SC 226712

CAIRN ENERGY PLC

COMPANY INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 12 DECEMBER 2011

Cairn Energy PLC – Interim Company Financial Statements

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Cairn Energy PLC – Interim Company Financial Statements

Income Statement

For the period ended 12 December 2011

Continuing operations	Notes	Period ended 12 December 2011 (unaudited) $m	Year ended 31 December 2010 $m
Administrative expenses		**(11.2)**	(12.2)
Exceptional provision against amounts owed by subsidiary undertakings		**(773.1)**	-
Impairment of investments		**(409.5)**	-
Operating loss		**(1,193.8)**	(12.2)
Finance income	4	**5,430.1**	169.3
Finance costs	5	**(29.4)**	(6.9)
Profit before taxation		**4,206.9**	150.2
Taxation	6	**-**	-
Profit for the period/year		**4,206.9**	150.2
Earnings per ordinary share – basic (cents)		**299.91**	10.80
Earnings per ordinary share – diluted (cents)		**299.59**	10.78

Cairn Energy PLC – Interim Company Financial Statements

Statement of Comprehensive Income

For the period ended 12 December 2011

	Period ended 12 December 2011 (unaudited) $m	Year ended 31 December 2010 $m
Profit for the period/year	**4,206.9**	150.2
Other comprehensive income		
Currency translation differences	**0.6**	(25.6)
Other comprehensive income for the period/year	**0.6**	(25.6)
Total comprehensive income for the period/year	**4,207.5**	124.6

Cairn Energy PLC – Interim Company Financial Statements

Balance Sheet

As at 12 December 2011

	Notes	**As at 12 December 2011 (unaudited) $m**	As at 31 December 2010 $m
Non-current assets			
Property, plant & equipment – other	7	**0.1**	0.2
Investments	8	**516.6**	918.4
		516.7	918.6
Current assets			
Trade and other receivables	9	**592.8**	93.3
Cash and cash equivalents	10	**4,168.8**	45.6
		4,761.6	138.9
Total assets		**5,278.3**	1,057.5
Current liabilities			
Trade and other payables	11	**80.0**	82.4
		80.0	82.4
Total liabilities		**80.0**	82.4
Net assets		**5,198.3**	975.1
Equity			
Called-up share capital	12	**16.8**	16.7
Share premium	12	**487.1**	484.7
Shares held by ESOP Trust		**(0.1)**	(8.2)
Shares held by SIP Trust		**(1.6)**	(0.8)
Foreign currency translation		**(91.1)**	(91.7)
Capital reserves – non distributable		**0.1**	0.1
Retained earnings		**4,787.1**	574.3
Total equity		**5,198.3**	975.1

Signed on behalf of the Board on 9 January 2012.

Jann Brown
Director

Cairn Energy PLC – Interim Company Financial Statements

Statement of Cash Flows

For the period ended 12 December 2011

	Notes	Period ended 12 December 2010 (unaudited) $m	Year ended 31 December 2010 $m
Cash flows from operating activities			
Profit before taxation		**4,206.9**	150.2
Exceptional provision against amounts owed by subsidiary undertakings		**773.1**	-
Impairment of investments		**409.5**	-
Share-based payments charge		**8.5**	27.8
Finance income		**(5,430.1)**	(9.3)
Finance costs		**29.4**	6.9
Net interest paid		**(13.3)**	(6.9)
Foreign exchange differences		**(5.8)**	(0.1)
Trade and other receivables movement		**(0.4)**	0.6
Trade and other payables movement		**(2.8)**	(18.9)
Net cash (consumed by)/generated from operating activities		**(25.0)**	150.3
Cash flows from investing activities			
Investment in subsidiary		**-**	(265.0)
Interest received		**0.1**	0.3
Net cash from/(used in) investing activities		**0.1**	(264.7)
Cash flows from financing activities			
Amounts advanced to subsidiary undertakings		**(1,282.5)**	-
Amounts received from subsidiary undertakings		**5,430.0**	-
Cost of shares purchased		**(0.8)**	(9.8)
Proceeds from exercise of share options		**2.4**	11.3
Net cash flows (used in)/from financing activities		**4,149.1**	1.5
Net increase/(decrease) in cash and cash equivalents		**4,124.2**	(112.9)
Opening cash and cash equivalents at beginning of period/year		**45.6**	158.4
Exchange (loss)/gain on cash and cash equivalents		**(1.0)**	0.1
Closing cash and cash equivalents	10	**4,168.8**	45.6

Cairn Energy PLC – Interim Company Financial Statements

Statement of Changes in Equity

For the period ended 12 December 2011

	Equity share capital $m	Shares held by ESOP Trust $m	Shares held by SIP Trust $m	Foreign currency translation $m	Capital reserves $m	Retained earnings $m	**Total equity $m**
At 1 January 2010	490.1	(27.2)	-	(66.1)	0.1	405.6	**802.5**
Profit for the year	-	-	-	-	-	150.2	**150.2**
Other comprehensive income for the year	-	-	-	(25.6)	-	-	**(25.6)**
Total comprehensive income for the year	-	-	-	(25.6)	-	150.2	**124.6**
Exercise of employee share options	11.3	-	-	-	-	-	**11.3**
Share-based payments	-	-	-	-	-	46.5	**46.5**
Cost of shares purchased	-	(9.0)	(0.8)	-	-	-	**(9.8)**
Cost of shares vesting	-	28.0	-	-	-	(28.0)	**-**
At 1 January 2011	501.4	(8.2)	(0.8)	(91.7)	0.1	574.3	**975.1**
Profit for the period	-	-	-	-	-	4,206.9	**4,206.9**
Other comprehensive income for the period	-	-	-	0.6	-	-	**0.6**
Total comprehensive income for the period	-	-	-	0.6	-	4,206.9	**4,207.5**
Exercise of employee share options	2.4	-	-	-	-	-	**2.4**
Shares issued to ESOP trust	0.1	(0.1)	-	-	-	-	**-**
Share-based payments	-	-	-	-	-	14.1	**14.1**
Cost of shares purchased	-	-	(0.8)	-	-	-	**(0.8)**
Cost of shares vesting	-	8.2	-	-	-	(8.2)	**-**
At 12 December 2011	**503.9**	**(0.1)**	**(1.6)**	**(91.1)**	**0.1**	**4,787.1**	**5,198.3**

Cairn Energy PLC – Interim Company Financial Statements
Notes to Accounts

1 Accounting Policies

a) Basis of preparation & accounting standards

The financial statements of Cairn Energy PLC ("the Company" or "Cairn") for the period ended 12 December 2011 have been prepared to determine the distributable reserves of the Company.

The accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union except for certain exemptions for interim accounts taken as permitted under section 838 of the Companies Act 2006, for matters that are not material for determining whether a distribution would contravene Part 23 of the Companies Act 2006. These matters comprise: narrative disclosures relating to share based payments, financial instruments, financial risk management objectives and policies, factors that may affect future corporation tax charges, disclosures relating to the calculation of earnings per share and disclosures relating to remuneration of key management personnel.

The disclosed figures are not statutory accounts in terms of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2010, on which the auditors gave an audit report which was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006, have been filed with the Registrar of Companies.

This interim report has been prepared on a basis consistent with the accounting policies expected to be applied for the year ended 31 December 2011, and uses the same accounting policies and methods of computation applied for the year ended 31 December 2010.

There were no new relevant standards or interpretations to be adopted for the period ended 12 December 2011.

b) Presentation currency

The functional currency of Cairn Energy PLC is Sterling. These accounts have been presented in US Dollars ($), the functional currency of most companies within the Cairn Energy Group. 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 Company's policy on foreign currencies is detailed in Note 1(h).

c) Property, plant & 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

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

d) Investments

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 IAS 36 purposes are calculated using an estimated short and long-term oil price of $85/bbl (2010: $75/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 7%. Forecast production profiles are determined on an asset-by-asset basis, using appropriate petroleum engineering techniques.

e) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets are categorised as financial assets held at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The Company holds financial assets which are classified as either available-for-sale financial assets or loans and receivables, with the exception of derivative financial instruments which are held at fair value through profit or loss.

Financial liabilities generally substantiate claims for repayment in cash or another financial asset. Financial liabilities are categorised as either fair value through profit or loss or held at amortised cost. All of the Company's financial liabilities are held at amortised cost, with the exception of derivative financial instruments which are held at fair value through profit or loss.

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

1 Accounting Policies (continued)

e) Financial instruments (continued)

Derivative financial instruments
The Company 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 Company did not apply hedge accounting for derivative financial instruments held during the current and prior year.

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.

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.

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

f) Equity
Equity instruments issued by Cairn are recorded at the proceeds received, net of direct issue costs, allocated between share capital and share premium.

g) 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 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.

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.

1 Accounting Policies (continued)

g) Taxation (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilised, except where the deferred income tax asset relating to the deductible temporary timing difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in Joint Ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

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

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

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

h) Foreign currencies

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 Balance Sheet date. Exchange differences arising are taken to the Income Statement.

Cairn translates accounts into the presentation currency, $, using the closing rate method for assets and liabilities which are translated into $ at the rate of exchange prevailing at the Balance Sheet date and rates at the date of transactions for Income Statement accounts. Cairn takes exchange differences arising on the translation of net assets directly to reserves.

Rates of exchange to $1 were as follows:

	12 December 2011	Average for the period to 12 December 2011	31 December 2010	Average for the year ended 31 December 2010
Sterling	0.639	0.623	0.641	0.647

i) Employee benefits

Pension schemes

Cairn operates defined contribution pension schemes in the UK and India. The assets of the schemes are held separately from those of Cairn and its subsidiaries. The pension cost charged represents contributions payable in the year in accordance with the rules of the schemes.

Share schemes

The cost of awards to employees under Cairn's LTIP and share option plans, granted after 7 November 2002, are recognised over the three year period to which the performance relates. The amount recognised is 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.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The Income Statement charge or credit for a period represents the movement in cumulative expense as recognised at the beginning and end of that period.

1 Accounting Policies (continued)

i) Employee benefits (continued)

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.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Shares acquired to meet awards under these shares schemes are held by the ESOP Trust. The accounts of the ESOP Trust are aggregated into these financial statements.

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

Termination benefits

Cairn recognises a liability for termination benefits at the point where the Company is committed to making the payments in return for employee redundancy.

j) Significant accounting estimates and assumptions

Key estimations and assumptions

The Company has used estimates and assumptions in arriving at certain figures within the financial statements. The resulting accounting estimates may not equate with the actual results which will only be known in time. The area believed to be a key area of estimation is noted below, with further details of the assumptions contained in the relevant note.

Impairment testing - Investments

Discounted future net cash flows for IAS 36 purposes are calculated using commodity price, cost and discount rate assumptions on risk weighted, potential hydrocarbon volumes and future production estimates.

Cairn Energy PLC – Interim Company Financial Statements
Notes to Accounts (continued)

2 Staff Costs

	Period ended 12 December 2011 $m	Year ended 31 December 2010 $m
Wages and salaries	9.0	7.3
Redundancy costs	4.2	-
Social security costs and other taxes	1.9	1.2
Pension costs	0.4	0.4
Share-based payments charge	2.2	6.3
Exceptional share-based payments charge	4.5	25.7
	22.2	40.9

3 Revenue & Other Income

See note 4 below for disclosure of other interest and dividends received.

4 Finance Income

	Period ended 12 December 2011 $m	Year ended 31 December 2010 $m
Bank interest	0.1	0.2
Other interest	-	0.2
Dividends received	5,430.0	160.0
Exchange gain	-	8.9
	5,430.1	169.3

On 12 December 2011 Cairn UK Holdings Limited, a wholly owned subsidiary, declared a dividend of $5,430.0 million to the Company, following the completion of the sale of a 40% interest in its subsidiary, Cairn India Limited. The dividend was settled by reducing a loan balance due from the Company to its subsidiary.

5 Finance Costs

	Period ended 12 December 2011 $m	Year ended 31 December 2010 $m
Exchange loss	16.7	-
Other finance charges	12.7	6.9
	29.4	6.9

6 Taxation

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

	Period ended 12 December 2011 $m	Year ended 31 December 2010 $m
Profit before taxation	**4,206.9**	150.2
Tax at the weighted average rate of corporation tax of 26.5% (2010: 28%)	1,114.8	42.1
Effects of:		
Group relief surrendered /(claimed)	215.6	(42.1)
Non-deductible expenses and non-taxable income	(1,330.4)	-
Total tax charge	-	-

7 Property, Plant & Equipment - Other

	Tenants' Improvements $m	**Total $m**
Cost		
At 1 January 2011 and 12 December 2011	0.9	**0.9**
Depreciation		
At 1 January 2010	0.6	**0.6**
Charge for the year	0.1	**0.1**
At 1 January 2011	0.7	**0.7**
Charge for the period	0.1	**0.1**
At 12 December 2011	**0.8**	**0.8**
Net book value at 12 December 2011	**0.1**	**0.1**
Net book value at 31 December 2010	0.2	0.2
Net book value at 1 January 2010	0.3	0.3

The Company does not hold assets under finance leases or hire purchase contracts.

Cairn Energy PLC – Interim Company Financial Statements
Notes to Accounts (continued)

8 Investments

	Subsidiary undertakings $m	Total $m
Cost and net book value		
At 1 January 2010	650.0	**650.0**
Exchange differences arising	(14.8)	**(14.8)**
Additions	283.2	**283.2**
At 1 January 2011	918.4	**918.4**
Exchange differences arising	(31.9)	**(31.9)**
Additions	39.6	**39.6**
Impairment	(409.5)	**(409.5)**
At 12 December 2011	**516.6**	**516.6**

Additions during 2011 of $39.6m relate to the award of share options of the Company to the employees of Capricorn Energy Limited (a principal subsidiary of Capricorn Oil Limited).

Following completion of the 2011 exploration activities in Greenland that did not result in the discovery of commercial volumes of hydrocarbons, the Company's investment in Capricorn Oil Limited has been tested for impairment and impairment was identified. As a result, a charge to the Income Statement of $409.5m has arisen.

The Company's principal subsidiaries as at the Balance Sheet date are set out below. The Company holds 100% of the voting rights and ordinary shares in each. A full list of subsidiaries can be found on the Annual Return:

Company	**Principal activity**	**Country of incorporation**	**Country of operation**
Direct holdings			
Capricorn Oil Limited	Holding company	Scotland	Scotland
Cairn UK Holdings Limited	Holding company	Scotland	Scotland
Indirect holdings – Capricorn Oil Limited Group			
Capricorn Energy Limited	Holding Company	Scotland	Scotland
Cairn Energy Dhangari Limited	Exploration	Scotland	Nepal
Cairn Energy Karnali Limited	Exploration	Scotland	Nepal
Cairn Energy Lumbini Limited	Exploration	Scotland	Nepal
Cairn Energy Malangawa Limited	Exploration	Scotland	Nepal
Cairn Energy Birganj Limited	Exploration	Scotland	Nepal
Capricorn Albania Limited	Exploration	Scotland	Albania
Capricorn Spain Limited	Exploration	Scotland	Spain
Capricorn Greenland Exploration 1 Limited	Exploration	Scotland	Greenland
Capricorn Greenland Exploration 2 Limited	Exploration	Scotland	Greenland
Capricorn Greenland Exploration 3 Limited	Exploration	Scotland	Greenland
Capricorn Greenland Exploration 4 Limited	Exploration	Scotland	Greenland
Capricorn Greenland Exploration 5 Limited	Exploration	Scotland	Greenland
Capricorn Greenland Exploration 6 Limited	Exploration	Scotland	Greenland
Capricorn Greenland Exploration 7 Limited	Exploration	Scotland	Greenland
Capricorn Greenland Exploration 8 Limited	Exploration	Scotland	Greenland
Capricorn Greenland Exploration 9 Limited	Exploration	Scotland	Greenland
Capricorn Greenland Exploration 10 Limited	Exploration	Scotland	Greenland
Capricorn Atammik Limited	Exploration	Scotland	Greenland
Capricorn Lady Franklin Limited	Exploration	Scotland	Greenland

Cairn Energy PLC – Interim Company Financial Statements
Notes to Accounts (continued)

9 Trade and Other Receivables

	12 December 2011 $m	31 December 2010 $m
Amounts owed by subsidiary undertakings	591.8	92.8
Other debtors	0.9	0.4
	592.7	93.2
Prepayments	0.1	0.1
	592.8	93.3

The ageing analysis of trade and other receivables is set out below:

	Total $m	< 30 days $m	30-60 days $m	60-90 days $m	90-120 days $m	>120 days $m
Neither past due nor impaired	**0.9**	0.9	-	-	-	-
Past due but not impaired	**591.8**	-	-	0.1	-	591.7
Past due and impaired	**773.1**	-	-	-	-	773.1
Allowance for doubtful debts	**(773.1)**	-	-	-	-	(773.1)
As at 12 December 2011	**592.7**	**0.9**	**-**	**0.1**	**-**	**591.7**
2010						
Neither past due nor impaired	3.6	3.6	-	-	-	-
Past due but not impaired	89.6	-	0.2	1.6	1.2	86.6
As at 31 December 2010	93.2	3.6	0.2	1.6	1.2	86.6

Following completion of the 2011 exploration activities in Greenland that did not result in the discovery of commercial volumes of hydrocarbons, the debtor due to the Company by Capricorn Oil Limited has been tested for impairment and impairment was identified. As a result, a provision for doubtful debts of $773.1m has been charged to the Income Statement.

10 Net Funds

	12 December 2011 $m	31 December 2010 $m
Cash and cash equivalents	4,168.8	45.6
Net cash	**4,168.8**	45.6

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

11 Trade and Other Payables

	12 December 2011 $m	31 December 2010 $m
Trade payables	0.2	0.1
Amounts owed to subsidiary undertakings	78.8	78.1
Other taxation and social security	0.2	2.0
Other creditors	-	0.8
Accruals	0.8	1.4
	80.0	82.4

Cairn Energy PLC – Interim Company Financial Statements

Notes to Accounts (continued)

12 Issued Capital and Reserves

	Number 8/13p Ordinary '000	8/13p Ordinary $m
Allotted, issued and fully paid ordinary shares		
At 1 January 2010	1,396,246	16.6
Issued and allotted for employee share options	3,801	0.1
At 1 January 2011	1,400,047	16.7
Issued and allotted for employee share options	866	-
Shares issued in period for cash	5,676	0.1
At 12 December 2011	**1,406, 589**	**16.8**

Share premium

	12 December 2011 $m	31 December 2010 $m
At 1 January	484.7	473.5
Arising on shares issued for employee share options	2.4	11.2
At 12 December 2011/31 December 2010	**487.1**	484.7

Other reserves

All other reserves are stated in the consolidated statement of changes in equity.

Shares held by ESOP Trust

Shares held by the ESOP Trust represent the cost of shares held by the Cairn Energy PLC Employees' Share Trust at 12 December 2011. The number of shares held by the Cairn Energy PLC Employees' Share Trust at 12 December was 419,191 (2010: 1,497,163) and the market value of these shares was £1.2m (2010: £6.3m).

Shares held by SIP trust

Shares held by the SIP Trust represent the cost of shares held by the Cairn Energy PLC Employees' Share Incentive Plan Trust at 12 December 2011. The number of shares held by the Cairn Energy PLC Share Incentive Plan Trust at 12 December 2011 was 240,183 (2010: 135,489) and the market value of these shares was £0.7m (2010: £0.6m).

Foreign currency translation

Unrealised foreign exchange gains and losses arise on translation of the Company's £ functional results into $ presentation currency in accordance with IAS 21.

Capital reserves – non distributable

Capital reserves – non distributable include non distributable amounts which have arisen on Company acquisitions.

Cairn Energy PLC – Interim Company Financial Statements

Notes to Accounts (continued)

13 Financial Instruments

The Company calculates the fair value of assets and liabilities by reference to amounts considered to be receivable or payable on the Balance Sheet date.

The Company's financial assets and liabilities, together with their fair values are as follows:

Financial Assets

	Carrying amount		**Fair value**	
	12 December 2011 $m	31 December 2010 $m	**12 December 2011 $m**	31 December 2010 $m
Cash and cash equivalents	**4,168.8**	45.6	**4,168.8**	45.6
Amounts owed by subsidiary undertakings	**591.8**	92.8	**591.8**	92.8
	4,760.6	138.4	**4,760.6**	138.4

All of the above financial assets are current and unimpaired, with the exception of amounts owed by Capricorn Oil Limited, included within amounts owed by subsidiary undertakings. See note 9 for further details.

Financial liabilities

	Carrying amount		**Fair value**	
	12 December 2011 $m	31 December 2010 $m	**12 December 2011 $m**	31 December 2010 $m
Trade payables	**0.2**	0.1	**0.2**	0.1
Amounts owed to subsidiary undertakings	**78.8**	78.1	**78.8**	78.1
	79.0	78.2	**79.0**	78.2

14 Related Party Transactions

The Company's principal subsidiaries are listed in Note 8. The following table provides the Company's balances which are outstanding with subsidiary companies at the Balance Sheet date:

	12 December 2011 $m	31 December 2010 $m
Amounts owed by subsidiary undertakings	**591.8**	92.8
Amounts owed to subsidiary undertakings	**(78.8)**	(78.1)
	513.0	14.7

The amounts outstanding are unsecured, repayable on demand and will be settled in cash. Interest, where charged, is at market rates. No guarantees have been given.

During the period ended 12 December 2011, the Company made a provision for doubtful debts against amounts owed by subsidiary undertakings of $773.1m (2010: $nil). See note 9 for further details.

14 Related Party Transactions (continued)

The following table provides the Company's transactions with subsidiary companies recorded in the profit for the period/year, all of which were carried out on an arm's length basis:

	Period ended 12 December 2011 $m	Year ended 31 December 2010 $m
Amounts invoiced to subsidiary undertakings	**17.8**	21.6
Amounts invoiced by subsidiary undertakings	**-**	18.7
Dividend received from subsidiary undertaking	**5,430.0**	-