#### e) 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.

### 2 Directors' Emoluments

The directors of the company are also directors of the ultimate parent company, Cairn Energy PLC. The directors received remuneration for the year of £3.6m (2009: £3.3m) and pension contributions of £0.3m (2009: £0.3m), all of which was paid by its ultimate parent company. 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.

### 3 Trade and Other Receivables

	31 December 2010 £	31 December 2009 £
Amounts owed by Group companies	1	1
	1	1



# Capricorn Exploration Limited

## Notes to the Accounts (continued)

### 4 Issued Capital and Reserves

	Number £1 Ordinary
<b>Authorised ordinary shares</b>	
As at 1 January and 31 December 2010	100
	£1 Ordinary £
<b>Allotted, issued and unpaid ordinary shares</b>	
As at 1 January and 31 December 2010	1

### 5 Financial Instruments

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

Financial assets	Carrying amount		Fair value	
	31 December 2010 £	31 December 2009 £	31 December 2010 £	31 December 2009 £
Amounts owed by Group companies	1	1	1	1
	1	1	1	1

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

All the financial assets of the company are current and unimpaired.

### 6 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.