Registered No 4999997

UAH LIMITED

REPORT & FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JULY 2012 TO 31 DECEMBER 2013

UAH Limited

Directors

PJ Mayland
J D Smith
S J Thomson

Secretary

D A 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

4999997

UAH Limited

Directors' Report

The Directors of UAH Limited ("the Company") present their Annual Report for the period ended 31 December 2013 together with the audited financial statements of the Company for the period

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006

Principal Activities and Business Review
The principal activity of the company is to hold a 25% investment in Nautical Petroleum AG (NPAG), which is incorporated in Switzerland and is an exploration and development company

Consolidated financial statements are not produced for the company and its subsidiary (detailed in note 3 to the financial statements) as provided under the exemption in section 400(1) of the Companies Act 2006 The results of the Company and its subsidiary are included within the consolidated financial statements of the ultimate parent undertaking, Cairn Energy PLC

These financial statements have been prepared under International Financial Reporting Standards ("IFRS") for the first time, having previously been prepared under UK GAAP

During the period the Company made a loss of £54 (2012 loss £3) due to bank charges No dividend has been paid or declared in respect of the period ended 31 December 2013 (2012 £nil)

Principal Risks and Uncertainties
The principal risks and uncertainties of the Group which include those of the Company, are discussed in pages 42 to 49 of the Group's annual report which does not form part of this report

Financial Instruments

For detail of the Company's financial risk management policy see note 8

Directors

The directors of the Company who were in office during the period and up to the date of signing the financial statements were as follows

S I Jenkins (resigned 26 October 2012)

R P T Jennings (resigned 26 October 2012)

W H Mathers (resigned 26 October 2012)

J M Brown (appointed 26 October 2012 and resigned 15 May 2014)

M J Watts (appointed 26 October 2012 and resigned 15 May 2014)

S J Thomson (appointed 26 October 2012)

J D Smith (appointed 15 May 2014)

P J Mayland (appointed 15 May 2014)

UAH Limited

Directors' Report (continued)

Directors' Responsibilities Statement

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 period 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 proposed at the annual general meeting

BY ORDER OF THE BOARD

Duncan Wood
Secretary

50 Lothian Road
Edinburgh EH3 9BY

3 July 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UAH LIMITED

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below.

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss and cash flows for the period 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

This opinion is to be read in the context of what we say in the remainder of this report

What we have audited

The financial statements, which are prepared by UAH Limited, comprise

- the balance sheet as at 31 December 2013,
- the income statement and statement of comprehensive income for the period then ended,
- the statement of cash flows for the period then ended,
- the statement of changes in equity for the period 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 their preparation 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

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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

In addition, we read all the financial and non-financial information in the Report and Financial Statements (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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements

UAH Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UAH LIMITED (continued)

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

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement 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 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

Bruce Collins

Bruce Collins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
3 July 2014

UAH Limited
Income Statement

Continuing Operations	Note	18 months ended 31 December 2013 £	Year ended 30 June 2012 £
Administrative expenses		-	(3)
Operating loss		-	(3)
Finance costs		**(54)**	-
Loss before taxation		**(54)**	(3)
Taxation	6	-	-
Loss for the period		**(54)**	(3)

UAH Limited
Statement of Comprehensive Income

	18 months ended 31 December 2013 £	Year ended 30 June 2012 £
Loss for the period	**(54)**	(3)
Total comprehensive income for the period	**(54)**	(3)

UAH Limited
Balance Sheet

	Notes	As at 31 December 2013 £	As at 30 June 2012 £	As at 30 June 2011 £
Non-current assets				
Investments	3	**1,740,201**	1,740,201	1,740,201
		1,740,201	1,740,201	1,740,201
Current assets				
Other receivables	4	**349,169**	349,169	349,169
Cash at bank		-	23	26
		349,169	349,192	349,195
Total assets		**2,089,370**	2,089,393	2,089,396
Current liabilities				
Trade and other payables	5	**162,772**	162,772	162,772
Bank overdraft		**31**	-	-
Total liabilities		**162,803**	162,772	162,772
Net assets		**1,926,567**	1,926,621	1,926,624
Equity attributable to owners of the parent				
Called-up share capital	7	**1,000**	1,000	1,000
Retained earnings		**1,925,567**	1,925,621	1,925,624
Total equity		**1,926,567**	1,926,621	1,926,624

The financial statements on pages 6 to17 were approved by the Board of Directors on 3 July 2014 and signed on its behalf by

Simon Thomson
Director
Registered Company Number 4999997

UAH Limited

Statement of Cash Flows

	18 months ended 31 December 2013 £	Year ended 30 June 2012 £
Cash flows used in operating activities		
Loss before taxation	(54)	(3)
Finance costs	54	-
Net cash used in operating activities	-	(3)
Cash flows used in financing activities		
Bank charges	(54)	-
Net cash flows used in financing activities	(54)	-
Net decrease in cash and cash equivalents	(54)	(3)
Opening cash and cash equivalents at beginning of period	23	26
Closing cash and cash equivalents	(31)	23

UAH Limited
Statement of Changes in Equity
For the period ended 31 December 2013

	Called-up share capital £	Retained earnings £	Total equity £
At 1 July 2011	1,000	1,925,624	**1,926,624**
Loss for the year	-	(3)	**(3)**
At 1 July 2012	1,000	1,925,621	**1,926,621**
Loss for the period	-	(54)	**(54)**
At 31 December 2013	**1,000**	**1,925,567**	**1,926,567**

UAH Limited
Notes to the Financial statements

1 Accounting Policies

a) Basis of preparation

The financial statements of UAH Limited ("the Company") for the period ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 3 July 2014 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 These financial statements have been prepared under International Financial Reporting Standards ("IFRS") for the first time, having previously been prepared under UK GAAP

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 financial statements in accordance with applicable 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 2013 These are the first financial statements of the Company to have been prepared under IFRS and the disclosures required under IFRS 1 'First time adoption of IFRS' concerning the transition from UK GAAP to IFRS are disclosed in these financial statements where required The date of transition is 1 June 2011

The transition from UK GAAP to IFRS has not altered the Balance Sheet position, loss for the period or cash flow position

The Company has adopted the following standards impacting the Company's accounting policies and/or presentation in the Company's financial statements

- IFRS 13 'Fair Value Measurement', (effective 1 January 2013)
- IAS 1 (amended) 'Presentation of Financial Statements', (effective 1 January 2013)
- IAS 19 (revised) 'Employee Benefits', (effective 1 January 2013)

The amendments to accounting policies may result in minor changes in disclosures within the Statement of Other Comprehensive Income and notes to these financial statements but have no material impact on the results for the period Other changes to IFRS effective 1 January 2013 have no impact on the accounting policies or financial statements

The following new standards, issued by the IASB and endorsed by the EU, have yet to be adopted by the Company

- IFRS 10 'Consolidated Financial Statements', (effective 1 January 2014)
- IFRS 11 'Joint Arrangements', (effective 1 January 2014)
- IFRS 12 'Disclosure of interests in Other Entities' (effective 1 January 2014)
- IAS 27 (amendment) 'Separate Financial Statements' (effective 1 January 2014)
- IAS 28 (amendment) 'Investments in Associates and Joint Ventures' (effective 1 January 2014)

The adoption of these new standards will not result in any material changes to the Company's financial statements No other standards issued by the IASB and endorsed by the EU, but not yet adopted are expected to have any material impact on the Company's financial statements

1 Accounting Policies (continued)

c) Presentation currency

The functional currency of UAH Limited is Sterling These financial statements have been presented in Sterling (£) It is deemed to be appropriate to present the financial statements in line with the functional currency The Company's policy on foreign currencies is detailed in note 1(h)

d) 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, the discounted cash flows are risk-weighted for future exploration success

Discounted future net cash flows for IAS 36 purposes are calculated using an estimated short and long-term oil price of US$90 per boe (2012 short and long-term oil price of US$90 per boe), or the appropriate gas price as dictated by the relevant gas sales contract, escalation for prices and costs of 2 5%, and a discount rate of 10% (2012 2 5% and 10% respectively)

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, 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

Other receivables

Other receivables are measured at amortised cost using the effective interest method less any impairment 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 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

Trade payables and other non derivative financial liabilities

Trade payables and other creditors are non-interest bearing and are measured at fair value initially then amortised cost subsequently

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

1 Accounting Policies (continued)

g) Taxation

The tax expense represents the sum of current tax and deferred tax

The current tax is based on taxable profit for the period Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date

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

Deferred income 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 Ventures 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 income tax 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

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilised, except where the deferred income tax asset relating to the deductible temporary timing difference arises from the 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 In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in Joint Ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised

The carrying amount of deferred income tax assets are reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilised

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which the asset is realised or the liability is settled, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date

Deferred tax assets and liabilities are only offset where they arise within the same entity and tax jurisdiction and the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

h) Foreign currencies

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

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

Discounted future net cash flows for IAS 36 purposes are calculated using commodity price, cost and discount rate assumptions on forecast production profiles risk weighted for future exploration and appraisal success See note 1(d) for further details

UAH Limited

Notes to the Fınancıal statements

2 Operatıng Loss

Audıtor's remuneratıon
The Company's audıtors' remuneratıon of £1,500 (2012 £2,000) has been borne by ıntermedıate holdıng company Capncorn Energy Lımıted Audıtors' remuneratıon for other servıces ıs dısclosed ın the financıal statements of Caırn Energy PLC, the ultımate parent undertakıng

The Company has a polıcy ın place for the award of non-audıt work to the audıtors whıch, ın certaın cırcumstances, requıres Audıt Commıttee approval

Employees
Thıs company has no employees (2012 none)

3 Investments

	Subsıdıary undertakıngs £	**Total £**
Net book value		
At 1 July 2011, 2012 and 31 December 2013	**1,740,201**	**1,740,201**

The ınvestments are valued usıng deemed cost There ıs no adjustment requıred for the transıtıon to IFRS from UK GAAP

Investments were revıewed for ındıcators of ımpaırment as at 31 December 2013 and agaın as at the date of sıgnıng the financıal statements It was concluded that ındıcators of ımpaırment dıd not exıst

The Company's assocıate as at the Balance Sheet date ıs set out below

Company	**Pnncıpal actıvıty**	**Country of ıncorporatıon**	**Country of operatıon**	**Proportıon of votıng nghts and ordınary shares**
Indırect holdıngs				
Nautıcal Petroleum AG	Exploratıon, development and productıon company	Swıtzerland	UK	25%

4 Other receıvables

	2013 £	2012 £
Amounts owed by Group companıes	**349,169**	349,169

The amounts outstandıng are unsecured, repayable on demand and wıll be settled ın cash Interest, where charged, ıs at market rates No guarantees have been gıven

UAH Limited

Notes to the Fınancıal statements

5 Trade and other payables

	2013 £	2012 £
Amounts owed to Group companıes	**162,772**	162,772

The amounts outstandıng are unsecured, repayable on demand and wıll be settled ın cash Interest, where charged, ıs at market rates No guarantees have been gıven

6 Taxatıon on Loss

Factors affectıng tax expense for perıod

A reconcılıatıon of ıncome tax expense applıcable to loss before ıncome tax at the applıcable tax rate to ıncome tax expense at the Company's effectıve ıncome tax rate ıs as follows

	2013 £	2012 £
Loss before taxatıon	**(54)**	**(3)**
Tax at the weıghted average rate of corporatıon tax of 23 5% (2012 24 5%)	**(13)**	**(1)**
Effects of		
Non-deductıble expenses	**13**	**1**
Total tax credıt	**-**	**-**

Factors that may affect future corporatıon tax charges

The UK maın rate of corporatıon tax was 24% prıor to 1 Aprıl 2013, and 23% from that date onwards The reductıon ın the tax rate from 24% to 23% has resulted ın an average rate of corporatıon tax of 23 5% for the 18 month perıod ended 31 December 2013, as shown above The rate wıll reduce to 21% on 1 Aprıl 2014 and to 20% on 1 Aprıl 2015

7 Called-up Share Capıtal

	Number £1 Ordınary	£1 Ordınary £
Allotted, ıssued and fully paıd ordınary shares		
At 1 July 2011, 2012 and 31 December 2013	**1,000**	**1,000**

8 Fınancıal Rısk Management Objectıves and Polıcıes

The maın rısks arısıng from the Company's fınancıal ınstruments are lıquıdıty rısk, credıt rısk and market rısk arısıng ıncludıng equıty prıce fluctuatıons, ınterest rate rısk and foreıgn currency rısk The Board of the Company's ultımate parent company, Caırn Energy PLC, revıews and agrees polıcıes for managıng each of these rısks and these are summarısed below

The Group's treasury functıon, at Caırn Energy PLC, and Executıve Team as approprıate are responsıble for managıng these rısks, ın accordance wıth the polıcıes set by the Board Management of these rısks ıs carrıed out by monıtorıng of cash flows, ınvestment and fundıng requırements usıng a varıety of technıques These potentıal exposures are managed whılst ensurıng that the Company and Group have adequate lıquıdıty at all tımes ın order to meet theır ımmedıate cash requırements There are no sıgnıfıcant concentratıons of rısks unless otherwıse stated

The prımary fınancıal ınstruments comprıse cash, ıntra-group loans and other receıvables and fınancıal lıabılıtıes held at amortısed cost The Group's strategy has been to fınance ıts operatıons through a mıxture of retaıned profıts and group borrowıngs Other alternatıves such as equıty and other forms of non ınvestment-grade debt fınance are revıewed by the Board, when approprıate

8 Financial Risk Management Objectives and Policies (continued)

Liquidity risk
The Group currently has surplus cash which it has placed 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/medium-term expenditure requirements The Group is conscious of the current environment and constantly monitors counterparty risk Policies are in place to limit counterparty exposure and maturity The Group monitors counterparties using published ratings and other measures Repayment of principal is the overriding priority and this is achieved by diversification and shorter maturities to provide flexibility

At 31 December 2012 Cairn Energy PLC Group had a total of £55 0m of facilities in place to cover the issue of performance guarantees During the period these facilities were increased to £60 0m Fixed rates of bank commission and charges applied to these facilities £33 8m was utilised as at 31 December 2013 On 21 February 2014 the facilities were further increased to £100 0m

Cairn Energy PLC also issued a £100 0m Letter of Credit on 22 July 2013 as required under the membership of the Oil Spill Response Scheme's 'Cap and Contain' arrangement This guarantee is cash backed with £100 0m being placed with BNP Paribas to support the letter of credit

Interest rate risk
Surplus funds are placed on short/medium-term deposits at floating rates It is Cairn's policy to invest with banks or other financial institutions that first of all offer what is perceived as the greatest security and, second, the most competitive interest rate Managing counterparty risk is considered the priority

Short/medium-term borrowing arrangements are generally entered into at floating rates From time to time the Group 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 (2012 none)

Foreign currency risk
Cairn 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

The Company also aims where possible to hold surplus cash, debt and working capital balances in functional currency, GBP, thereby matching the reporting currency and functional currency of the Company This minimises the impact of foreign exchange movements on the Company's Balance Sheet

Where residual net exposures do exist and they are considered significant the Company and Group may from time to time, opt to use derivative financial instruments to minimise its exposure to fluctuations in foreign exchange and interest rates

Credit risk
Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions

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 Investments of surplus funds are only made with approved counterparties who meet the appropriate rating and/or other criteria, and are only made within approved limits The Board continually re-assesses the Group's policy and updates as required The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty failure

At the period end the Company does not have any significant concentrations of bad debt risk

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

Capital Management
The objective of the Company's capital management structure is to ensure that there remains sufficient liquidity within the Group to carry out committed work programme requirements The Group monitors the long-term cash flow requirements of the business in order to assess the requirement for changes to the capital structure to meet that objective and to maintain flexibility

The Company manages the capital structure and makes adjustments to it in light of changes to economic conditions To maintain or adjust the capital structure, Cairn may buy-back shares, make a special dividend payment to shareholders, return capital, issue new shares for cash, repay debt, put in place new debt facilities or other such restructuring activities as appropriate No significant changes were made in the objectives, policies or processes during the period ended 31 December 2013

8 Financial Risk Management Objectives and Policies (continued)

Company capital and net debt were made up as follows

	2013 £'000	2012 £'000
Trade and other payables	162,772	162,772
Add Bank overdraft	31	-
Less cash and cash equivalents	-	(23)
Net debt	162,803	162,749
Equity	1,926,567	1,926,621
Company capital and net debt	2,089,370	2,089,370
Gearing Ratio	8%	8%

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 comprise the 'amounts owed by Group companies' of £349,169 (2012 £349,169) and cash at bank as at 30 June 2012 of £23 The carrying value of the financial assets are equal to their fair value

The Company's financial liabilities comprise the 'amounts owed to Group companies' of £162,772 (2012 £162,772) and bank overdraft of £31 (2012 £nil) The carrying value of the financial liabilities are equal to their fair value

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 financial liabilities have a maturity of less than one year

10 Related Party Transactions

The Company's subsidiary information is listed in note 3 The following table provides the Company's balances which are outstanding with subsidiary companies at the Balance Sheet date

	2013 £	2012 £
Amounts owed by Group companies	349,169	349,169
Amounts owed to Group companies	(162,772)	(162,772)
	186,397	186,397

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

Remuneration of key management personnel

R P T Jennings, S I Jenkins and W H Mathers were directors of the Company until 26 October 2012 During the current period they received total remuneration of £2 6m (2012 £1 4m) and pension contributions of £22,844 (2012 £29,000 by the intermediary parent Company, Nautical Petroleum Limited for their services as Directors Of this amount £1 7m (2012 £nil) was paid as compensation for loss of office The directors appointed on 26 October 2012 are also directors of other companies in the Cairn Energy PLC group These directors received remuneration for the period of £2 8m and pension contributions of £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

11 Ultimate Parent Company

The Company is a wholly-owned subsidiary of Capricorn Energy Limited 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