Registered No: SC426519

CAPRICORN EXPLORATION AND DEVELOPMENT COMPANY LIMITED

REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

Capricorn Exploration and Development Company Limited

Directors:

Simon Thomson
James Smith
Paul Mayland

Secretary:

Duncan Wood

Independent Auditors:

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh EH3 8EX

Solicitors:

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

Registered Office:

50 Lothian Road
Edinburgh EH3 9BY

Registered No:

SC426519

Capricorn Exploration and Development Company Limited

Directors' Report

The Directors of Capricorn Exploration and Development Company Limited ("the Company") present their report and financial statements for the year ended 31 December 2019.

Business Review
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 have not prepared a Strategic Report.

The Company relinquished its interest in the Boujdour Maritime licence in 2017 and currently has no interests in oil and gas assets; consequently the Directors are considering plans for the Company's future.

During the year, the Company made a profit of US$0.5m (2018: US$14.8m) mainly due to the reversal of the over accrued amounts for the Boujdour Maritime licence costs to complete. The unsuccessful costs have been credited to the Income Statement.

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

The Company and the wider Cairn Energy PLC Group have performed additional sensitivity analysis. This includes scenarios forecasting a prolonged economic downturn as a result of COVID-19 and the demand-side impact forecast on oil prices 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, supported by the Cairn Energy PLC Group.

No dividend has been paid or declared in respect of the year ended 31 December 2019 (2018: US$nil).

Principal Risks and Uncertainties
The Company has relinquished its licence interests and is now considering its future plans.

Accounting Policies
Capricorn Exploration and Development Company Limited applies accounting policies in line with those of the Cairn Energy PLC Group ("the Group"). Significant accounting policies of the Group are included within the Annual Report and Accounts of Cairn Energy PLC.

Financial Instruments
For details of the Company's financial risk management policy see note 8.

Directors
The directors of the Company who held 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 Financial Reporting Standards ("IFRS") as adopted by the European Union (EU). 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 IFRS as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of Information to Auditors

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

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

By Order of the Board

Duncan Wood
Secretary
50 Lothian Road
Edinburgh EH3 9BY
28 September 2020

Independent auditors' report to the members of Capricorn Exploration and Development Company Limited

Report on the audit of the financial statements

Opinion

In our opinion, Capricorn Exploration and Development Company Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit 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.

We have audited the financial statements, included within the Report & Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the income statement, the statement of comprehensive income, the statement of 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.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

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

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

Independent auditors' report to the members of Capricorn Exploration and Development Company Limited (continued)

Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

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

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

Capricorn Exploration and Development Company Limited

Income Statement

For the year ended 31 December 2019

Continuing Operations	Notes	**2019 US$'000**	2018 US$'000
Unsuccessful exploration costs	5	**640**	15,036
Administrative expenses		**(95)**	(183)
Operating profit		**545**	14,853
Finance costs		**(8)**	(6)
Profit before taxation		**537**	14,847
Taxation	4	**-**	-
Profit for the year		**537**	14,847

Statement of Comprehensive Income

For the year ended 31 December 2019

	2019 US$'000	2018 US$'000
Profit for the year	**537**	14,847
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**537**	14,847

Capricorn Exploration and Development Company Limited

Balance Sheet

As at 31 December 2019

	Notes	**2019 US$'000**	2018 US$'000
Non-current assets			
Intangible exploration/appraisal assets	5	-	-
		-	-
Current assets			
Other receivables		-	240
Cash and cash equivalents		**1,554**	18,204
		1,554	18,444
Total assets		**1,554**	18,444
Current liabilities			
Trade and other payables	6	**28,556**	45,983
Total liabilities		**28,556**	45,983
Net liabilities		**(27,002)**	(27,539)
Equity			
Called-up share capital	7	-	-
Accumulated losses		**(27,002)**	(27,539)
Total equity		**(27,002)**	(27,539)

The financial statements on pages 6 to 18 were approved by the Board of Directors on 28 September 2020 and signed on its behalf by:

James Smith
Director

Registered Company Number SC426519

Capricorn Exploration and Development Company Limited

Statement of Cash Flows

For the year ended 31 December 2019

	2019 US$'000	2018 US$'000
Cash flows from operating activities		
Profit before taxation	**537**	14,847
Unsuccessful exploration costs	**(640)**	(15,036)
Finance costs	**8**	6
Net cash used in operating activities	**(95)**	(183)
Cash flows from investing activities		
Expenditure on intangible exploration/appraisal assets	**(1,189)**	(6,310)
Net cash used in investing activities	**(1,189)**	(6,310)
Cash flows from financing activities		
Loans from parent company	**(15,358)**	11,977
Bank charges	**(1)**	(2)
Net cash flows (used in)/from financing activities	**(15,359)**	11,975
Net (decrease)/increase in cash and cash equivalents	**(16,643)**	5,482
Opening cash and cash equivalents	**18,204**	12,726
Exchange loss on cash and cash equivalents	**(7)**	(4)
Closing cash and cash equivalents	**1,554**	18,204

Capricorn Exploration and Development Company Limited

Statement of Changes in Equity

For the year ended 31 December 2019

	Called-up Share Capital US$'000	Accumulated losses US$'000	Total Equity US$'000
At 1 January 2018	-	(42,386)	**(42,386)**
Profit for the year	-	14,847	**14,847**
Total comprehensive income for the year	-	14,847	**14,847**
At 31 December 2018	-	(27,539)	**(27,539)**
Profit for the year	-	537	**537**
Total comprehensive income for the year	-	537	**537**
At 31 December 2019	**-**	**(27,002)**	**(27,002)**

Capricorn Exploration and Development Company Limited
Notes to the Financial Statements

1 Significant Accounting Policies

a) Basis of preparation

The Financial Statements of the Company for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 28 September 2020. The Company is a private company limited by shares incorporated in 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 applied consistently throughout the period. 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 as applicable to companies using International Financial Reporting Standards ("IFRS"). The accounting policies adopted during the period are consistent with those adopted by the ultimate 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 cash flows, liquidity position and borrowing facilities are presented in the financial statements and supporting notes. In addition, note 8 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposures to liquidity risk.

b) Going concern

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

c) Accounting standards

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

Effective 1 January 2019, the Company has adopted the following amendments to standards and new standards:

- Amendments to IAS 28 'Investments in Associates and Joint Ventures'
- Amendments to IFRS 9 'Financial Instruments'
- IFRS 16 'Leases'
- Annual improvements to IFRS 2015-2017 cycle.

In 2018, the Company early adopted the following interpretation issued by IFRS IC:

- IFRIC 23 'Uncertainty over Income Tax Treatments'

IFRS 16 'Leases'

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There is no impact on the Company's Financial Statements.

Other standards and amendments effective 1 January 2019

The other changes to IFRS effective 1 January 2019, have no impact on the Company's Financial Statements.

IFRIC 23 'Uncertainty over Income Tax Treatments'

The Company chose to adopt IFRIC 23 in advance of its effective date of 1 January 2019. This interpretation provides guidance on how uncertain tax treatments should be addressed and requires an entity to assess the probability of an uncertain tax position being accepted by the relevant taxation authority. The impact on adoption was not material.

1 Significant Accounting Policies (continued)

d) Intangible exploration/appraisal assets

Costs

The Company follows a successful-efforts based accounting policy for oil and gas assets.

Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Income Statement as pre-award costs.

Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence-by-licence basis. Costs are held, undepleted, within intangible exploration/appraisal assets until such time as the exploration phase on the licence area is complete or commercial reserves have been discovered and a field development plan approved.

Exploration expenditure incurred in the process of determining oil and gas exploration targets is capitalised initially within intangible exploration/appraisal assets and subsequently allocated to drilling activities. Costs are recognised following a cost accumulation model where any contingent future costs on recognition of an asset are recognised only when incurred. This includes where the Company has entered into a 'farm-in' agreement to either acquire or part-dispose of an exploration interest.

A farm-in is an agreement in which a party agrees to acquire from one or more of the existing licencees, an interest in an exploration licence, for a consideration which may consist of the performance of a specified work obligation on behalf of the existing licencees. This obligation may be subject to a monetary cap. Refund of full or partial costs incurred to date may also be included in a farm-in agreement. Where the Company has part-disposed of an exploration licence interest through a farm-in arrangement, a 'farm-down', the contingent consideration payable by the third party on the Company's behalf is not recognised in the Financial Statements. The future economic benefit which the Company will receive as a result of the farm-down will be dependent upon future success of any exploration drilling.

Exploration/appraisal drilling costs are capitalised on a well-by-well basis until the success or otherwise of the well has been established. The success or failure of each exploration/appraisal effort is judged on a well-by-well basis. Drilling costs are written off on completion of a well unless the results indicate that hydrocarbon reserves exist and there is a reasonable prospect that these reserves are commercial and work to confirm the commercial viability of such hydrocarbons is intended to be carried out in the foreseeable future. Where results of exploration drilling indicate the presence of hydrocarbons which are ultimately not considered commercially viable, all related costs are written off to the Income Statement.

Following appraisal of successful exploration wells, if commercial reserves are established and technical feasibility for extraction demonstrated and approved in a field development plan, then the related capitalised intangible exploration/appraisal costs are transferred into a single field cost centre within property, plant & equipment – development/producing assets, after testing for impairment (see below).

Proceeds from the disposal or farm-down of part or all of an exploration/appraisal asset are credited initially to that interest with any excess being credited to the Income Statement.

Impairment

Intangible exploration/appraisal assets are reviewed regularly for indicators of impairment and tested for impairment where such indicators exist. An indicator that one of the Group's assets may be impaired is most likely to be one of the following:

- There are no further plans to conduct exploration activities in the area;
- Exploration drilling in the area has failed to discover commercial reserve volumes;
- Changes in the oil price or other market conditions indicate that discoveries may no longer be commercial; or

In such circumstances the intangible exploration/appraisal asset is tested for impairment. Any excess of the carrying amount of the exploration/appraisal asset over its recoverable amount is charged immediately to the income statement as impairment charge.

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 which are classified as 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.

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.

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 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. Where there are uncertain tax positions, the Company assess whether it is probable that the position adopted in tax filings will be accepted by the relevant tax authority, with the results of this assessment determining the accounting that follows.

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

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

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

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

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

h) Joint Operations

The Company was a partner (joint operator) in an oil and gas exploration and development licence which is an unincorporated joint arrangement. The Company's current interest in this arrangements is determined to be a joint operations.

Costs incurred relating to an interest in a joint operation are capitalised in accordance with the Company's accounting policies for oil and gas assets as appropriate (see note 1(d)). All of the Company's Intangible exploration/appraisal assets are related to interests in joint operations.

The Company's working capital balances relating to joint operations are included in trade and other payables. Any share of finance income or costs generated or incurred by the joint operation is included within the appropriate Income Statement account.

1 Significant Accounting Policies (continued)

i) Licence interests

The Company's principal licence interest which was relinquished on 29 December 2017 was the following:

	Working Interest
Boujdour Maritime, Blocks I-XVII (non-operated)	20%

2 Operating Profit

Auditors' Remuneration

The Company's auditors' remuneration of US$6,385 (2018: US$7,700) has been borne by the ultimate parent company, Cairn Energy PLC. Auditors' remuneration for other services is disclosed in the financial statements of Cairn Energy PLC, the ultimate parent undertaking.

The Company, as a subsidiary of Cairn Energy PLC, has a policy in place for the award of non-audit work to the auditors which requires Audit Committee approval. No such costs were incurred by the Company during the year (2018: US$nil).

3 Staff Costs and Remuneration of Key Management Personnel

	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Wages and salaries	-	91
Redundancy costs	-	14
Social security costs	-	9
Other pension costs	-	3
	-	117

The Company has no employees (2018: one).

The 2018 staff costs disclosed are the amounts incurred before recharges to joint operation partners.

Remuneration of key management personnel and directors

The directors of the Company, who are the only key management personnel are also directors of other companies in the Cairn Energy PLC Group. The directors received remuneration for the year of US$3.1m (2018: US$3.2m) and pension contributions of US$0.2m (2018: US$0.2m) 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.

4 Taxation

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

	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Profit before taxation	**537**	14,847
Tax at the standard rate of UK corporation tax of 19% (2018:19%)	**102**	2,821
Effects of:		
Temporary differences not recognised	**(104)**	(2,822)
Group relief surrendered	**2**	1
Total tax charge	**-**	-

Factors that may affect future corporation tax charges
The UK main rate of corporation tax is currently 19% (2018: 19%).

No deferred tax asset has been recognised at the year end on deductible temporary differences in respect of previously held non-current assets, now fully written off to the Income Statement of US$265.9m (2018: US$266.3m) and pre-trade revenue costs carried forward for future relief of US$0.8m (2018: $0.7m), as it is not considered probable that these will be utilised in future periods.

5 Intangible Exploration/Appraisal Assets

Net book value	**Morocco US$'000**
At 1 January 2018	-
Additions	(15,036)
Unsuccessful exploration costs	15,036
At 31 December 2018	-
Additions	**(640)**
Unsuccessful exploration costs	**640**
At 31 December 2019	**-**

The 2019 additions are the reversal of the over accrued amounts for the Boujdour Maritime licence costs to complete. The unsuccessful costs have been credited to the Income Statement.

In 2018 the Company released provisions relating to the Foum Draa licence relinquished during 2015. This was credited to additions and subsequently to the Income Statement as a reversal of unsuccessful costs from prior years.

6 Trade and Other Payables

	At 31 December 2019 US$'000	At 31 December 2018 US$'000
Trade payables	-	19
Amount payable to parent company	28,470	43,828
Joint operation payables	86	1,995
Accruals	-	141
	28,556	45,983

Joint operation payables include the Company's share of the trade and other payables of joint operations in which the Company participated.

Reconciliation of opening and closing borrowings to cash flow movements:

	2019 US$'000	2018 US$'000
Opening payable to parent company	(43,828)	(31,851)
Cash flow movements		
Funding from parent company	15,358	(11,977)
	15,358	(11,977)
Closing payable to parent company	(28,470)	(43,828)

7 Called-up Share Capital

	Ordinary shares of £1	
Allotted, issued and fully paid	**Number of shares**	**US$**
At 31 December 2018 and 31 December 2019	1	2

8 Financial Risk Management: Objectives and Policies

The main risks 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 each of the risk and these are summarised below.

Cairn Energy PLC's treasury function and Executive Team as appropriate are responsible for managing the risk, in accordance with the policies set by the Board. Management of 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 their 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 of the Company comprise cash at bank and financial liabilities held at amortised cost. The Company strategy is to finance its operations through a mixture of retained profits and group borrowings. Other alternatives such as equity issues and other forms of non-investment-grade debt finance are reviewed by the Cairn Energy PLC Board, when appropriate.

Liquidity risk

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

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

The Group runs various sensitivities on its liquidity position on a quarterly basis throughout the year.

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

Capital Management

The objective of the Company's capital management structure is to ensure that there remains sufficient liquidity within the Company to meet ongoing liabilities that fall due. 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 2019.

The Company's capital and net debt were made up as follows:

	At 31 December 2019 US$'000	At 31 December 2018 US$'000
Amount payable to parent company	**28,470**	43,828
Less cash and cash equivalents	**(1,554)**	(18,204)
Net debt	**26,916**	25,624
Equity	**(27,002)**	(27,539)
Capital and net debt	**(86)**	(1,915)
Gearing ratio	**31,298%**	1,338%

9 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	
	At 31 December 2019 US$'000	At 31 December 2018 US$'000	**At 31 December 2019 US$'000**	At 31 December 2018 US$'000
Cash and cash equivalents	**1,554**	18,204	**1,554**	18,204
Other receivables	**-**	4	**-**	4
Joint operation receivables	**-**	236	**-**	236
	1,554	18,444	**1,554**	18,444

Financial liabilities	Carrying amount		Fair value	
	At 31 December 2019 US$'000	At 31 December 2018 US$'000	**At 31 December 2019 US$'000**	At 31 December 2018 US$'000
Trade payables	**-**	19	**-**	19
Amount payable to parent company	**28,470**	43,828	**28,470**	43,828
Joint operation payables	**86**	1,995	**86**	1,995
Accruals	**-**	141	**-**	141
	28,556	45,983	**28,556**	45,983

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 financial liabilities have a maturity of less than one year.

10 Capital Commitments

	At 31 December 2019	At 31 December 2018
Oil and gas expenditure:	**US$'000**	US$'000
Intangible exploration/appraisal assets	**-**	1,429
Contracted for:	**-**	1,429

Capital commitments represented the Company's share of obligations in relation to its interests in joint operations.

The commitment as at 31 December 2018 is included within the Company's share of joint operation payables.

11 Related Party Transactions

The following table provides the balances which are outstanding with group companies at the balance sheet date:

	At 31 December 2019 US$'000	At 31 December 2018 US$'000
Amount payable to parent company	**28,470**	43,828

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.

During the year, the parent company, Capricorn Energy Limited, issued invoices totalling US$74,832 (2018: US$17,822).

Remuneration of key management personnel and directors
See note 3.

12 Ultimate Parent Company

The Company is a wholly-owned subsidiary of Capricorn Energy Limited. The Company's ultimate parent company is 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.