CAIRN ENERGY AUSTRALIA PTY LIMITED
ACN 075 810 954

SPECIAL PURPOSE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

References to "the Company", "the holding company" or "the parent entity" are references to the holding company, Cairn Energy Australia Pty Limited.

References to "Cairn", "the economic entity" or "the Group" are references to Cairn Energy Australia Pty Limited and its controlled entities.

Cairn Energy Australia Pty Limited
Directors' Report

The Board of Directors of Cairn Energy Australia Pty Limited submits their report for the year ended 31 December 2015.

Directors

The names of the directors in office during the financial year and at the date of this report are:

Mr. Sudhir Mathur
Ms. Swapna Keskar
Ms. Janine Rolfe

Registered office

The registered office and principal place of business of Cairn Energy Australia Pty Limited is located at Level 12, 680 George Street, Sydney NSW 2000, Australia.

Employees

Cairn Energy Australia Pty Limited and its subsidiary employed nil employees as at 31 December 2015 (2014: nil).

Nature of operations and principal activities

The Company did not have any operations during the year 2015. As informed earlier, during the year 2012, as per the Scheme of Arrangement, the entities controlled by the Company had transferred all the assets and liabilities constituting business to Cairn India Limited on 18 October 2012.

Dividends

No dividends have been paid or declared for the year ended 31 December 2015 (2014: $nil).

Results and review of operations

During the year, the Company incurred loss after income tax expense of $44,633 (loss after tax for 2014: $17,361). Consolidated loss after income tax expense of the Company and its controlled entities was $44,633 (loss after tax for 2014: $19,358).

Events subsequent to balance sheet date

Transfer of shares of Cairn Energy India Pty Limited (CEIPL) to Cairn India Holdings Limited (CIHL)
Subsequent to the balance sheet date, the Company has commenced the process to transfer its entire shareholding in CEIPL to CIHL. Following the completion of this transfer process, CEIPL will cease to be a subsidiary of the Company.

Indemnification of directors and officers

Subject to the Constitution of the Company and the Corporations Act 2001, the Company may indemnify its directors, managers and officers against all liabilities incurred by them in successfully defending proceedings in the conduct of their duties.

Auditor's independence

The directors have received a declaration of independence from the auditors which is shown at page 24.

Signed in accordance with a resolution of directors.

Sudhir Mathur

India,
14 April 2016

Cairn Energy Australia Pty Limited and its controlled entities
Income Statement
For the Year Ended 31 December 2015

	Notes	Consolidated		Parent Entity	
		Discontinued Operations 2015 $	Discontinued Operations 2014 $	Discontinued Operations 2015 $	Discontinued Operations 2014 $
Sales revenue		-	-	-	-
Finance income	2a	-	23,403	-	23,401
		-	23,403	-	23,401
Cost of sales		-	-	-	-
Gross profit		-	23,403	-	23,401
Administrative expense		(43,872)	(42,761)	(43,872)	(40,762)
(Loss) before tax and finance costs		(43,872)	(19,358)	(43,872)	(17,361)
Finance costs		(761)	-	(761)	-
(Loss) before income tax		(44,633)	(19,358)	(44,633)	(17,361)
Income tax benefit	3	-	-	-	-
(Loss) after income tax for the year from discontinued operations		(44,633)	(19,358)	(44,633)	(17,361)
(Loss) attributable to members of the parent	8	(44,633)	(19,358)	(44,633)	(17,361)

The accompanying notes form an integral part of these financial statements.

Cairn Energy Australia Pty Limited and its controlled entities
Statement of Comprehensive Income
For the Year Ended 31 December 2015

	Consolidated		Parent Entity	
	2015 $	2014 $	2015 $	2014 $
(Loss) for the year	(44,633)	(19,358)	(44,633)	(17,361)
Other comprehensive income	-	-	-	-
Total comprehensive (loss) for the year	(44,633)	(19,358)	(44,633)	(17,361)
Attributable to members of the parent	(44,633)	(19,358)	(44,633)	(17,361)

Cairn Energy Australia Pty Limited and its controlled entities
Statement of Financial Position
As at 31 December 2015

	Notes	Consolidated		Parent Entity	
		2015	**2014**	**2015**	**2014**
		$	**$**	**$**	**$**
CURRENT ASSETS					
Cash and cash equivalents	13	**102,202**	22,168	**102,202**	22,168
Bank deposits	13	-	121,824	-	121,824
Trade and other receivables	4	-	2,258	-	2,258
Total current assets		**102,202**	146,250	**102,202**	146,250
NON-CURRENT ASSETS					
Total non-current assets		-	-	-	-
TOTAL ASSETS		**102,202**	146,250	**102,202**	146,250
CURRENT LIABILITIES					
Trade and other payables	5	**12,729**	12,144	**12,729**	12,144
Preference shares	6	-	-	-	-
Total current liabilities		**12,729**	12,144	**12,729**	12,144
NON-CURRENT LIABILITIES					
Total non-current liabilities		-	-	-	-
TOTAL LIABILITIES		**12,729**	12,144	**12,729**	12,144
NET ASSETS		**89,473**	134,106	**89,473**	134,106
EQUITY					
Contributed equity	7	**861,823,563**	861,823,563	**861,823,563**	861,823,563
Accumulated losses	8	**(861,734,090)**	(861,689,457)	**(861,734,090)**	(861,689,457)
TOTAL EQUITY		**89,473**	134,106	**89,473**	134,106

The accompanying notes form an integral part of these financial statements.

Cairn Energy Australia Pty Limited and its controlled entities
Statement of Cash Flows
For the Year Ended 31 December 2015

	Notes	Consolidated		Parent Entity	
		2015 $	2014 $	2015 $	2014 $
Cash flows from/(used in) operating activities					
Receipts from customers		-	15,433	-	15,433
Payments to suppliers		(43,309)	(81,873)	(43,309)	(79,874)
Net interest received		2,483	1,871	2,483	1,869
Tax received/(paid)		-	-	-	-
Foreign exchange differences		(964)	(1,096)	(964)	(1,096)
Net cash flows from/(used in) operating activities	13b	(41,790)	(65,665)	(41,790)	(63,668)
Cash flows (used in)/from investing activities					
Movement in funds on bank deposit		121,824	61,246	121,824	61,246
Net cash flows (used in)/from investing activities		121,824	61,246	121,824	61,246
Cash flows (used in)/from financing activities					
Net advances (to)/from related parties		-	-	-	-
Issue of shares		-	-	-	-
Net cash flows (used in)/from financing activities		-	-	-	-
Net increase/(decrease) in cash and cash equivalents		80,034	(4,419)	80,034	(2,422)
Cash and cash equivalents at the beginning of the year		22,168	26,587	22,168	24,590
Effects of exchange rate changes on cash		-	-	-	-
Cash and cash equivalents at the end of the year	13a	102,202	22,168	102,202	22,168

The accompanying notes form an integral part of these financial statements.

Cairn Energy Australia Pty Limited and its controlled entities
Statement of Changes in Equity
For the Year Ended 31 December 2015

	Consolidated			Parent Entity		
	Share Capital	Accumulated Losses	Total	Share Capital	Accumulated Losses	Total
	$	$	$	$	$	$
At 1 January 2014	**861,823,563**	**(861,670,099)**	**153,464**	**861,823,563**	**(861,672,096)**	**151,467**
Loss for the year	-	(19,358)	**(19,358)**	-	(17,361)	(17,361)
At 1 January 2015	**861,823,563**	**(861,689,457)**	**134,106**	**861,823,563**	**(861,689,457)**	**134,106**
Loss for the year	-	(44,633)	**(44,633)**	-	(44,633)	**(44,633)**
At 31 December 2015	**861,823,563**	**(861,734,090)**	**89,473**	**861,823,563**	**(861,734,090)**	**89,473**

The accompanying notes form an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This special purpose financial report has been prepared for distribution to the members of Cairn Energy Australia Pty Limited to fulfill the directors' financial reporting requirements under the Corporations Act 2001 and Australian Accounting Standards. The Financial Report is prepared in US dollars. The accounting policies used in the preparation of this report, as described below, are in the opinion of the directors appropriate to meet the needs of members:

(i) During the year 2012, as per the Scheme of Arrangement, the Group transferred all the assets and liabilities constituting business to its parent Cairn India Limited ("CIL"). Consequently, the Directors have determined that the going concern basis of preparation is no longer appropriate. Management intends to liquidate the Group in the future. The financial report has been prepared on a liquidation basis of accounting.

(ii) The financial report is a special purpose financial report. The Company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their financial information needs. Accordingly, this special purpose financial report has been prepared to satisfy the information needs of the members.

The financial report has been prepared in accordance with recognition and measurement requirements of all applicable Australian Accounting Standards and other authorative pronouncements of the Australian Accounting Standards Board, including AASB 101: Presentation of Financial Statements. The disclosure requirements of all applicable Australian Accounting Standards have not been complied with, except for the following standards:

- AASB 101: Presentation of Financial Statements;
- AASB 107: Cash Flow Statements;
- AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors; and
- AASB 1048: Interpretation and Application of Standards

A summary of the significant accounting policies of the Group are disclosed in Notes 1(a) to 1(s) below.

(iii) The Group has adopted all new or amended and revised accounting standards and interpretations issued by the AASB effective from 1 January 2015 including:

- *AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*
- *AASB 2014-1 (part A) Annual Improvements 2010-2012 Cycle*
- *AASB 2014-1 (part A) Annual Improvements 2011-2013 Cycle;*
- *Amendments to AASB 119 Amendments to Australian Accounting Standards – Part B Defined Benefit Plans – Employee Contributions; and*
- *Amendments to AASB 1053 Transition to and between Tiers, and related Tier 2 Disclosure requirements*

Based on an analysis by the Group, the application of the new or amended and revised standards has not had a material impact on the financial statements in 2015 and we do not anticipate any significant material impact on future periods from the adoption of these below mentioned new standards.

New standards that have been issued but not yet come into effect
In addition to the above, the AASB has issued a number of new or amended and revised accounting standards and interpretations but not yet come into effect. The Group does not anticipate any significant material impact on the financial statements from the adoption of these standards.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Discontinued operations

During the year 2012, as per the Scheme of Arrangement, the entity it controlled transferred all the assets and liabilities constituting business to Cairn India Limited ("CIL"). Hence, the carrying value of the investment in the subsidiaries was reduced to nil. Pursuant to such transfer, the management proposes to liquidate the entity it controlled in due course of time.

(b) Consolidation

The consolidated financial statements have been prepared by combining the financial statements of all the entities that comprise the economic entity, being Cairn Energy Australia Pty Limited ("the parent entity") and its controlled entities as defined in AASB 3 "Business Combinations". A list of controlled entities appears in Note 12.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the economic entity are eliminated in full.

(c) Liquidation basis

The financial statements for 31 December 2015 have been prepared on a liquidation basis and as such the assets and liabilities have been recorded at fair value. In the comparative period also, the financial statements were prepared on liquidation basis.

Directors believe that entity has no assets which have a carrying value in excess of its realisable value and has been assured by its parent for adequate financial support whenever required in order to discharge its liabilities (if any).

(d) Functional and presentation currency

The functional and presentational currency of Cairn Energy Australia Pty Limited is US Dollars ("$"). It is deemed to be more appropriate to present the financial statements in line with the functional currency of the majority of the Group. The Group policy on foreign currencies is detailed in Note 1(p).

(e) Joint Arrangements

Up to the approval of Scheme of Arrangement, Cairn Energy Australia Pty Limited participated in several unincorporated joint operations which involve the joint control of assets used in the Group oil and gas exploration and producing activities. Cairn Energy Australia Pty Limited accounts for its share of the assets, liabilities, income and expenditure of joint operation in which the Group holds a participating interest, classified in the appropriate Statement of Financial Position headings. Cairn Energy Australia Pty Limited's principal licence interests were joint operations.

(f) Revenue and other income

Revenue from operating activities
Revenue represents Cairn's share of oil, gas and condensate production, recognised on a direct entitlement basis and tolling income received for third party use of operating facilities and pipelines in accordance with agreements.

Other income
Income received as operator from joint operation is recognised on an accruals basis in accordance with joint operating agreements and is included after Gross Profit on the Income Statement. Interest income is recognised using the effective interest method on an accruals basis and is recognised within "Finance income" in the Income Statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Oil and gas intangible exploration/appraisal assets and property, plant and equipment – development/producing assets

Cairn 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.

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 have 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
Cairn 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.

Cairn 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 geographical 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 geographical 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 AASB 136 "Impairment of Assets". Cairn Energy Australia Pty Limited's cash-generating units are those assets which generate largely independent cash flows and are normally, but not always, single development areas.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 AASB 136 purposes are calculated using an estimated short-term and long term oil price or the appropriate gas price as dictated by the relevant gas sales contract, escalation for prices and costs, and a pre-tax discount rate. Forecast production profiles are determined on an asset by asset basis, using appropriate petroleum engineering techniques.

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.

(h) Property, plant and equipment - other

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

	Annual Rate (%)	Depreciation Method
Tenants' improvements	10 – 33*	straight line
Vehicles and equipment	25 – 50	straight line

* Depreciation is charged over the shorter of the economic life or the remaining term of the lease.

(i) Intangible assets - other

Intangible assets have finite useful lives, are measured at cost less accumulated amortisation and impairment, and amortised over their expected useful economic lives as follows:

	Annual Rate (%)	Amortisation Method
Software costs	25 – 50	straight line

(j) Investments

The Group's available for sale financial assets represent listed equity shares which are held at fair value (the quoted market price). Movements in the fair value during the year are recognised directly in equity and are disclosed in the Statement of Changes in Equity. The cumulative gain or loss that arises on subsequent disposal of available for sale financial assets will be recycled through the Income Statement.

The Company's investments in subsidiaries are carried at cost less provisions resulting from impairment. The recoverable value of investments is the higher of its fair value less costs to sell and value in use. Value in use is based on the discounted future net cash flows of the oil and gas assets held by the subsidiary.

Discounted future net cash flows for AASB 136 purposes are calculated using an estimated short and long term oil price, or the appropriate gas price as dictated by the relevant gas sales contract, escalation for prices and costs of, and a discount rate. Forecast production profiles are determined on an asset by asset basis, using appropriate petroleum engineering techniques.

Cairn Energy Australia Pty Limited and its controlled entities
Notes to the Financial Statements (continued)
For the Year Ended 31 December 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Inventory

Inventories of oil and condensate held at the Statement of Financial Position date are valued at the lower of cost or net realisable value based on the estimated selling price in accordance with established industry practice.

(l) 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 Group 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 Group financial liabilities are held at amortised cost, with the exception of derivative financial instruments and preference shares which are held at fair value through profit or loss.

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

Preference shares
As the current and previous period financials have been prepared on a liquidation basis, the preference shares have been recorded at fair value.

Derivative financial instruments
When applicable, the Group uses derivative financial instruments such as foreign currency options to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are designated upon initial recognition as at fair value through profit or loss. The derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year are taken directly to the Income Statement. The Group did not apply hedge accounting for derivative financial instruments held during the current and prior year.

Available for sale financial assets
Available for sale financial assets are those non-derivative financial assets that are not classified as loans and receivables. The Group available for sale financial assets represent listed equity shares which are held at fair value (the quoted market price). Movements in the fair value during the year are recognised directly in equity and are disclosed in the Statement of Changes in Equity. The cumulative gain or loss that arises on subsequent disposal of available for sale financial assets will be recycled through the Income Statement.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial instruments (continued)

Loans and other receivables
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 Statement of Financial Position in accordance with where the original receivable was recognised.

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 Statement of Financial Position.

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

Trade payables and other non derivative financial instruments
Trade payables and other creditors are non-interest bearing and are measured at cost.

Interest bearing bank loans and borrowings
All interest bearing bank loans and borrowings represent amounts drawn under the Cairn India Holdings Limited Group revolving credit facilities, classified according to the length of time remaining under the respective facility. Loans are initially measured at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans are subsequently measured at amortised cost using the effective interest rate method. Interest payable is accrued in the Income Statement using the effective interest rate method.

Finance leases
Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the Income Statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

The Group has reviewed the terms and conditions of the lease arrangements and determined that all risks and rewards of ownership lie with the Group and has therefore accounted for the contracts as finance leases.

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 assets.

(m) Equity

Equity instruments issued by Cairn are recorded at the proceeds received, net of direct issue costs.

Cairn Energy Australia Pty Limited and its controlled entities
Notes to the Financial Statements (continued)
For the Year Ended 31 December 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Taxation

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

The current tax is based on taxable profit for the year. 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 years and it further excludes items that are never taxable or deductible. The Group liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position 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 Arrangements 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 Arrangements, 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 Statement of Financial Position 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 Statement of Financial Position 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.

(o) Decommissioning

At the end of the producing life of a field, costs are incurred in removing and decommissioning production facilities. Cairn recognises the full discounted cost of dismantling and decommissioning as an asset and liability when the obligation arises. The decommissioning asset is included within property, plant & equipment – development/producing assets with the cost of the related installation. The liability is included within non-current provisions. Revisions to the estimated costs of decommissioning which alter the level of the provisions required are also reflected in adjustments to the decommissioning asset. The amortisation of the asset, calculated on a unit of production basis based on proved and probable reserves, is included in the "Depletion and decommissioning charge" in the Income Statement, and the unwinding of the discount on the provision is included within "Finance costs".

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Foreign currencies

In the accounts of the individual Group companies, Cairn 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 Statement of Financial Position 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.

Rates of exchange to USD$ 1 were as follows:

	31 December 2015	Average 2015	31 December 2014	Average 2014
Sterling	**0.674**	**0.656**	0.642	0.608
Indian Rupee	**66.326**	**64.304**	63.332	61.096

(q) Pension schemes

Up to 2012, Cairn operated a defined contribution pension scheme in India. The assets of the scheme were held separately from those of Cairn and its subsidiaries. Cairn also operated an insured benefit scheme for certain Indian employees as required under Indian legislation. In accordance with AASB 119 "Employee Benefits" this is treated as a defined contribution scheme. The pension cost charged represents contributions payable in the year in accordance with the rules of the scheme.

(r) Operating lease commitments

Cairn charges rentals payable under operating leases to the Income Statement on a straight line basis over the lease term. The Group 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.

(s) Share schemes

Up to 2012, the cost of awards to employees of Cairn Energy India Pty Limited under Cairn Energy PLC's Long Term Incentive Plan (LTIP) and share option plans, granted after 7 November 2002, were recognised over the three year period to which the performance relates. The amount recognised was based on the fair value of the shares as measured at the date of the award. The shares are valued using either the Black Scholes or binomial model.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

The costs of awards to employees, in the form of cash but based on share performance (phantom options) are recognised in the income statement over the period to which the performance relates. The amount recognised is based on the fair value of the liability arising from the transaction.

	Consolidated 2015 $	Consolidated 2014 $	Parent Entity 2015 $	Parent Entity 2014 $
2. REVENUE AND OTHER INCOME				
(a) Finance income				
Bank income	-	2,555	-	2,555
Foreign exchange gain	-	20,848	-	20,846
	-	23,403	-	23,401

	Consolidated 2015 $	Consolidated 2014 $	Parent Entity 2015 $	Parent Entity 2014 $
3. INCOME TAX				
The major components of income tax expense are:				
Current income tax – foreign taxes				
Current income tax @ 30% (2014: 30%)	-	-	-	-
Income tax expense included in the Income Statement	-	-	-	-

A reconciliation between tax expense/(credit) and the product of accounting profit/(loss) before income tax multiplied by the Company's applicable income tax rate is as follows:

	Consolidated 2015 $	Consolidated 2014 $	Parent Entity 2015 $	Parent Entity 2014 $
Accounting profit/(loss) before income tax	(44,633)	(19,358)	(44,633)	(17,361)
At the company's statutory income tax rate of 30% (2014: 30%)	(13,390)	(5,807)	(13,390)	(5,208)
Reversal of excess provision booked in previous year	-	-	-	-
Deferred tax not recognised	13,390	5,807	13,390	5,208
Income tax expense/(income) included in the Income Statement	-	-	-	-

		Consolidated 2015 $	Consolidated 2014 $	Parent Entity 2015 $	Parent Entity 2014 $
4. TRADE AND OTHER RECEIVABLES					
Other debtors and prepayments	(i)	-	2,258	-	2,258
		-	2,258	-	2,258

Terms and conditions
(i) Other debtors are non-interest bearing and generally on 30 day terms.

		Consolidated		Parent Entity	
		2015	2014	2015	2014
		$	$	$	$
5. TRADE AND OTHER PAYABLES					
Other creditors and accruals	(i)	12,729	12,144	12,729	12,144
		12,729	12,144	12,729	12,144

Terms and conditions
(i) Other creditors are non-interest bearing and generally on 30 day terms.

	Consolidated		Parent Entity	
	2015	2014	2015	2014
	$	$	$	$
6. PREFERENCE SHARES				
At 1 January	-	-	-	-
Conversion during the year	-	-	-	-
At 31 December	-	-	-	-

		Consolidated		Parent Entity	
		2015	2014	2015	2014
		$	$	$	$
7. CONTRIBUTED EQUITY					
Issued and paid up capital:					
At 1 January- ordinary shares fully paid (**2015 and 2014:** 417,644,879)		861,823,563	861,823,563	861,823,563	861,823,563
Issued during the year		-	-	-	-
At 31 December 417,644,879 ordinary shares fully paid	(i)	861,823,563	861,823,563	861,823,563	861,823,563

(i) Terms and conditions of contributed capital:
Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

8. ACCUMULATED LOSSES

	Consolidated		Parent Entity	
	2015	2014	2015	2014
	$	$	$	$
At 1 January	**(861,689,457)**	(861,670,099)	**(861,689,457)**	(861,672,096)
Intercompany balance written off	-	-	-	-
(Loss) for the year	**(44,633)**	(19,358)	**(44,633)**	(17,361)
At 31 December	**(861,734,090)**	(861,689,457)	**(861,734,090)**	(861,689,457)

	Consolidated 2015 $	Consolidated 2014 $	Parent Entity 2015 $	Parent Entity 2014 $
9. AUDITORS' REMUNERATION				
The auditor of the Group is Ernst & Young. Amounts received, or due and receivable, by Ernst & Young for:				
- auditing the financial statements	8,037	9,022	8,037	9,022
	8,037	9,022	8,037	9,022

10. EXPENDITURE COMMITMENTS

The Company has no commitments outstanding as at 31 December 2015 (31 December 2014: nil)

11. CONTINGENT LIABILITIES

As per the Scheme of Arrangement, all the contingent liabilities with respect to the Indian undertakings have been transferred to Cairn India Limited.

12. CONTROLLED ENTITIES

Entities	Place of incorporation	Economic entity Interest 2015 %	Economic entity Interest 2014 %	Book value of Investment 2015 $'000	Book value of Investment 2014 $'000
Parent entity:					
Cairn Energy Australia Pty Limited					
Controlled entities:					
Cairn Energy Asia Pty Limited*	Aust.	-	-	-	-
Wessington Investments Pty Limited (1)*	Aust.	-	-	-	-
Cairn Energy Investments Australia Pty Limited (1)*	Aust.	-	-	-	-
Sydney Oil Company Pty Limited (1)*	Aust.	-	-	-	-
Cairn Energy India Pty Limited (1)	Aust.	100	100	-	-
CEH Australia Pty Limited*	Aust.	-	-	-	-
CEH Australia Limited*	British Virgin Islands	-	-	-	-
Elimination of investments held by controlled entities				-	-
				-	-

12. CONTROLLED ENTITIES (continued)

Note:

(1) Entities subject to class order relief:
Pursuant to Class Order 98/1418 granted on 22 December 1998, relief has been granted to the entities indicated from the Corporations Law requirements for preparation, audit and lodgment of their financial report. As a condition of the Class Order, Cairn Energy Asia Pty Limited and the controlled entities subject to the Class Order, entered into a Deed of Cross Guarantee on 8 December 1998. The effect of the deed is that Cairn Energy Asia Pty Limited has guaranteed to pay any deficiency in the event of winding up of the controlled entity. The controlled entities have also given a similar guarantee in the event that Cairn Energy Asia Pty Limited is wound up.

*During the previous year, the Company had seven subsidiaries. Out of these, six subsidiaries of the Company viz. Cairn Energy Asia Pty Limited, CEH Australia Pty Limited, Wessington Investments Pty Limited, Cairn Energy Investments Australia Pty, Sydney Oil Company Pty Limited and CEH Australia Limited (BVI) were de-registered by ASIC during the previous year.

13. NET FUNDS

	Consolidated		**Parent Entity**	
	2015 **$**	**2014** **$**	**2015** **$**	**2014** **$**
Bank deposits	-	121,824	-	121,824
Bank deposits	-	121,824	-	121,824
Cash at bank and in hand	**53**	1,944	**53**	1,944
Short term deposits	**102,149**	20,224	**102,149**	20,224
Cash and cash equivalents	**102,202**	22,168	**102,202**	22,168
Net funds	**102,202**	143,992	**102,202**	143,992

Cash at bank earns interest at the floating rate based on daily bank deposit rates.

Short term deposits are made for varying periods of between one month and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates.

Bank deposits are made for the periods of more than 3 months.

(a) Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following as at 31 December :

Cash at bank and in hand	**53**	1,944	**53**	1,944
Short term deposits	**102,149**	20,224	**102,149**	20,224
Closing cash balance	**102,202**	22,168	**102,202**	22,168

	Consolidated		Parent Entity	
	2015	**2014**	**2015**	**2014**
(b) Reconciliation of profit/(loss) after income tax to net cash flows from operations	**$**	**$**	**$**	**$**
(Loss) after income tax	**(44,633)**	(19,358)	**(44,633)**	**(17,361)**
Adjustments for:				
Foreign exchange loss	**(964)**	(1,096)	**(964)**	(1,096)
Non-cash expenses	**-**	16,847	**-**	16,847
Changes in net assets and liabilities:				
(Increase)/decrease in trade and other receivables	**2,258**	(6,098)	**2,258**	(6,098)
Increase/(decrease) in trade and other payables	**1,549**	(55,960)	**1,549**	(55,960)
(Decrease)/increase in income tax liability	**-**	-	**-**	-
Net cash from/(used in) operating activities	**(41,790)**	(65,665)	**(41,790)**	(63,668)

14. PARENT ENTITIES

The Company is a wholly-owned subsidiary of Cairn India Holdings Limited which in turn is a subsidiary of Cairn India Limited. Vedanta Resources Plc is the intermediary holding company. Volcan Investments Limited ("Volcan") is the ultimate controlling entity and controls Vedanta Resources Plc.

Cairn Energy Australia Pty Limited and its controlled entities
Directors' Declaration
For the Year Ended 31 December 2015

In accordance with a resolution of the directors of Cairn Energy Australia Pty Limited, I state that:

In the opinion of the directors:

(a) The financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

  (i) Giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2015 and of their performance for the year ended on that date; and

  (ii) Complying with Accounting Standards to the extent described in Note 1 to the financial statements and complying with the Corporations Regulations 2001; and

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Sudhir Mathur

India,
14 April 2016

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Independent auditor's report to the members of Cairn Energy Australia Pty Limited

Report on the Financial Report

We have audited the accompanying financial report, being a special purpose financial report of Cairn Energy Australia Pty Limited (the "Company"), which comprises the statements of financial position as at 31 December 2015, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company and the consolidated entity comprising the company and the entity it controlled at the year's end or from time to time during the financial year. The financial report has been prepared on a liquidation basis as the company is not expected to continue in operation as a going concern.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members.

The directors' responsibility also includes such internal controls as the directors determine are necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the Independence Declaration required by the *Corporations Act 2001* has been given to the directors of the consolidated Group and Company.

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Opinion

In our opinion:

1. the financial report of Cairn Energy Australia Pty Limited, which has been prepared on a liquidation basis, is in accordance with the *Corporations Act 2001*, including:

    i. giving a true and fair view of the consolidated Group and Company's financial position at 31 December 2015 and of its performance for the year ended on that date; and

    ii. complying with Australian Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*.

Basis of accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

Ernst + Young

Ernst & Young

Alison Parker

Alison Parker
Partner
Melbourne
14 April 2016

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Auditor's Independence Declaration to the Directors of Cairn Energy Australia Pty Limited

As lead auditor for the audit of Cairn Energy Australia Pty Limited for the financial year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Cairn Energy Australia Pty Limited and the entities it controlled during the financial year.

Ernst + Young

Ernst & Young

Alison Parker

Alison Parker
Partner
14 April 2016