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**PLECTRUM OIL LIMITED**  
**REPORT & FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

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COMPANIES HOUSE

# Plectrum Oil Limited

**Directors:**

M J Watts  
J M Brown  
S J Thomson

**Secretary:**

D A Wood

**Auditors:**

Ernst & Young LLP  
Blenheim House  
Fountainhall Road  
Aberdeen AB15 4DT

**Solicitors:**

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

**Registered Office:**

10 St Paul's Churchyard  
London EC8M 4AL

**Registered No**

05299267

# Plectrum Oil Limited

## Report of the Directors

The Directors submit their Report and Financial Statements for the year ended 31 December 2007

### Principal Activities and Business Review

The Company's ultimate parent, Plectrum Petroleum PLC was purchased by Capricorn Oil and Gas Limited, a subsidiary of Cairn Energy PLC on 10 October 2007, making Cairn Energy PLC the ultimate parent company from this date

The Company's principal activity is the exploration for oil and gas

During the year the Company made a loss of £1,263,900 (2006 profit of £753) No dividend has been paid or declared in respect of the year ended 31 December 2007 (2006 £nil)

### Principal Risks and Uncertainties

The Company is subject to a variety of risks which derive from the nature of the oil and gas exploration business

The Company's future depends significantly upon its success in finding or acquiring and developing oil and gas reserves. If the Company is unsuccessful, it would adversely affect the results of its operations and financial condition

The cost of drilling, completing and operating wells is often uncertain. As a result, the Company may incur cost overruns or may be required to curtail, delay or cancel drilling operations because of many factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions, the need for compliance with environmental regulations, governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment

### Financial Risk Management Policy

For detail of the Company's financial risk management policy see note 17

### Directors

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

J M Brown	(appointed 10 October 2007)
S J Thomson	(appointed 10 October 2007)
M J Watts	(appointed 10 October 2007)
M Whyatt	(resigned 11 December 2007)
M H Evans	(resigned 18 January 2008)
J D Bain	(resigned 8 February 2008)

### Disclosure of Information to Auditors

The directors of the Company who held office at 31 December 2007 confirm, 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

### Charitable Donations

The Company did not make any charitable contributions in the UK during the year (2006 nil)

### Creditors Payment Policy

It is the Company's payment policy to ensure settlement of suppliers' services in accordance with the terms of the applicable contracts. In most circumstances, settlement terms are agreed prior to business taking place


# Plectrum Oil Limited

## Report of the Directors (continued)

### Resolutions

During the year Deloitte & Touche LLP submitted their resignation as auditors to the Company and Ernst & Young LLP were appointed in their place

**By Order of the Board**



Secretary

50 Lothian Road  
Edinburgh  
24 October 2008

# Plectrum Oil Limited

## Directors' Responsibility Statement

The directors are responsible for preparing the Company financial statements in accordance with applicable laws and regulations

UK company law requires the directors to prepare Company financial statements for each financial year. Under such law the directors are required to prepare the Company financial statements in accordance with IFRS (as adopted by the EU)

The Company financial statements are required by law and IFRS (as adopted by the EU) to present fairly the financial position and performance of the Company, the Companies Act provides in relation to such financial statements that references in the relevant part of the Companies Act to financial statements giving a true and fair view, are references to their achieving a fair presentation

In preparing the Company financial statements, the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRS (as adopted by the EU), and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

The directors confirm that, to the best of their knowledge and belief

- the financial statements have been prepared in accordance with the standards summarised above, give a true and fair view of the assets, liabilities and financial position of the Company's affairs as at 31 December 2007 and of its loss for the year then ended, and
- the Directors Report includes a fair review of the development and performance of the Company's business and a description of the principal risks and uncertainties that it faces

## **Independent Auditors' Report**

### **To the members of Plectrum Oil Limited**

We have audited the financial statements of Plectrum Oil Limited for the year ended 31 December 2007 which comprise the Income Statement, the Balance Sheet, the Statement of Cashflows, the Statement of Recognised Income and Expense and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
Aberdeen

8  
24 October 2008

## Plectrum Oil Limited

### Income Statement

For the year ended 31 December 2007

		2007 £	2006 £
<b>Continuing operations</b>	<b>Notes</b>		
Revenue	2	-	895,122
Cost of sales		-	(895,122)
Pre-Exploration costs		(73,377)	-
Unsuccessful exploration costs		(21,174)	-
Impairment of property, plant & equipment- other		(7,962)	-
<b>Gross loss</b>		<b>(102,513)</b>	-
<b>Administrative expenses</b>		<b>(1,161,051)</b>	-
<b>Operating loss</b>	3	<b>(1,263,564)</b>	-
Finance income	6	875	780
Finance costs	7	(1,211)	(27)
<b>(Loss) / profit before taxation</b>		<b>(1,263,900)</b>	753
Taxation	8	-	-
<b>(Loss)/profit for the year attributable to the equity holders</b>	16	<b>(1,263,900)</b>	753

## Plectrum Oil Limited

### Statement of Recognised Income and Expense

For the year ended 31 December 2007

	Note	2007 £	2006 £
Loss for the year	16	(1,263,900)	753
<b>Total recognised expense for the year</b>		<b>(1,263,900)</b>	753

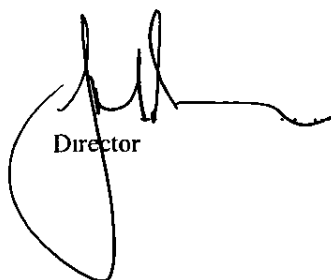
# Plectrum Oil Limited

## Balance Sheet

As at 31 December 2007

	Notes	2007 £	2006 £
<b>Non-current assets</b>			
Property, plant & equipment - other	10	-	8,974
<b>Current assets</b>			
Trade and other receivables	11	156,226	7,042
Cash and cash equivalents	12	30,936	9,479
		<b>187,162</b>	<b>16,521</b>
<b>Total assets</b>		<b>187,162</b>	<b>25,495</b>
<b>Current liabilities</b>			
Trade and other payables	13	2,037,217	611,650
<b>Net liabilities</b>		<b>(1,850,055)</b>	<b>(586,155)</b>
<b>Equity</b>			
Called-up share capital	14	65,652	65,652
Share Premium	15	64,350	64,350
Retained earnings	16	(1,980,057)	(716,157)
<b>Total equity attributable to the equity holders</b>		<b>(1,850,055)</b>	<b>(586,155)</b>

Signed on behalf of the Board on 24 October 2008



Director



# Plectrum Oil Limited

## Statement of Cash Flows

For the year ended 31 December 2007

	Note	2007 £	2006 £
<b>Cash flows used in operating activities</b>			
(Loss)/profit for year		(1,263,900)	753
Unsuccessful exploration costs		21,174	-
Impairment of property plant and equipment		7,692	-
Depreciation		2,512	2,242
Finance income		(875)	(780)
Finance costs		1,211	27
Trade and other receivables movement		(1,197)	17,228
Trade and other payables movement		579,386	17,420
<b>Net cash (used by)/generated from operating activities</b>		<b>(653,997)</b>	<b>36,890</b>
<b>Cash flows used in investing activities</b>			
Expenditure on property, plant & equipment – other		(1,230)	(7,210)
Expenditure on exploration / appraisal assets		(21,174)	-
Interest received		875	780
<b>Net cash used in investing activities</b>		<b>(21,529)</b>	<b>(6,430)</b>
<b>Cash flows from financing activities</b>			
Bank charges		(1,164)	(27)
Proceeds from/(repayment of) Group borrowings		698,147	(83,687)
<b>Net cash flows from financing activities</b>		<b>696,983</b>	<b>(83,714)</b>
<b>Net increase in cash and cash equivalents</b>		<b>21,457</b>	<b>(53,254)</b>
Opening cash and cash equivalents at beginning of year		9,479	62,733
<b>Closing cash and cash equivalents</b>	12	<b>30,936</b>	<b>9,479</b>

# Plectrum Oil Limited

## Notes to the Accounts

For the year ended 31 December 2007

### 1 Accounting Policies

#### a) Basis of preparation

The Company prepares its accounts on a historical cost basis. Where there are assets and liabilities calculated on a different basis, this fact is disclosed in the relevant accounting policy. The Company's ultimate holding company, Cairn Energy PLC, has confirmed it will make available sufficient funds to allow the Company to pay its liabilities as they fall due for the next twelve months. Hence these accounts have been prepared on a going concern basis.

#### b) Accounting standards

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

Relevant new standards and interpretations issued by the IASB, but not yet effective and not applied in these financial statements are as follows:

Title	Change to accounting policy	Date of adoption by Cairn	Impact on initial application
<i>Effective date from 1 January 2009</i>			
Revised IAS 1 'Presentation of Financial Statements'	No changes to current accounting policy	1 Jan 2009	Presentation and disclosure requirements for certain items in the Income Statement

No other IFRS as issued by the IASB which are not yet effective are expected to have an impact on the Company's financial statements.

During the year, the Company adopted amendment to IAS 1 'Presentation of Financial Statements – Capital Disclosures', and IFRS 7 'Financial Instruments Disclosures', amendment to IAS 32 'Financial Instruments Disclosure and Presentation'.

#### c) Presentational currency

The functional and presentational currency of Plectrum Oil Limited is Pounds Sterling ("£"). The Company's policy on foreign currencies is detailed in note 1(i).

#### d) Other income

Interest income is recognised using the effective interest method on an accruals basis and is recognised within 'Finance Income' in the Income Statement.

#### e) Operating lease commitments

The Company charges rentals payable under operating leases to the Income Statement on a straight line basis over the lease term. The Company has reviewed the terms and conditions of the lease arrangements and determined that all risks and rewards of ownership lie with the lessor and has therefore accounted for the contracts as operating leases.

#### f) Oil and gas intangible exploration/appraisal assets and property, plant & equipment – development/producing assets

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.

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

# Plectrum Oil Limited

## Notes to the Accounts (continued)

For the year ended 31 December 2007

### 1 Accounting Policies (continued)

#### f) Oil and gas intangible exploration/appraisal assets and property, plant & equipment – development/producing assets (continued)

–Exploration expenditure incurred in the process of determining exploration targets is capitalised initially within exploration/appraisal assets and subsequently allocated to drilling activities. Exploration/appraisal drilling costs are initially 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.

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

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons has been demonstrated are capitalised within development/producing assets on a field by field basis. Subsequent expenditure is capitalised only where it either enhances the economic benefits of the development/producing asset or replaces part of the existing development/producing asset. Any remaining costs associated with the part replaced are expensed.

Net proceeds from any disposal of an exploration asset are initially credited against the previously capitalised costs. Any surplus proceeds are credited to the Income Statement. Net proceeds from any disposal of development/producing assets are credited against the previously capitalised cost. A gain or loss on disposal of a development/producing asset is recognised in the Income Statement to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

#### *Depletion*

The Company depletes separately, where applicable, any significant components within development/producing assets, such as fields, processing facilities and pipelines which are significant in relation to the total cost of a development/producing asset.

The Company depletes expenditure on property, plant & equipment – development/producing assets on a unit of production basis, based on proved and probable reserves on a field by field basis. In certain circumstances, fields within a single development area may be combined for depletion purposes.

#### *Impairment*

Exploration/appraisal assets are reviewed regularly for indicators of impairment and costs are written off where circumstances indicate that the carrying value might not be recoverable. In such circumstances the exploration asset is allocated to development/producing assets within the same geographic segment and tested for impairment. Any such impairment arising is recognised in the Income Statement for the period. Where there are no development/producing assets within a geographic segment, the exploration/appraisal costs are charged immediately to the Income Statement.

Impairment reviews on development/producing assets are carried out on each cash-generating unit identified in accordance with IAS 36 “Impairment of Assets”. The Company’s cash generating units are those assets which generate largely independent cash flows and are normally, but not always, single development areas.

At each reporting date, where there are indicators of impairment, the net book value of the cash-generating unit is compared with the associated expected discounted future net cash flows. If the net book value is higher, then the difference is written off to the Income Statement as impairment. Discounted future net cash flows for IAS 36 purposes are calculated using an estimated oil price of \$60/bbl or the appropriate gas price as dictated by the relevant gas sales contract, escalation for prices and costs of 3% and a discount rate of 10%. Forecast production profiles are determined on an asset by asset basis, using appropriate petroleum engineering techniques.

# Plectrum Oil Limited

## Notes to the Accounts (continued)

For the year ended 31 December 2007

### 1 Accounting Policies (continued)

#### f) Oil and gas intangible exploration/appraisal assets and property, plant & equipment – development/producing assets (continued)

##### *Impairment (continued)*

Where there has been a charge for impairment in an earlier period that charge will be reversed in a later period where there has been a change in circumstances to the extent that the discounted future net cash flows are higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

#### g) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment and depreciated over their expected useful economic lives as follows:

Fixtures, fittings and equipment      10 – 20% straight line

#### h) 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.

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 loans and receivables.

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.

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

##### **Loans and other receivables**

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

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

##### **Cash and cash equivalents**

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

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

##### **Bank Deposits**

Bank deposits with an original maturity of over three months are held as a separate category of current asset and presented on the face of the Balance Sheet.

# Plectrum Oil Limited

## Notes to the Accounts (continued)

For the year ended 31 December 2007

### 1 Accounting Policies (continued)

#### h) Financial instruments (continued)

##### Trade payables and other non-derivative liabilities

Trade payables and other creditors are non-interest bearing and are measured at cost

##### Borrowing costs

Borrowing costs are recognised in the Income Statement in the period in which they are incurred except for borrowing costs incurred on borrowings directly attributable to development projects which are capitalised within the development/producing asset

#### i) 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 except for those incurred on borrowings specifically allocable to development projects, which are capitalised as part of the cost of the asset

#### j) 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

#### k) Taxation

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

The current tax is based on taxable profit/ (loss) for the year. Taxable profit/(loss) differs from net profit/(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. The Company'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/ (loss)

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

# Plectrum Oil Limited

## Notes to the Accounts (continued)

For the year ended 31 December 2007

### 1 Accounting Policies (continued)

#### k) Taxation (continued)

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 tax jurisdiction and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

#### l) 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 used listed at the relevant note

Item	Refer to:
Impairment testing	1(f)

### 2 Revenue and Other Income

	2007 £	2006 £
Revenue as a service company for group entities	-	895,122
Interest receivable	875	780
<b>Total income</b>	<b>875</b>	<b>895,902</b>

### 3 Operating Loss

Operating loss is stated after charging

	2007 £	2006 £
Impairment of property, plant & equipment - other	7,692	-
Depreciation of property, plant & equipment - other	2,512	2,242
Auditors' remuneration	-	5,000
Operating lease costs - other	6,067	18,700

#### Auditors Remuneration

In 2007 the Company's auditors' remuneration of £2,000 for the year has been borne by the ultimate holding company, Cairn Energy PLC. Auditors' remuneration in the prior period was paid to Deloitte & Touche LLP, who resigned as auditors on 26 November 2007

The Company has a policy in place for the award of non-audit work to the auditors which, in certain circumstances, requires Audit Committee approval. Auditors' remuneration for other services is disclosed in the financial statements of Cairn Energy PLC, the ultimate parent undertaking

# Plectrum Oil Limited

## Notes to the Accounts (continued)

For the year ended 31 December 2007

### 4 Staff Costs

	2007 £	2006 £
Wages & salaries	1,161,813	565,408
Social security costs	126,079	68,313
Pension contributions	88,739	43,034
	<b>1,376,631</b>	<b>676,755</b>

Staff costs are shown gross before amounts recharged to related parties

The average number of full time equivalent employees, including executive directors was

	2007	2006
UK	7	6

### 5 Directors' Emoluments

Details of the directors' remuneration are set out below

	2007 £	2006 £
Emoluments	866,360	446,200
Pension contributions	69,071	35,870
	<b>935,431</b>	<b>482,070</b>

The amounts in respect of the highest paid director during the year are as follows

	2007 £	2006 £
Emoluments	313,358	143,170
Pension contributions	25,151	13,130
	<b>338,509</b>	<b>156,300</b>

### 6 Finance Income

	2007 £	2006 £
Bank interest receivable	875	780
	<b>875</b>	<b>780</b>

# Plectrum Oil Limited

## Notes to the Accounts (continued)

For the year ended 31 December 2007

### 7 Finance Costs

	2007 £	2006 £
Bank charges	1,164	-
Realised exchange loss	47	27
	<hr/>	<hr/>
	1,211	27

### 8 Taxation

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

	2007 £	2006 £
(Loss)/profit before taxation	(1,263,900)	753
Tax at the UK corporation tax rate of 30% (2006 30%)	(379,170)	226
Effects of		
Deferred tax not recognised	325,435	(1,027)
Non-taxable income/non-deductible expenses	1,561	857
Change of UK tax rate to 28% on deferred tax	25,174	-
Group relief claimed	-	(56)
	<hr/>	<hr/>
<b>Tax expense</b>	-	-

There is a deferred tax asset of £376,810 as at 31 December 2007 (2006 £213,730) in relation to fixed asset timing differences, pre-trading expenditure and short term timing differences. This asset has not been recognised as there is insufficient evidence that it will reverse in the foreseeable future. This asset will be recoverable if the company generates sufficient taxable income in the future.

### 9 Intangible Exploration/Appraisal Assets

	UK £	Total £
<b>Cost and net book value</b>		
At 1 January and 31 December 2006	-	-
Additions	21,174	21,174
Unsuccessful exploration costs	(21,174)	(21,174)
	<hr/>	<hr/>
<b>At 31 December 2007</b>	-	-



# Plectrum Oil Limited

## Notes to the Accounts (continued)

For the year ended 31 December 2007

### 10 Property, Plant & Equipment - Other

	Vehicles and equipment £	Total £
<b>Cost</b>		
At 1 January 2006	4,120	4,120
Additions	7,210	7,210
<b>At 1 January 2007</b>	<b>11,330</b>	<b>11,330</b>
Additions	1,230	1,230
<b>At 31 December 2007</b>	<b>12,560</b>	<b>12,560</b>
<b>Depreciation</b>		
At 1 January 2006	114	114
Charge for year	2,242	2,242
<b>At 1 January 2007</b>	<b>2,356</b>	<b>2,356</b>
Charge for year	2,512	2,512
<b>At 31 December 2007</b>	<b>4,868</b>	<b>4,868</b>
<b>Impairment</b>		
At 1 January 2006 and 2007	-	-
Charge for year	7,692	7,692
<b>At 31 December 2007</b>	<b>7,692</b>	<b>7,692</b>
<b>Net book value at 31 December 2007</b>	<b>-</b>	<b>-</b>
Net book value at 31 December 2006	8,974	8,974
Net book value at 1 January 2006	4,006	4,006

### 11 Trade and other receivables

	2007 £	2006 £
Other debtors	7,687	6,490
Amounts owed by Group companies	148,539	552
	<b>156,226</b>	<b>7,042</b>

All receivables are current and unimpaired

### 12 Cash and cash equivalents

	2007 £	2006 £
Cash at bank	29,936	9,479
Short term deposits	1,000	-
	<b>30,936</b>	<b>9,479</b>

# Plectrum Oil Limited

## Notes to the Accounts (continued)

For the year ended 31 December 2007

### 13 Trade and Other Payables

	2007	2006
	£	£
Trade payables	11,755	6,092
Other creditors and accruals	606,736	12,173
Other taxation and social security	-	20,793
Amounts owed to Group companies	1,418,726	572,592
	<u>2,037,217</u>	<u>611,650</u>

### 14 Share Capital

	£1 Ordinary Number	
<b>Authorised ordinary shares</b>		
<b>At 31 December 2006 and 2007</b>	<b>130,002</b>	
	31 December 2007	31 December 2006
	£	£
<b>Allotted, issued and fully paid 65,002 ordinary shares</b>	<b>65,002</b>	<b>65,002</b>
<b>Allotted, issued and partly paid 65,000 ordinary shares</b>	<b>650</b>	<b>650</b>

On 8 September 2005 65,000 £1 ordinary shares were issued at £100 per share. 1% of this issue was called for consideration of £65,000 and 99% of this issue remains uncalled and unpaid. At the date of approval of these financial statements none of the conditions of calling the remaining amounts have been fulfilled.

### 15 Share Premium

<b>At 31 December 2006 and 2007</b>	<b>64,350</b>
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# Plectrum Oil Limited

## Notes to the Accounts (continued)

For the year ended 31 December 2007

### 16 Equity

	Equity share capital £	Retained Earnings £	Total £
1 January 2006	130,002	(716,910)	(586,908)
Profit for year	-	753	753
At 1 January 2007	130,002	(716,157)	(586,155)
Loss for year	-	(1,263,900)	(1,263,900)
<b>At 31 December 2007</b>	<b>130,002</b>	<b>(1,980,057)</b>	<b>(1,850,055)</b>

### 17 Financial Risk Management Objectives and Policies

The Company's primary financial instruments comprise bank loans, cash and short and medium term deposits. The Company's strategy has been to finance its operations through a mixture of retained profits and bank borrowings. Other alternatives such as equity finance and project finance are reviewed by the Board, when appropriate, to fund substantial acquisitions or oil and gas projects.

The Company's treasury function is responsible for managing investment and funding requirements including banking and cash flow monitoring. It must also recognise and manage interest and foreign exchange exposure whilst ensuring that the Company has adequate liquidity at all times in order to meet its immediate cash requirements.

The Company may from time to time opt to use derivative financial instruments to minimise its exposure to fluctuations in foreign exchange rates, interest rates and movements in oil and gas prices. Derivative financial instruments have not been used throughout 2006 or 2007. It is, and has been throughout the year under review, the Company's policy that no trading in derivative financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and these are summarised below.

#### Liquidity risk

The Company, through its intermediate parent company, Capricorn Energy Limited, has access to the available cash balances of the Capricorn Oil Limited Group ('Group'). As at 31 December 2007 there were no credit facilities in place. Subsequently, Capricorn Oil Limited has access, if so required, to the Cairn Energy PLC £30 million revolving credit facility to fund working capital. This facility was signed on 28 March 2008 and expires on 31 January 2013. This facility is jointly provided by The Royal Bank of Scotland PLC and Bank of Scotland PLC. Interest is charged at floating rates determined by LIBOR plus an applicable margin.

In addition, the Company has access to the Capricorn Oil Limited facilities to cover the issue of bank guarantees. As at 31 December 2007 there were \$35m of facilities in place of which \$28.8m was unutilised. Fixed rates of interest apply to these.

The Group currently has surplus cash which it has placed on short and medium term deposit, ensuring sufficient liquidity to enable the Group to meet its short/medium term expenditure requirements.

#### Foreign currency risk

The Company manages exposures that arise from receipt of revenues in foreign currencies, by matching receipts and payments in the same currency, and actively managing the residual net position.

# Plectrum Oil Limited

## Notes to the Accounts (continued)

For the year ended 31 December 2007

### 17 Financial Risk Management Objectives and Policies (continued)

#### Foreign currency risk (continued)

In order to minimise the Company's exposure to foreign currency fluctuations, currency assets are matched with currency liabilities by borrowing or entering into foreign exchange contracts in the applicable currency if deemed appropriate. The loan facilities allow loans denominated in US Dollars, Sterling, Euro or such other currency as may be agreed between the lenders and Company from time to time.

No forward foreign exchange contracts were entered into during 2007 (2006 \$nil). There were no outstanding foreign exchange contracts at the start of the year or at the end of the year.

#### Credit risk

With respect to deposit and other treasury arrangements, as a general rule the Board will only approve a bank or financial institution that has a Moody's rating for long term deposits of A and above.

The Board will continue to assess the Company's strategies for managing credit risks. At the year end the Company does not have any significant concentrations of bad debt risk and overall the exposure to bad debts is not considered to be significant.

#### Capital Management

The Company manages its capital structure and makes adjustments to it, in light of changes to economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to the parent, return capital, issue new shares for cash, repay debt or other such restructuring activities as appropriate.

No changes were made in the objectives, policies or processes during the period ended 31 December 2007.

As at 31 December 2007 capital and net debt were made up as follows:

	2007	2006
	£	£
Trade payables	11,755	6,092
Amounts owed to Group companies	1,418,726	572,592
Other creditors and accruals	606,736	32,966
Less cash and short term deposits	(30,936)	(9,479)
Net Debt	2,006,281	602,171
Equity	(1,850,055)	(586,155)
Capital and net debt	156,226	16,016
Gearing ratio	12,842%	3,760%

### 18 Financial Commitments

#### Operating leases – as lessee

The Company has entered into commercial leases for certain land and buildings and for office equipment. There are no restrictions placed on the lessee by entering into these leases.

The total minimum lease payments under non-cancellable leases are as follows:

	Minimum lease payments	Minimum lease payments
	2007	2006
	£	£
Land and buildings within one year	-	4,645
Other within one year	-	1,422
	-	6,067

# Plectrum Oil Limited

## Notes to the Accounts (continued)

For the year ended 31 December 2007

### 19 Related Party Transactions

The following table provides the total amount of transactions which have been entered into with Group companies

	2007	2006
	£	£
<b>Transactions during the year</b>		
Amounts invoiced as a service company for Group entities	-	895,122
<b>Balances at 31 December</b>		
Amounts owed by Group companies	148,539	552
Amounts owed to Group companies	(1,418,726)	(572,592)
	<b>(1,270,187)</b>	<b>(572,040)</b>

### Remuneration of key management personnel

The remuneration of directors, who are key management personnel of the Company, is set out in notes 5 above

### 20 Ultimate Parent Company

On 10 October 2007 the Company's parent undertaking, Plectrum Petroleum PLC was acquired by Capricorn Oil and Gas Limited, a subsidiary of Cairn Energy PLC. At from that date to 31 December 2007 the results of the Company are consolidated with those of 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

### 21 Explanation of transition to IFRS

The Company is presenting its results under IFRS for the first time in these financial statements, with a date of transition of 1 January 2006

There has been no impact to the financial position or financial performance as a result of the adoption, for either the current or prior year as at the date of transition