Company Registration Number SC210359

ALBA RESOURCES LIMITED

FINANCIAL STATEMENTS

YEAR ENDED
30 JUNE 2012

ALBA RESOURCES LIMITED (SC210359)

DIRECTORS REPORT

The directors present their report and the financial statements for the year to 30 June 2012.

Registered office and Company Secretary

The registered office of the Company is 34 Albyn Place, Aberdeen, AB10 1FW. The Company Secretary is Ian Smith.

Business review and principal activities

The company is a wholly owned subsidiary of Alba Resources (Holdings) Limited, which is a wholly owned subsidiary of Nautical Petroleum Ltd which is engaged in oil exploration, appraisal and pre-development activities.

The company holds a 6.0% interest in the UK North Sea block 9/11a, the Mariner field and a 10% interest in the Keddington UK onshore field which is in Lincolnshire.

A 20.667% interest in the Mariner field was sold in the November 2010 to Statoil, the operator of the field, for cash proceeds of £87.5 million. In addition 50% of further spending until Field Development Plan (FDP) approval is carried, up to a limit of £3.0 million. The Mariner field is at the pre-development phase and the activity in the period was to continue to evaluate the field.

The Keddington field underwent some maintenance in the year to maintain production levels. However, increases in production will not be fully established until gas handling on the field is improved, which will require further investment, possibly in electricity generation to utilise the gas.

Results and dividends

The company made a profit of £0.49 million in the year to June 2012 (2011: profit of £70.39 million). Gross profits from the Keddington field were £0.14 million (2011: £0.08 million) and finance income was £0.59 million (2011: £0.54 million). 2011 profit was primarily as a result of the gain on sale of Mariner of £69.60 million, with the proceeds of the sale being loaned to Nautical Petroleum Ltd, the 100% parent of the Nautical Group, with interest accruing. The directors do not recommend the payment of a dividend..

Future developments

The company will continue to evaluate the Mariner field and development options with a view to developing the field, with current plans to submit an FDP at the end of 2012. Further work is planned on the Keddington field to optimise production.

Events after the balance sheet date

On 8 August 2012 the takeover of the Nautical Group by Cairn Energy plc was completed. The Group is now wholly owned by Capricorn Energy Limited, a wholly owned subsidiary of Cairn Energy Plc.

Principal risks and uncertainties.

In accordance with all pre-development fields, the principal risk, both upside and downside, is the level of commerciality, with the most influential factors being oil prices and the ultimate size of recoverable reserves and the cost of the development.

The Company is part of the Cairn Energy Plc Group and is therefore well funded to take Mariner to development submission.

The company currently has small production with the underlying price in US dollars. Also when production commences from Mariner, revenue will most likely be in US dollars. The company is therefore exposed to currency movements, which it will seek to manage with a range of measures, including consideration of appropriate financing and hedging.

ALBA RESOURCES LIMITED (SC210359)

Directors and their interests
The directors of the company in the year were:

Mr S Jenkins
Mr P Jennings
Mr W Mathers

None of the directors have any interest in the shares of the company. The interests of the directors in its parent, Alba Resources (Holdings) Limited, and its parent, Nautical Petroleum Ltd, are set out in the reports and accounts of those companies, which do not form part of this report.

Disclosure of information to the auditors
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors
In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the company.

The Directors' Report has been prepared in accordance with the special provisions of s.415a of the Companies Act 2006 relating to small entities.

By order of the Board

W Mathers
Director

Date: 10 October 2012

ALBA RESOURCES LIMITED

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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 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.

ALBA RESOURCES LIMITED

Independent auditors' report
to the members of Alba Resources Limited

We have audited the financial statements of Alba Resources Limited for the year to 30 June 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
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 and opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
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 financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Kevin Weston (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor, Aberdeen
Date: 12 October 2012

ALBA RESOURCES LIMITED
PROFIT AND LOSS ACCOUNT
for the year to 30 June 2012

	Note	**2012** **£'000**	2011 £000
Revenue	2	**223**	177
Cost of sales		**(86)**	(99)
Gross Profit		**137**	78
Administrative expenses		**(4)**	(5)
Foreign exchange (loss) / gain		**(92)**	270
Operating Profit	3	**41**	343
Gain on asset sale	5	**-**	69,580
Finance income	7	**595**	545
Finance costs	7	**(144)**	(295)
Profit on ordinary activities before taxation		**492**	70,173
Tax on ordinary activities	8	**-**	216
Profit on ordinary activities after taxation		**492**	70,389

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the period as set out above.

ALBA RESOURCES LIMITED
BALANCE SHEET – at 30 June 2012

	Note	**2012 £'000**	2011 £'000
Fixed Assets			
Intangible assets	9	**2,445**	744
Oil & gas assets	10	**391**	425
		2,836	1,169
Current Assets			
Debtors	11	**68,741**	69,562
Cash at bank and in hand		**5,150**	5,115
		73,891	74,677
Creditors: *Amounts falling due within one year*	12	**(1,437)**	(1,195)
Net Current Assets		**72,454**	73,482
Total Assets Less Current Liabilities		**75,290**	74,651
Deferred tax	13	**-**	-
Provision for liabilities	14	**(4,154)**	(4,007)
		(4,154)	(4,007)
Net Assets		**71,136**	70,644
Capital and Reserves			
Called-up share capital	15,16	**197**	197
Share premium	15,16	**2,908**	2,908
Retained earnings	16	**68,031**	67,539
Shareholders' Funds		**71,136**	70,644

Signed on behalf of the board of directors

Director – William Mathers
Date: 10 October 2012

1. Accounting Policies

(a) Basis of Accounts Preparation

The financial statements have been prepared under the historic cost convention and in accordance with applicable United Kingdom accounting standards. In addition to the requirements of UK accounting standards, the accounting for oil and gas exploration and production activities is guided by the Statement of Recommended Practice ("SORP") "Accounting for Oil and Gas Exploration, Production and Decommissioning Activities" issued by the UK Oil Industry Accounting Committee on 7 June 2001. The financial information has been prepared in accordance with the provisions of the SORP.

The directors believe that it is appropriate to prepare the financial statements on a going concern basis.

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenues can be reliably measured.

(c) Exploration, Evaluation and development and production assets

All costs incurred after the rights to explore an area have been obtained are accumulated and capitalised as intangible exploration and evaluation (E&E) assets. If facts and circumstances indicate that the carrying value of the E&E asset may exceed its recoverable amount an impairment review is performed.

Development and Production (D&P) assets are accumulated into single field cost centres and represent the costs of developing the commercial reserves and bringing them into production together with the E&E expenditures incurred in finding commercial reserves.

When production commences the capital costs incurred plus an estimate of future costs of development are depleted on the unit of production method based on proven and probable reserves for the cost centre. Changes in reserve quantities are recognised prospectively from the last reporting date.

If facts and circumstances indicate that the carrying value of the D&P asset may exceed its recoverable amount an impairment review is performed.

(d) Foreign Currencies

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the date of the transactions; monetary assets and liabilities at the balance sheet date are translated at the year end rate of exchange. The resulting profits or losses are dealt with in the profit and loss account.

(e) *Related Party Transactions*

The company is part of the Nautical Petroleum Ltd group, the consolidated accounts of which are publicly available. Accordingly the company has taken advantage of the exemption in Financial Reporting Standard no. 8 from disclosing transaction with members of the Nautical Petroleum group where the group controls 100% of the voting rights.

(f) *Provisions*

Provision for decommissioning

Provision for decommissioning is recognised in full as an asset and liability when the obligation arises. The asset is included within development and productions assets. The liability is included within provisions. The amount recognised is the estimated cost of decommissioning, discounted where appropriate to its net present value, and is reassessed each year in accordance with local conditions and requirements. Revisions to estimated costs of commissioning which alter the level of provisions required are also reflected in adjustments to decommissioning.

Conditional payments
Non-current conditional payments are measured at amortised cost using the effective interest rate method, with the unwinding of the discount passing though income statement as a finance cost. At each balance sheet date, the estimates used to determine the discount period are assessed and changes made as appropriate, with the effect of the change being recorded in the current year

(g) *Taxation*
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(h) *Cash flow statement*
The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

2. Revenue

	2012 £'000	2011 £'000
Oil sales	223	177

All revenue is derived from the UK.

3. Operating profit

Operating profit is stated after charging / (crediting):	2012 £'000	2011 £'000
Depletion of oil & gas properties	38	36
Foreign exchange loss / (gain)	92	(270)

4. Employees and directors emoluments

The Company does not have any employees and therefore does not have any employment costs.

The directors of the Company are also directors of Nautical Petroleum Limited, the parent Company of the Nautical Petroleum Ltd Group. The directors are paid by Nautical Petroleum

Limited for services to the Nautical Petroleum Ltd group. The directors do not believe that it is practicable to apportion this between their services as directors of the company and their services as directors of Nautical Petroleum Limited and other members of the Nautical Petroleum Limited Group.

5. Gain on asset sale

	2012	2011
	£'000	£'000
Proceeds	-	87,500
Net book value of asset	-	(17,920)
	-	69,580

On 3 November 2010, the Company completed the sale of a 20.6667% interest in Licence P335, Block 9/11a which contains the Mariner discovery and associated rights to Statoil (UK) Limited for sale proceeds of £87.5 million. The Company retains a 6% interest in the field, with Statoil carrying 3% of costs up to Field Development Plan submission, up to a limit of £3.0 million.

6. Auditors remuneration

	2012	2011
	£'000	£'000
Auditors remuneration:		
Audit services – Ernst & Young LLP	4	4
Auditors remuneration:	4	4

The current year's audit fees of £4k were absorbed by Nautical Petroleum Limited.

7. Interest income and similar items

	2012	2011
Finance income	£'000	£'000
Bank interest	89	121
Interest on inter group loans	506	424
	595	545
Finance costs		
Interest on inter group loans	89	121
Unwinding of discount on long term payable	55	141
Effects of changes in estimates to discounts on long term payables	-	33
	144	295

8. Tax

The major component of the tax credit is:

Deferred income tax	2012 £'000	2011 £'000
Benefit of previously unrecognised tax losses	-	216

A reconciliation between the tax credit and the product of the accounting profit multiplied by the applicable income tax rate is as follows:

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	492	70,389
UK corporation tax @62% (2011: 53%)	305	37,306
Non-taxable gain on partial sale of Mariner	-	(40,370)
Expenses/(income) not deductible for tax	(198)	(51)
Prior year adjustment – deferred tax	-	956
Utilisation of deferred tax asset not recognised	206	2,103
Items taxable / (relievable) at different rate of tax to the standard rate	(184)	-
Group relief	(129)	-
Effect of changes in tax rate	-	(160)
Total current tax	-	(216)

The company has no tax charge for the current or prior year due to there being no profits chargeable to corporation tax.

9. Intangible Assets

	Exploration and Evaluation £'000
At 1 July 2010	16,603
Additions	2,061
Disposals	(17,920)
At 1 July 2011	744
Additions	1,701
Net book value at 30 June 2012	**2,445**

Intangible fixed assets relate to a 6.0% interest in UKCS block 9/11a (the Mariner field), as described in note 5, the Company made a partial sale of block 9/11a.

The directors have considered the carrying amounts for the intangible assets and following the principles explained in Note 1(c) consider that there has been no impairment of these amounts.

10. Oil and gas assets

Cost	£'000
At 1 July 2010	379
Additions	107
At 1 July 2011	486
Additions	4
At 30 June 2012	**490**

Depletion	£'000
At 1 July 2010	25
Additions	36
At 1 July 2011	61
Additions	38
At 30 June 2012	**99**

Net book value	£'000
At 30 June 2012	**391**
At 30 June 2011	425

Oil and gas assets relate to a 10% interest in the Keddington UK onshore oil field. The directors have considered the carrying amounts for the oil & gas assets and following the principles explained in Note 1(c) consider that there has been no impairment of these amounts.

11. Debtors: amounts falling due within one year

	2012	2011
	£'000	£'000
Other debtors	74	71
Amounts owed by group undertakings	68,667	69,491
	68,741	69,562

12. Creditors: amounts falling due within one year

	2012	2011
	£'000	£'000
Trade creditors	171	111
Accruals	297	115
Amounts owed to group undertakings	969	969
	1,437	1,195

13. Deferred tax

	2012 £'000	2011 £'000
Balance sheet movements:		
Deferred tax asset		
Tax losses	1,758	725
Deferred tax liability		
Accelerated capital allowances	1,758	725
Net Deferred tax liability	-	-
P&L movements:		
Accelerated capital allowances	1,033	(5,173)
Tax losses	(1,033)	4,957
	-	(216)

In addition to the above balances for tax losses and accelerated capital allowances which were recognised at a tax rate of 24% (2011: 26%), the Company has a deferred tax asset not yet recognised at 24% of £1.3m (2011: £1.3m at 26%) which has not been recognised as a result of existing uncertainties of their realisation. These are from tax losses of £5.4 million (2011: £5.1m).

14. Provision for liabilities

	Provision for decommissioning £'000	Conditional payments £'000	Total Provisions £'000
At 1 July 2011	20	3,987	4,007
Effect of changes in estimates	-	-	-
Unwinding of discount	-	55	55
Exchange adjustments	-	92	92
At 30 June 2012	20	4,134	4,154

The conditional payments relate to the Mariner Field and comprise of 2 elements: (1) $4.0m due on field development plan (FDP) approval by the Department of Trade and Industry; and (2) $2.8m due on first oil.

15. Share capital

Called up Share capital

	2012 £'000	2011 £'000
Authorised:		
Ordinary shares of £1 each	30,000	30,000
Allotted, called up and fully paid:		
Ordinary shares of £1 each	197	197
Share Premium	2,908	2,908

16. Reserves

	Share capital £'000	Share premium £'000	Profit and loss reserve £'000
At 1 July 2010	197	2,908	(2,850)
Profit for the year	-	-	70,389
At 1 July 2011	197	2,908	67,539
Profit for the year	-	-	492
At 30 June 2012	197	2,908	68,031

17. Commitments

As at 30 June 2012 the Company had commitments of £3.1m (2011: £nil)

18. Events after the balance sheet date

On 8 August 2012 the takeover of the Nautical Group by Cairn Energy plc was completed. The Group is now wholly owned by Capricorn Energy Limited, a wholly owned subsidiary of Cairn Energy Plc.

19. Ultimate parent Company

The parent of the smallest group for which financial statements are prepared is Nautical Petroleum Limited. It has included the company in its group financial statements. The ultimate parent is Cairn Energy Plc following the takeover of the Nautical Group which was completed on 8 August 2012. As such Cairn Energy Plc will include the Nautical Group of Companies in its next Financial Statements.