Consolidated income statement
For the year ended 31 December 2012

	Notes	2012 US$m	2011 US$m
Revenue	4a	**6,324**	5,801
Cost of sales	4b	**(5,244)**	(4,841)
Gross profit		**1,080**	960
Selling, general and administration expenses	4c	**(359)**	(283)
Other income	4f	**65**	12
Other expenses	4g	**(20)**	(5)
Profit from operations before tax and finance (costs)/income		**766**	684
Finance costs	5	**(5)**	(7)
Finance income	5	**12**	8
Share of losses of associates	12	**(8)**	(4)
Profit before tax		**765**	681
Income tax expense	6	**(135)**	(141)
Profit for the year		**630**	540
Attributable to:			
Petrofac Limited shareholders		**632**	540
Non-controlling interests		**(2)**	–
		630	540
Earnings per share (US cents)	7		
– Basic		**185.55**	159.01
– Diluted		**183.88**	157.13

The attached notes 1 to 32 form part of these consolidated financial statements.

Consolidated statement of comprehensive income
For the year ended 31 December 2012

	Notes	2012 US$m	2011 US$m
Profit for the year		**630**	540
Foreign currency translation gains/(losses)	23	**10**	(16)
Net loss/(gain) on maturity of cash flow hedges recycled in the period	23	**20**	(3)
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	23	**–**	(14)
Other comprehensive income		**30**	(33)
Total comprehensive income for the period		**660**	507
Attributable to:			
Petrofac Limited shareholders		**662**	507
Non-controlling interests		**(2)**	–
		660	507

The attached notes 1 to 32 form part of these consolidated financial statements.

Consolidated statement of financial position
At 31 December 2012

	Notes	2012 US$m	2011 US$m
Assets			
Non-current assets			
Property, plant and equipment	9	**905**	594
Goodwill	10	**125**	107
Intangible assets	11	**307**	122
Investments in associates	12	**177**	164
Other financial assets	14	**444**	140
Deferred income tax assets	6c	**43**	29
		2,001	1,156
Current assets			
Non-current asset held for sale	15	**–**	44
Inventories	16	**27**	11
Work in progress	17	**656**	612
Trade and other receivables	18	**1,915**	1,353
Due from related parties	30	**22**	99
Other financial assets	14	**85**	30
Income tax receivable		**12**	15
Cash and short-term deposits	19	**614**	1,572
		3,331	3,736
Total assets		**5,332**	4,892
Equity and liabilities			
Equity attributable to Petrofac Limited shareholders			
Share capital	20	**7**	7
Share premium		**4**	2
Capital redemption reserve		**11**	11
Treasury shares	21	**(100)**	(75)
Other reserves	23	**38**	6
Retained earnings		**1,589**	1,161
		1,549	1,112
Non-controlling interests		**1**	3
Total equity		**1,550**	1,115
Non-current liabilities			
Interest-bearing loans and borrowings	24	**292**	16
Provisions	25	**100**	60
Other financial liabilities	26	**8**	24
Deferred income tax liabilities	6c	**143**	60
		543	160
Current liabilities			
Trade and other payables	27	**1,981**	1,742
Due to related parties	30	**38**	23
Interest-bearing loans and borrowings	24	**57**	61
Other financial liabilities	26	**17**	32
Liabilities directly associated with non-current asset held for sale	15	**–**	5
Income tax payable		**75**	96
Billings in excess of cost and estimated earnings	17	**328**	389
Accrued contract expenses	28	**743**	1,269
		3,239	3,617
Total liabilities		**3,782**	3,777
Total equity and liabilities		**5,332**	4,892

The financial statements on pages 107 to 149 were approved by the Board of Directors on 26 February 2013 and signed on its behalf by Tim Weller – Chief Financial Officer.

The attached notes 1 to 32 form part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2012

	Notes	2012 US$m	2011 US$m
Operating activities			
Profit before tax		**765**	681
Non-cash adjustments to reconcile profit before tax to net cash flows:			
Depreciation, amortisation, impairment and write off	4b, 4c	**130**	80
Share-based payments	4d	**26**	23
Difference between other long-term employment benefits paid and amounts recognised in the income statement		**11**	9
Net finance income	5	**(7)**	(1)
Loss/(gain) on fair value changes in Seven Energy warrants	4g, 4f	**6**	(6)
Gain on disposal of an investment in a joint venture	4f	**(6)**	–
Share of losses of associates	12	**8**	4
Gain on disposal of non-current asset held for sale	4f	**(27)**	–
Fair value gain on initial recognition of investment in associate	12	**(9)**	–
Debt acquisition costs written off		**3**	–
Other non-cash items, net		**7**	6
		907	796
Working capital adjustments:			
Trade and other receivables		**(549)**	(301)
Work in progress		**(44)**	192
Due from related parties		**77**	(99)
Inventories		**(16)**	(3)
Other current financial assets		**(68)**	17
Trade and other payables		**253**	735
Billings in excess of cost and estimated earnings		**(61)**	211
Accrued contract expenses		**(525)**	(7)
Due to related parties		**15**	12
		(11)	1,553
Long-term receivable from a customer	14	**(300)**	(130)
Other non-current items, net		**(4)**	–
Cash (used in)/generated from operations		**(315)**	1,423
Interest paid		**(3)**	(3)
Income taxes paid, net		**(83)**	(157)
Net cash flows (used in)/from operating activities		**(401)**	1,263
Investing activities			
Purchase of property, plant and equipment		**(397)**	(420)
Acquisition of subsidiaries, net of cash acquired		**(20)**	–
Payment of contingent consideration on acquisition		**(1)**	(16)
Purchase of other intangible assets	11	**(7)**	(6)
Purchase of intangible oil and gas assets	11	**(165)**	(40)
Investments in associates	12	**(25)**	(50)
Proceeds from disposal of property, plant and equipment		**1**	–
Proceeds from disposal of non-current asset held for sale		**60**	–
Proceeds from disposal of an investment in a joint venture		**5**	–
Interest received		**5**	9
Net cash flows used in investing activities		**(544)**	(523)
Financing activities			
Interest bearing loans and borrowings obtained, net of debt acquisition cost		**291**	–
Repayment of interest-bearing loans and borrowings		**(50)**	(19)
Treasury shares purchased	21	**(76)**	(49)
Equity dividends paid		**(201)**	(159)
Net cash flows used in financing activities		**(36)**	(227)
Net increase/(decrease) in cash and cash equivalents		**(981)**	513
Net foreign exchange difference		**3**	(12)
Cash and cash equivalents at 1 January		**1,535**	1,034
Cash and cash equivalents at 31 December	19	**557**	1,535

The attached notes 1 to 32 form part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2012

	Attributable to shareholders of Petrofac Limited									
	Issued share capital US$m	Share premium US$m	Capital redemption reserve US$m	Shares to be issued US$m	*Treasury shares US$m (note 21)	Other reserves US$m (note 23)	Retained earnings US$m	Total US$m	Non-controlling interests US$m	Total equity US$m
Balance at 1 January 2012	7	2	11	–	(75)	6	1,161	1,112	3	1,115
Net profit for the year	–	–	–	–	–	–	632	632	(2)	630
Other comprehensive income	–	–	–	–	–	30	–	30	–	30
Total comprehensive income for the year	–	–	–	–	–	30	632	662	(2)	660
Shares issued as payment of consideration on acquisition	–	2	–	–	–	–	–	2	–	2
Share-based payments charge (note 22)	–	–	–	–	–	26	–	26	–	26
Shares vested during the year (note 21)	–	–	–	–	51	(45)	(6)	–	–	–
Transfer to reserve for share-based payments (note 22)	–	–	–	–	–	20	–	20	–	20
Treasury shares purchased (note 21)	–	–	–	–	(76)	–	–	(76)	–	(76)
Income tax on share-based payments reserve	–	–	–	–	–	1	–	1	–	1
Dividends (note 8)	–	–	–	–	–	–	(198)	(198)	–	(198)
Balance at 31 December 2012	**7**	**4**	**11**	**–**	**(100)**	**38**	**1,589**	**1,549**	**1**	**1,550**

	Attributable to shareholders of Petrofac Limited									
	Issued share capital US$m	Share premium US$m	Capital redemption reserve US$m	Shares to be issued US$m	*Treasury shares US$m (note 21)	Other reserves US$m (note 23)	Retained earnings US$m	Total US$m	Non-controlling interests US$m	Total equity US$m
Balance at 1 January 2011	7	1	11	1	(65)	35	787	777	3	780
Net profit for the year	–	–	–	–	–	–	540	540	–	540
Other comprehensive income	–	–	–	–	–	(33)	–	(33)	–	(33)
Total comprehensive income for the year	–	–	–	–	–	(33)	540	507	–	507
Shares issued as payment of consideration on acquisition	–	1	–	(1)	–	–	–	–	–	–
Share-based payments charge (note 22)	–	–	–	–	–	23	–	23	–	23
Shares vested during the year (note 21)	–	–	–	–	39	(34)	(5)	–	–	–
Transfer to reserve for share-based payments (note 22)	–	–	–	–	–	18	–	18	–	18
Treasury shares purchased (note 21)	–	–	–	–	(49)	–	–	(49)	–	(49)
Income tax on share-based payments reserve	–	–	–	–	–	(3)	–	(3)	–	(3)
Dividends (note 8)	–	–	–	–	–	–	(161)	(161)	–	(161)
Balance at 31 December 2011	7	2	11	–	(75)	6	1,161	1,112	3	1,115

*Shares held by Petrofac Employee Benefit Trust and Petrofac Joint Venture Companies Employee Benefit Trust.

The attached notes 1 to 32 form part of these consolidated financial statements.

Notes to the consolidated financial statements
For the year ended 31 December 2012

1 Corporate information

The consolidated financial statements of Petrofac Limited (the 'Company') for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Directors on 26 February 2013.

Petrofac Limited is a limited liability company registered and domiciled in Jersey under the Companies (Jersey) Law 1991 and is the holding company for the international group of Petrofac subsidiaries (together the 'Group').The Company's 31 December 2012 financial statements are shown on pages 152 to 165. The Group's principal activity is the provision of services to the oil and gas production and processing industry.

The principal Group companies, and joint venture entities, are contained in note 32 to these consolidated financial statements.

2 Summary of significant accounting policies

Basis of preparation
The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value. The presentation currency of the consolidated financial statements is United States dollars and all values in the financial statements are rounded to the nearest million (US$'m) except where otherwise stated.

Statement of compliance
The consolidated financial statements of Petrofac Limited and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of Jersey law.

Basis of consolidation
The consolidated financial statements comprise the financial statements of Petrofac Limited and its subsidiaries. The financial statements of its subsidiaries are prepared for the same reporting year as the Company and where necessary, adjustments are made to the financial statements of the Group's subsidiaries to bring their accounting policies into line with those of the Group.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-Group balances and transactions, including unrealised profits, have been eliminated on consolidation.

Non-controlling interests in subsidiaries consolidated by the Group are disclosed separately from the Group's equity and income statement and non-controlling interests are allocated their share of total comprehensive income for the year even if this results in a deficit balance.

New standards and interpretations
The Group has adopted new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2012. The following new amendments and enhanced disclosures did not have any current impact on the financial position, performance, or disclosures of the Group:

- IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets effective 1 January 2012
- IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements effective 1 July 2011

Standards issued but not yet effective
Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below and include only those standards and interpretations that are likely to have an impact on the disclosures, financial position or performance of the Group at a future date. The Group intends to adopt these standards when they become effective.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)
The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon de-recognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 27 Separate Financial Statements (as revised in 2011)
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013 but is not expected to have any financial impact on the separate financial statements of the Company but will require some changes in disclosure.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39.The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 Consolidated Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation – Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers.

IFRS 11 removes the option to account for jointly-controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

The application of this new standard will impact the financial position of the Group by eliminating proportionate consolidation of certain joint ventures. With the application of the new standard, the investment in those joint ventures will be accounted for using the equity method of accounting. This standard becomes effective for annual periods beginning on or after 1 January 2013, and is to be applied retrospectively for joint arrangements held at the date of initial application. The expected impact of IFRS 11 on the current period (which will be the comparative period in the financial statements as of 31 December 2013), given the current status of our joint arrangements, is expected to be a reduction of revenue of US$76m and a reduction in profit from operations of US$2m as income from joint ventures will be presented outside operating profit going forward. Current assets and current liabilities will be reduced by US$47m and US$89m respectively, while the impact on non-current assets will be a reduction of US$65m and the non-current liabilities will be reduced by US$2m. The reduction in net assets above will result in recognition of investments in joint ventures which will be included within non-current assets.

IFRS 12 Disclosure of Involvement with Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 relating to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28.These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.The application of this standard affects disclosure only and will have no impact on the Group's financial position or performance.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance of the Group. This standard becomes effective prospectively for annual periods beginning on or after 1 January 2013.

Significant accounting judgements and estimates

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- revenue recognition on fixed-price engineering, procurement and construction contracts: the Group recognises revenue on fixed-price engineering, procurement and construction contracts using the percentage-of-completion method, based on surveys of work performed. The Group has determined this basis of revenue recognition is the best available measure of progress on such contracts
- revenue recognition on Integrated Energy Services contracts: the Group assesses on a case by case basis the most appropriate treatment for its various of commercial structures which include Risk Service Contracts, Production Enhancement Contracts and Equity Upstream Investments including Production Sharing Contracts (see accounting policies note on page 117 for further details).

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- project cost to complete estimates: at each statement of financial position date the Group is required to estimate costs to complete on fixed-price contracts. Estimating costs to complete on such contracts requires the Group to make estimates of future costs to be incurred, based on work to be performed beyond the statement of financial position date. This estimate will impact revenues, cost of sales, work-in-progress, billings in excess of costs and estimated earnings and accrued contract expenses
- onerous contract provisions: the Group provides for future losses on long-term contracts where it is considered probable that the contract costs are likely to exceed revenues in future years. Estimating these future losses involves a number of assumptions about the achievement of contract performance targets and the likely levels of future cost escalation over time US$ nil at 31 December 2012 (2011: US$ nil)
- impairment of goodwill: the Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from each cash-generating unit and also to determine a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2012 was US$125m (2011: US$107m) (note 10)
- deferred tax assets: the Group recognises deferred tax assets on all applicable temporary differences where it is probable that future taxable profits will be available for utilisation. This requires management to make judgements and assumptions regarding the amount of deferred tax that can be recognised based on the magnitude and likelihood of future taxable profits. The carrying amount of deferred tax assets at 31 December 2012 was US$43m (2011: US$29m)

Notes to the consolidated financial statements continued
For the year ended 31 December 2012

2 Summary of significant accounting policies continued

- income tax: the Company and its subsidiaries are subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the appropriate authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authority concerned
- recoverable value of intangible oil and gas and other intangible assets: the Group determines at each statement of financial position date whether there is any evidence of indicators of impairment in the carrying value of its intangible oil and gas and other intangible assets. Where indicators exist, an impairment test is undertaken which requires management to estimate the recoverable value of its intangible assets for example by reference to quoted market values, similar arm's length transactions involving these assets or value in use calculations
- units of production depreciation: estimated proven plus probable reserves are used in determining the depreciation of oil and gas assets such that the depreciation charge is proportional to the depletion of the remaining reserves over their life of production. These calculations require the use of estimates including the amount of economically recoverable reserves and future oil and gas capital expenditure

Interests in joint ventures
The Group has a number of contractual arrangements with other parties which represent joint ventures. These take the form of agreements to share control over other entities (jointly controlled entities) and commercial collaborations (jointly controlled operations). These arrangements require unanimous agreement for financial and operating decisions among the venturers. The Group's interests in jointly controlled entities are accounted for by proportionate consolidation, which involves recognising the Group's proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. Where the Group collaborates with other entities in jointly controlled operations, the expenses the Group incurs and its share of the revenue earned is recognised in the consolidated income statement. Assets controlled by the Group and liabilities incurred by it are recognised in the statement of financial position. Where necessary, adjustments are made to the financial statements of the Group's jointly controlled entities and operations to bring their accounting policies into line with those of the Group.

Investments in associates
The Group's investment in its associates, entities in which the Group has significant influence, are accounted for using the equity method.

Under the equity method, the investment is initially carried at cost and adjusted for post acquisition changes in the Group's share of net assets of the associate. Goodwill on the initial investment forms a part of the carrying amount of the investment and is not individually tested for impairment.

The Group recognises its share of the net profits after tax and non-controlling interest of the associates in its consolidated income statement. Share of associate's changes in equity is also recognised in the Group's consolidated statement of changes in equity. Any unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in associates.

The financial statements of the associate are prepared using the same accounting policies and reporting periods as that of the Group.

The carried value of the investment is tested for impairment at each reporting date. Impairment, if any, is determined by the difference between the recoverable amount of the associate and its carrying value and is reported within the share of income of an associate in the Group's consolidated income statement.

Foreign currency translation
The Company's functional and presentational currency is US dollars. In the financial statements of individual subsidiaries, joint ventures and associates, transactions in currencies other than a company's functional currency are recorded at the prevailing rate of exchange at the date of the transaction. At the year end, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at the statement of financial position date. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the rate of exchange as at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the rate of exchange at the date the fair value was determined. All foreign exchange gains and losses are taken to the consolidated income statement with the exception of exchange differences arising on monetary assets and liabilities that form part of the Group's net investment in subsidiaries. These are taken directly to the statement of changes in equity until the disposal of the net investment at which time they are recognised in the consolidated income statement.

The statements of financial position of overseas subsidiaries, joint ventures and associates are translated into US dollars using the closing rate method, whereby assets and liabilities are translated at the rates of exchange prevailing at the statement of financial position date. The income statements of overseas subsidiaries and joint ventures are translated at average exchange rates for the year. Exchange differences arising on the retranslation of net assets are taken directly to other reserves within the statement of changes in equity.

On the disposal of a foreign entity, accumulated exchange differences are recognised in the consolidated income statement as a component of the gain or loss on disposal.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Cost comprises the purchase price or construction cost and any costs directly attributable to making that asset capable of operating as intended. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Depreciation is provided on a straight-line basis, other than on oil and gas assets, at the following rates:

Oil and gas facilities	10% – 12.5%
Plant and equipment	4% – 33%
Buildings and leasehold improvements	5% – 33% (or lease term if shorter)
Office furniture and equipment	25% – 50%
Vehicles	20% – 33%

Tangible oil and gas assets are depreciated, on a field-by-field basis, using the unit-of-production method based on entitlement to proven and probable reserves, taking account of estimated future development expenditure relating to those reserves.

Each asset's estimated useful life, residual value and method of depreciation are reviewed and adjusted if appropriate at each financial year end.

No depreciation is charged on land or assets under construction.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in the consolidated income statement when the item is derecognised. Gains are not classified as revenue.

Non-current assets held for sale
Non-current assets or disposal Groups are classified as held for sale when it is expected that the carrying amount of an asset will be recovered principally through sale rather than continuing use. Assets are not depreciated when classified as held for sale.

Borrowing costs
Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised as interest payable in the consolidated income statement in the period in which they are incurred.

Goodwill
Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that such carrying value may be impaired. All transaction costs associated with business combinations are charged to the consolidated income statement in the year of such combination.

For the purpose of impairment testing, goodwill acquired is allocated to the cash-generating units that are expected to benefit from the synergies of the combination. Each unit or units to which goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than an operating segment determined in accordance with IFRS 8 'Operating Segments'.

Impairment is determined by assessing the recoverable amount of the cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than the carrying amount of the cash-generating units and related goodwill, an impairment loss is recognised.

Where goodwill has been allocated to cash-generating units and part of the operation within those units is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating units retained.

Contingent consideration payable on a business combination
When, as part of a business combination, the Group defers a proportion of the total purchase consideration payable for an acquisition, the amount provided for is the acquisition date fair value of the consideration. The unwinding of the discount element is recognised as a finance cost in the consolidated income statement. For business combinations prior to 1 January 2010, all changes in estimated contingent consideration payable on acquisition are adjusted against the carried goodwill. For business combinations after 1 January 2010, changes in estimated contingent consideration payable on acquisition are recognised in the consolidated income statement unless they are measurement period adjustments which arise as a result of additional information obtained after the acquisition date about the facts and circumstances existing at the acquisition date, which are adjusted against carried goodwill.

Intangible assets – non oil and gas assets
Intangible assets acquired in a business combination are initially measured at cost being their fair values at the date of acquisition and are recognised separately from goodwill where the asset is separable or arises from a contractual or other legal right and its fair value can be measured reliably. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets with a finite life are amortised over their useful economic life using a straight-line method unless a better method reflecting the pattern in which the asset's future economic benefits are expected to be consumed can be determined. The amortisation charge in respect of intangible assets is included in the selling, general and administration expenses line of the consolidated income statement. The expected useful lives of assets are reviewed on an annual basis. Any change in the useful life or pattern of consumption of the intangible asset is treated as a change in accounting estimate and is accounted for prospectively by changing the amortisation period or method. Intangible assets are tested for impairment whenever there is an indication that the asset may be impaired.

Oil and gas assets
Capitalised costs
The Group's activities in relation to oil and gas assets are limited to assets in the evaluation, development and production phases.

Oil and gas evaluation and development expenditure is accounted for using the successful efforts method of accounting.

Evaluation expenditures
Expenditure directly associated with evaluation (or appraisal) activities is capitalised as an intangible asset. Such costs include the costs of acquiring an interest, appraisal well drilling costs, payments to contractors and an appropriate share of directly attributable overheads incurred during the evaluation phase. For such appraisal activity, which may require drilling of further wells, costs continue to be carried as an asset whilst related hydrocarbons are considered capable of commercial development. Such costs are subject to technical, commercial and management review to confirm the continued intent to develop, or otherwise extract value. When this is no longer the case, the costs are written-off in the income statement. When such assets are declared part of a commercial development, related costs are transferred to tangible oil and gas assets. All intangible oil and gas assets are assessed for any impairment prior to transfer and any impairment loss is recognised in the consolidated income statement.

Development expenditures
Expenditure relating to development of assets which include the construction, installation and completion of infrastructure facilities such as platforms, pipelines and development wells, is capitalised within property, plant and equipment.

Changes in unit-of-production factors
Changes in factors which affect unit-of-production calculations are dealt with prospectively in accordance with the treatment of changes in accounting estimates, not by immediate adjustment of prior years' amounts.

Notes to the consolidated financial statements continued
For the year ended 31 December 2012

2 Summary of significant accounting policies continued

Decommissioning
Provision for future decommissioning costs is made in full when the Group has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. The amount recognised is the present value of the estimated future expenditure. An amount equivalent to the discounted initial provision for decommissioning costs is capitalised and amortised over the life of the underlying asset on a unit-of-production basis over proven and probable reserves. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the oil and gas asset.

The unwinding of the discount applied to future decommissioning provisions is included under finance costs in the consolidated income statement.

Impairment of assets (excluding goodwill)
At each statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment is treated as a revaluation increase.

Inventories
Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Cost comprises purchase price, cost of production, transportation and other directly allocable expenses. Costs of inventories, other than raw materials, are determined using the first-in-first-out method. Costs of raw materials are determined using the weighted average method.

Work in progress and billings in excess of cost and estimated earnings
Fixed price lump sum engineering, procurement and construction contracts are presented in the statement of financial position as follows:

- for each contract, the accumulated cost incurred, as well as the estimated earnings recognised at the contract's percentage of completion less provision for any anticipated losses, after deducting the progress payments received or receivable from the customers, are shown in current assets in the statement of financial position under 'work in progress'
- where the payments received or receivable for any contract exceed the cost and estimated earnings less provision for any anticipated losses, the excess is shown as 'billings in excess of cost and estimated earnings' within current liabilities

Trade and other receivables
Trade receivables are recognised and carried at original invoice amount less an allowance for any amounts estimated to be uncollectable. An estimate for doubtful debts is made when there is objective evidence that the collection of the full amount is no longer probable under the terms of the original invoice. Impaired debts are derecognised when they are assessed as uncollectable.

Cash and cash equivalents
Cash and cash equivalents consist of cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Interest-bearing loans and borrowings
All interest-bearing loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs directly attributable to the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised in the consolidated income statement as a finance cost.

De-recognition of financial assets and liabilities

Financial assets
A financial asset (or, where applicable a part of a financial asset) is de-recognised where:

- the rights to receive cash flows from the asset have expired
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third-party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Financial liabilities
A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

If an existing financial liability is replaced by another from the same lender, on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the consolidated income statement.

Pensions and other long-term employment benefits
The Group has various defined contribution pension schemes in accordance with the local conditions and practices in the countries in which it operates. The amount charged to the consolidated income statement in respect of pension costs reflects the contributions payable in the year. Differences between contributions payable during the year and contributions actually

paid are shown as either accrued liabilities or prepaid assets in the statement of financial position.

Notes to the consolidated financial statements continued
For the year ended 31 December 2012

The Group's other long-term employment benefits are provided in accordance with the labour laws of the countries in which the Group operates, further details of which are given in note 25.

Share-based payment transactions
Employees (including Directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

Equity-settled transactions
The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. In valuing equity-settled transactions, no account is taken of any service or performance conditions, other than conditions linked to the price of the shares of Petrofac Limited ('market conditions'), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the relevant employees become fully entitled to the award (the 'vesting period').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 Group'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 recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance conditions and service conditions are satisfied. Equity awards cancelled are treated as vesting immediately on the date of cancellation, and any expense not recognised for the award at that date is recognised in the consolidated income statement.

Petrofac Employee Benefit Trusts
The Petrofac Employee Benefit Trust and the Petrofac Joint Venture Companies Employee Benefit Trust warehouse ordinary shares purchased to satisfy various new share scheme awards made to the employees of the Company and its joint venture partner employees, which will be transferred to the members of the scheme on their respective vesting dates subject to satisfying the performance conditions of each scheme. The trusts have been consolidated in the Group financial statements in accordance with SIC 12 'Special Purpose Entities'. The cost of shares temporarily held by the trusts are reflected as treasury shares and deducted from equity.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys the right to use the asset.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as non-current assets of the Group at the lower of their fair value at the date of commencement of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance costs in the income statement and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

The Group has entered into various operating leases the payments for which are recognised as an expense in the consolidated income statement on a straight-line basis over the lease terms.

Revenue recognition
Revenue is recognised to the extent that it is probable economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria also apply:

Onshore Engineering & Construction
Revenues from fixed-price lump-sum contracts are recognised on the percentage-of-completion method, based on surveys of work performed once the outcome of a contract can be estimated reliably. In the early stages of contract completion, when the outcome of a contract cannot be estimated reliably, contract revenues are recognised only to the extent of costs incurred that are expected to be recoverable.

Revenues from cost-plus-fee contracts are recognised on the basis of costs incurred during the year plus the fee earned measured by the cost-to-cost method.

Revenues from reimbursable contracts are recognised in the period in which the services are provided based on the agreed contract schedule of rates.

Provision is made for all losses expected to arise on completion of contracts entered into at the statement of financial position date, whether or not work has commenced on these contracts.

Incentive payments are included in revenue when the contract is sufficiently advanced that it is probable that the specified performance standards will be met or exceeded and the amount of the incentive payments can be measured reliably. Variation orders are only included in revenue when it is probable they will be accepted and can be measured reliably and claims are only included in revenue when negotiations have reached an advanced stage.

Offshore Projects & Operations, Engineering & Consulting Services and Integrated Energy Services
Revenues from reimbursable contracts are recognised in the period in which the services are provided based on the agreed contract schedule of rates.

Revenues from fixed-price contracts are recognised on the percentage-of-completion method, measured by milestones completed or earned value once the outcome of a contract can be estimated reliably. In the early stages of contract completion, when the outcome of a contract cannot be estimated reliably, contract revenues are recognised only to the extent of costs incurred that are expected to be recoverable.

Incentive payments are included in revenue when the contract is sufficiently advanced that it is probable that the specified performance standards will be met or exceeded and the amount of the incentive payments can be measured reliably. Claims are only included in revenue when negotiations have reached an advanced stage such that it is probable the claim will be accepted and can be measured reliably.

Integrated Energy Services
Oil and gas revenues comprise the Group's share of sales from the processing or sale of hydrocarbons on an entitlement basis, when the significant risks and rewards of ownership have been passed to the buyer.

Revenue from production enhancement contracts is recognised based on the volume of hydrocarbons produced in the period and the agreed tariff and the reimbursement arrangement for costs incurred.

Pre-contract/bid costs
Pre-contract/bid costs incurred are recognised as an expense until there is a high probability that the contract will be awarded, after which all further costs are recognised as assets and expensed over the life of the contract.

2 Summary of significant accounting policies continued

Income taxes
Income tax expense represents the sum of current income tax and deferred tax.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to the taxation authorities. Taxable profit differs from profit as reported in the consolidated 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's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred income tax is recognised on all temporary differences at the statement of financial position date between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilised. Unrecognised deferred income tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Current and deferred income tax is charged or credited directly to other comprehensive income or equity if it relates to items that are credited or charged to respectively, other comprehensive income or equity. Otherwise, income tax is recognised in the consolidated income statement.

Derivative financial instruments and hedging
The Group uses derivative financial instruments such as forward currency contracts and oil price collars and forward contracts to hedge its risks associated with foreign currency and oil price fluctuations. Such 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 the fair value of derivatives that do not qualify for hedge accounting are taken to the consolidated income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of oil price collar contracts is determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability; or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction

The Group formally designates and documents the relationship between the hedging instrument and the hedged item at the inception of the transaction, as well as its risk management objectives and strategy for undertaking various hedge transactions. The documentation also includes identification of the hedging instrument, the hedged item or transaction, the nature of risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in the hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship, as follows:

Cash flow hedges
For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in the statement of changes in equity, while the ineffective portion is recognised in the consolidated income statement. Amounts taken to equity are transferred to the consolidated income statement when the hedged transaction affects the consolidated income statement.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in the statement of changes in equity is immediately transferred to the consolidated income statement.

Embedded derivatives
Contracts are assessed for the existence of embedded derivatives at the date that the Group first becomes party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. Embedded derivatives which are not clearly and closely related to the underlying asset, liability or transaction are separated and accounted for as standalone derivatives.

Notes to the consolidated financial statements continued
For the year ended 31 December 2012

3 Segment information

The Group delivers its services through the four reporting segments set out below:

- Onshore Engineering & Construction which provides engineering, procurement and construction project execution services to the onshore oil and gas industry
- Offshore Projects & Operations which provides offshore engineering, operations and maintenance on and offshore and engineering, procurement and construction project execution services to the offshore oil and gas industry
- Engineering & Consulting Services which provides technical engineering, consultancy, conceptual design, front end engineering and design (FEED) and project management consultancy (PMC) across all sectors including renewables and carbon capture
- Integrated Energy Services which co-invests with partners in oil and gas production, processing and transportation assets, provides production improvement services under value aligned commercial structures and oil and gas related technical competency training and consultancy services

Management separately monitors the trading results of its four reporting segments for the purpose of making an assessment of their performance and making decisions about how resources are allocated to them. Each segment's performance is measured based on its profitability which is reflected in a manner consistent with the results shown below. However, certain shareholder services related overheads, Group financing and consolidation adjustments are managed at a corporate level and are not allocated to reporting segments.

The following tables represent revenue and profit information relating to the Group's reporting segments for the year ended 31 December 2012.

Year ended 31 December 2012

	Onshore Engineering & Construction US$m	Offshore Projects & Operations US$m	Engineering & Consulting Services US$m	Integrated Energy Services US$m	Corporate & others US$m	Consolidation adjustments & eliminations US$m	Total US$m
Revenue							
External sales	4,332	1,237	100	704	–	*(49)	6,324
Inter-segment sales	26	166	148	15	–	(355)	–
Total revenue	**4,358**	**1,403**	**248**	**719**	**–**	**(404)**	**6,324**
Segment results	540	79	30	141	6	(26)	770
Unallocated corporate costs	–	–	–	–	(4)	–	(4)
Profit/(loss) before tax and finance income/(costs)	540	79	30	141	2	(26)	766
Share of losses of associates	–	–	–	(8)	–	–	(8)
Finance costs	–	–	–	(4)	(6)	5	(5)
Finance income	8	–	1	7	9	(13)	12
Profit/(loss) before income tax	548	79	31	136	5	(34)	765
Income tax (expense)/income	(69)	(18)	(4)	(47)	8	(5)	(135)
Non-controlling interests	–	–	2	–	–	–	2
Profit/(loss) for the year attributable to Petrofac Limited shareholders	**479**	**61**	**29**	**89**	**13**	**(39)**	**632**
Other segment information							
Capital expenditures:							
Property, plant and equipment	76	13	7	355	4	(25)	430
Intangible oil and gas assets	–	–	–	165	–	–	165
Charges:							
Depreciation	40	15	5	55	6	(2)	119
Amortisation and net impairment	–	1	1	8	1	–	11
Other long-term employment benefits	16	1	–	1	–	1	19
Share-based payments	13	3	1	5	4	–	26

* Elimination of external sales shown above of US$49m represents a Group adjustment to the overall project percentage of completion on the Laggan Tormore project as OEC and OPO are reflecting in their segments progress on their own respective shares of the total project scope.

3 Segment information continued

Year ended 31 December 2011

	Onshore Engineering & Construction US$m	Offshore Projects & Operations US$m	Engineering & Consulting Services US$m	Integrated Energy Services US$m	Corporate & others US$m	Consolidation adjustments & eliminations US$m	Total US$m
Revenue							
External sales	4,068	1,165	64	504	–	–	5,801
Inter-segment sales	78	87	144	15	–	(324)	–
Total revenue	4,146	1,252	208	519	–	(324)	5,801
Segment results	554	57	33	57	–	(8)	693
Unallocated corporate costs	–	–	–	–	(9)	–	(9)
Profit/(loss) before tax and finance income/(costs)	554	57	33	57	(9)	(8)	684
Share of losses of associates	–	–	–	(4)	–	–	(4)
Finance costs	(2)	(1)	–	(3)	(3)	2	(7)
Finance income	9	–	–	–	2	(3)	8
Profit/(loss) before income tax	561	56	33	50	(10)	(9)	681
Income tax (expense)/income	(98)	(12)	(2)	(28)	1	(2)	(141)
Non-controlling interests	–	–	–	–	–	–	–
Profit/(loss) for the year attributable to Petrofac Limited shareholders	463	44	31	22	(9)	(11)	540
Other segment information							
Capital expenditures:							
Property, plant and equipment	54	58	8	312	6	(3)	435
Intangible oil and gas assets	–	–	–	40	–	–	40
Charges:							
Depreciation	31	4	6	35	1	–	77
Amortisation	–	1	1	1	–	–	3
Other long-term employment benefits	12	–	–	1	–	–	13
Share-based payments	12	2	1	4	4	–	23

Geographical segments

The following tables present revenue from external customers based on their location and non-current assets by geographical segments for the years ended 31 December 2012 and 2011.

Year ended 31 December 2012

	Turkmenistan US$m	United Kingdom US$m	Algeria US$m	United Arab Emirates US$m	Malaysia US$m	Kuwait US$m	Qatar US$m	Other countries US$m	Consolidated US$m
Revenues from external customers	**1,697**	**1,186**	**862**	**793**	**448**	**319**	**259**	**760**	**6,324**

	United Kingdom US$m	United Arab Emirates US$m	Mexico US$m	Romania US$m	Malaysia US$m	Singapore US$m	Other countries US$m	Consolidated US$m
Non-current assets:								
Property, plant and equipment	68	127	86	75	382	76	91	905
Intangible oil and gas assets	10	–	–	–	251	–	7	268
Other intangible assets	13	–	16	5	–	–	5	39
Goodwill	107	17	–	–	–	–	1	125

Notes to the consolidated financial statements continued
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Year ended 31 December 2011

	United Arab Emirates US$m	United Kingdom US$m	Turkmenistan US$m	Malaysia US$m	Algeria US$m	Kuwait US$m	Qatar US$m	Other countries US$m	Consolidated US$m
Revenues from external customers	1,291	939	768	653	749	379	257	765	5,801

	United Kingdom US$m	United Arab Emirates US$m	Tunisia US$m	Algeria US$m	Malaysia US$m	Thailand US$m	Other countries US$m	Consolidated US$m
Non-current assets:								
Property, plant and equipment	71	105	42	27	256	48	45	594
Intangible oil and gas assets	1	–	–	–	102	–	–	103
Other intangible assets	13	–	–	–	–	–	6	19
Goodwill	91	15	–	–	–	–	1	107

Revenues disclosed in the above tables are based on where the project is located. Revenues representing greater than 10% of Group revenues arose from one customer amounting to US$1,697m (2011: two customers US$1,653m) in the Onshore Engineering & Construction segment.

4 Revenues and expenses

a. Revenue

	2012 US$m	2011 US$m
Rendering of services	**6,205**	5,651
Sale of crude oil and gas	**111**	143
Sale of processed hydrocarbons	**8**	7
	6,324	5,801

Included in revenues from rendering of services are Offshore Projects & Operations, Engineering & Consulting Services and Integrated Energy Services revenues of a 'pass-through' nature with zero or low margins amounting to US$220m (2011: US$229m).The revenues are included as external revenues of the Group since the risks and rewards associated with recognition are assumed by the Group.

b. Cost of sales

Included in cost of sales for the year ended 31 December 2012 is depreciation charged on property, plant and equipment of US$101m during 2012 (2011: US$62m) (note 9).

Also included in cost of sales are forward points and ineffective portions on derivatives designated as cash flow hedges and losses on undesignated derivatives of US$2m (2011: US$6m loss).These amounts are an economic hedge of foreign exchange risk but do not meet the criteria within IAS 39 and are most appropriately recorded in cost of sales.

c. Selling, general and administration expenses

	2012 US$m	2011 US$m
Staff costs	**228**	187
Depreciation (note 9)	**18**	15
Amortisation (note 11)	**4**	3
Net impairment of an investment in associate (note 12)	**7**	–
Other operating expenses	**102**	78
	359	283

Other operating expenses consist mainly of office, travel, legal and professional and contracting staff costs.

4 Revenues and expenses continued

d. Staff costs

	2012 US$m	2011 US$m
Total staff costs:		
Wages and salaries	**1,179**	1,045
Social security costs	**52**	38
Defined contribution pension costs	**20**	21
Other long-term employee benefit costs (note 25)	**19**	13
Expense of share-based payments (note 22)	**26**	23
	1,296	1,140

Of the US$1,296m (2011: US$1,140m) of staff costs shown above, US$1,068m (2011: US$953m) is included in cost of sales, with the remainder in selling, general and administration expenses.

The average number of payrolled staff employed by the Group during the year was 15,259 (2011: 13,212).

e. Auditors' remuneration

The Group paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Group:

	2012 US$m	2011 US$m
Group audit fee	**1**	1
Audit of accounts of subsidiaries	**1**	1
Others	**1**	1
	3	3

Others include audit related assurance services of US$327,000 (2011: US$283,000), tax advisory services of US$235,000 (2011: US$432,000), tax compliance services of US$113,000 (2011: US$208,000) and other non-audit services of US$118,000 (2011: US$90,000).

f. Other income

	2012 US$m	2011 US$m
Foreign exchange gains	**9**	3
Gain on disposal of non-current asset held for sale (note 15)	**27**	–
Fair value on initial recognition of investment in associate (note 12)	**9**	–
Gain on disposal of an investment in a joint venture	**6**	–
Recovery of legal claim	**6**	–
Gain on fair value changes in Seven Energy warrants (note 12)	**–**	6
Other income	**8**	3
	65	12

Gain on sale of non-current asset held for sale of US$36m comprises US$27m on disposal of 75.2% of Petrofac's interest in Petrofac FPF1 Limited to Ithaca Energy Inc and US$9m being the increase in fair value of the remaining 24.8% interest held which is classified as an associate.

g. Other expenses

	2012 US$m	2011 US$m
Foreign exchange losses	**11**	4
Loss on fair value changes in Seven Energy warrants (note 12)	**6**	–
Other expenses	**3**	1
	20	5

Notes to the consolidated financial statements continued
For the year ended 31 December 2012

5 Finance (costs)/income

	2012 US$m	2011 US$m
Interest payable:		
Long-term borrowings	**(2)**	(3)
Other interest, including short-term loans and overdrafts	**(1)**	(2)
Unwinding of discount on provisions (note 25)	**(2)**	(2)
Total finance cost	**(5)**	(7)
Interest receivable:		
Bank interest receivable	**5**	8
Unwinding of discount on long-term receivables from customers	**7**	–
Total finance income	**12**	8

6 Income tax

a. Tax on ordinary activities

The major components of income tax expense are as follows:

	2012 US$m	2011 US$m
Current income tax		
Current income tax charge	**97**	138
Adjustments in respect of current income tax of previous years	**(29)**	1
Deferred income tax		
Relating to origination and reversal of temporary differences	**73**	9
Recognition of tax losses relating to prior periods	**(6)**	–
Adjustments in respect of deferred income tax of previous years	**–**	(7)
Income tax expense reported in the income statement	**135**	141
Income tax reported in equity		
Deferred income tax related to items credited directly to equity	**4**	5
Current income tax related to share schemes	**(5)**	(4)
Income tax (income)/expense reported in equity	**(1)**	1

b. Reconciliation of total tax charge

A reconciliation between the income tax expense and the product of accounting profit multiplied by the Company's domestic tax rate is as follows:

	2012 US$m	2011 US$m
Accounting profit before tax	**765**	681
At Jersey's domestic income tax rate of 0% (2011: 0%)	**–**	–
Expected tax charge in higher rate jurisdictions	**160**	141
Expenditure not allowable for income tax purposes	**13**	3
Adjustments in respect of previous years	**(36)**	(6)
Adjustments in respect of losses not previously recognised/derecognised	**(2)**	(1)
Unrecognised tax losses	**–**	2
Other permanent differences	**(1)**	1
Effect of change in tax rates	**1**	1
At the effective income tax rate of 17.7% (2011: 20.7%)	**135**	141

The Group's effective tax rate for the year ended 31 December 2012 is 17.7% (2011: 20.7%). A number of factors have impacted the effective tax rate this year including the net release of tax provisions held in respect of income taxes, the recognition of tax losses previously unrecognised and the mix of profits in the jurisdictions in which profits are earned. Adjustments in respect of prior periods represent the creation or release of tax provisions following the normal review, audit and final settlement process that occurs in the territories in which the Group operates. From 1 April 2013, the main UK corporation tax rate will be 23%, subsequently reducing to 21% in 2014. The change in the main UK rate to 23% was substantively enacted as at the balance sheet date. This change will impact the reversal of the temporary difference from this date onwards, reducing the Group's UK deferred tax assets and liabilities for the year ended 31 December 2012. It is not expected that the proposed future rate reduction will have a significant effect on the net UK deferred tax position.

6 Income tax continued

c. Deferred income tax

Deferred income tax relates to the following:

	Consolidated statement of financial position		Consolidated income statement	
	2012 US$m	2011 US$m	**2012 US$m**	2011 US$m
Deferred income tax liabilities				
Fair value adjustment on acquisitions	**3**	3	**–**	2
Accelerated depreciation	**121**	43	**78**	6
Profit recognition	**100**	14	**86**	6
Other temporary differences	**–**	–	**–**	(2)
Gross deferred income tax liabilities	**224**	60		
Deferred income tax assets				
Losses available for offset	**96**	2	**(94)**	–
Decelerated depreciation for tax purposes	**3**	2	**(1)**	–
Share scheme	**9**	10	**(1)**	(1)
Profit recognition	**11**	11	**–**	(7)
Other temporary differences	**5**	4	**(1)**	(2)
Gross deferred income tax assets	**124**	29		
Net deferred tax liability/deferred income tax charge	**100**	31	**67**	2
Of which				
Deferred income tax assets	**43**	29		
Deferred income tax liabilities	**143**	60		

d. Unrecognised tax losses and tax credits

Deferred income tax assets are recognised for tax loss carry-forwards and tax credits to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of US$27m (2011: US$31m). The 2011 values of unrecognised losses have been restated to reflect the revised loss position.

	2012 US$m	2011 US$m
Expiration dates for tax losses		
No earlier than 2017	**7**	–
No earlier than 2022	**–**	9
No expiration date	**8**	8
	15	17
Tax credits (no expiration date)	**12**	14
	27	31

During 2012, the Group recognised a tax benefit from the utilisation of tax losses of US$3m (2011: US$1m), recognition of losses not previously recognised of US$6m (2011: US$ nil) and de-recognition of tax losses from a prior period US$7m (2011: US$ nil).

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7 Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders, after adjusting for any dilutive effect, by the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of ordinary shares granted under the employee share award schemes which are held in trust.

The following reflects the income and share data used in calculating basic and diluted earnings per share:

	2012 US$m	2011 US$m
Net profit attributable to ordinary shareholders for basic and diluted earnings per share	**632**	540

	2012 Number 'm	2011 Number 'm
Weighted average number of ordinary shares for basic earnings per share	**340**	339
Effect of dilutive potential ordinary shares granted under share-based payment schemes	**3**	4
Adjusted weighted average number of ordinary shares for diluted earnings per share	**343**	343

8 Dividends paid and proposed

	2012 US$m	2011 US$m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2010: 30.00 cents per share	–	102
Interim dividend 2011: 17.40 cents per share	–	59
Final dividend for 2011: 37.20 cents per share	**127**	–
Interim dividend 2012: 21.00 cents per share	**71**	–
	198	161

	2012 US$m	2011 US$m
Proposed for approval at AGM		
(not recognised as a liability as at 31 December)		
Equity dividends on ordinary shares		
Final dividend for 2012: 43.00 cents per share (2011: 37.20 cents per share)	**149**	129

9 Property, plant and equipment

	Oil and gas assets US$m	Oil and gas facilities US$m	Land, buildings and leasehold improvements US$m	Plant and equipment US$m	Vehicles US$m	Office furniture and equipment US$m	Assets under construction US$m	Total US$m
Cost								
At 1 January 2011	118	166	158	23	15	87	13	580
Additions	3	306	64	5	3	30	24	435
Disposals	–	–	(2)	(2)	(1)	(10)	–	(15)
Transfers	–	(44)	–	–	–	13	(13)	(44)
Exchange difference	(3)	(2)	(2)	–	–	(1)	–	(8)
At 1 January 2012	118	426	218	26	17	119	24	948
Additions	170	139	30	3	6	29	53	430
Disposals	–	(7)	(4)	(10)	–	(2)	–	(23)
Transfers	–	–	–	–	–	–	–	–
Exchange difference	–	–	1	–	–	1	–	2
At 31 December 2012	**288**	**558**	**245**	**19**	**23**	**147**	**77**	**1,357**
Depreciation								
At 1 January 2011	(50)	(118)	(45)	(18)	(8)	(54)	–	(293)
Charge for the year	(14)	(19)	(20)	(1)	(4)	(19)	–	(77)
Disposals	–	–	2	2	–	10	–	14
Transfers	–	–	–	–	–	–	–	–
Exchange difference	2	–	–	–	–	–	–	2
At 1 January 2012	(62)	(137)	(63)	(17)	(12)	(63)	–	(354)
Charge for the year	(36)	(11)	(33)	(2)	(4)	(33)	–	(119)
Disposals	–	7	4	10	–	1	–	22
Transfers	–	–	–	–	–	–	–	–
Exchange difference	–	–	–	–	–	(1)	–	(1)
At 31 December 2012	**(98)**	**(141)**	**(92)**	**(9)**	**(16)**	**(96)**	**–**	**(452)**
Net carrying amount: At 31 December 2012	**190**	**417**	**153**	**10**	**7**	**51**	**77**	**905**
At 31 December 2011	56	289	155	8	6	56	24	594

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Additions to oil and gas assets mainly comprise field development costs relating to the Santuario and Magallanes fields of US$106m and Ticleni field of US$48m.

Additions to oil and gas facilities in 2012 mainly comprise the upgrade of the FPF5 at a cost of US$104m (2011: US$305m purchase and upgrade of the FPF1, FPSO Berantai, FPF3, FPF4 and FPF5). Transfers from oil and gas facilities in 2011 include transfer of the FPF1 to non-current asset held for sale as part of the pending Ithaca transaction (note 15).

Of the total charge for depreciation in the income statement, US$101m (2011: US$62m) is included in cost of sales and US$18m (2011: US$15m) in selling, general and administration expenses.

Assets under construction comprise expenditures incurred in relation to a new office building in the United Arab Emirates and the Group Enterprise Resource Planning (ERP) project.

Included in land, buildings and leasehold improvements is property, plant and equipment under finance lease agreements, for which book values are as follows:

Net book value	2012 US$m	2011 US$m
Gross book value	**35**	36
Addition	**5**	–
Depreciation	**(7)**	(1)
Exchange difference	**1**	–
At 31 December	**34**	35

10 Goodwill

A summary of the movements in goodwill is presented below:

	2012 US$m	2011 US$m
At 1 January	**107**	106
Acquisitions during the year	**15**	–
Re-assessment of contingent consideration payable	**(1)**	1
Exchange difference	**4**	–
At 31 December	**125**	107

Acquisitions during the year comprise the goodwill recognised on acquisition of KW Limited of US$14m being the difference between the fair value of the consideration of US$16m and the fair value of the assets acquired of US$2m and H&L/SPD Americas S de R.L of US$1m.

Re-assessment of contingent consideration payable comprises of the increase in contingent consideration payable on SPD Group Limited of US$ nil (2011: US$1m) and a decrease in contingent consideration payable on Caltec Limited of US$1m (2011: US$ nil).

Goodwill acquired through business combinations has been allocated to three groups of cash-generating units, for impairment testing as follows:
- Offshore Projects & Operations
- Engineering & Consulting Services
- Integrated Energy Services

These represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Offshore Projects & Operations, Engineering & Consulting Services and Integrated Energy Services cash-generating units
The recoverable amounts for the Offshore Projects & Operations, Engineering & Consulting Services and Integrated Energy Services cash-generating units have been determined based on value in use calculations, using discounted pre-tax cash flow projections. Management have adopted projection periods appropriate to each unit’s value in use. For Offshore Projects & Operations and Engineering & Consulting Services cash-generating units the cash flow projections are based on financial budgets approved by senior management covering a five-year period, extrapolated at a growth rate of 2.5%. For the Integrated Energy Services business the cash flows are based on field models over the length of the contracted period for Production Enhancement Contracts and Risk Service Contracts. For other operations included in Integrated Energy Services, cash flows are based on financial budgets approved by senior management covering a five-year period, extrapolated at a growth rate of 2.5%. The carrying amount of goodwill for the Offshore Projects & Operations and Engineering & Consulting Services cash-generating units are not individually significant in comparison with the total carrying amount of goodwill and therefore no analysis of sensitivities has been provided below.

10 Goodwill continued

Carrying amount of goodwill allocated to each group of cash-generating units

	2012 US$m	2011 US$m
Offshore Projects & Operations unit	**29**	28
Engineering & Consulting Services unit	**23**	8
Integrated Energy Services unit	**73**	71
	125	107

Key assumptions used in value in use calculations for the Integrated Energy Services unit:

Market share: for the Training business which is within Integrated Energy Services, the key assumptions relate to management's assessment of maintaining the unit's market share in the UK and developing further the business in international markets.

Capital expenditure: the Production Enhancement Contracts in the Integrated Energy Services unit require a minimum level of capital spend on the projects in the initial years to meet contractual commitments. If the capital is not spent a cash payment of the balance is required which does not qualify for cost recovery. The level of capital spend assumed in the value in use calculation is that expected over the period of the budget based on the current field development plans which assumes the minimum spend is met on each project and the contracts remain in force for the entire duration of the project.

Reserve volumes and production profiles: management has used its internally developed economic models of reserves and production as inputs into the value in use for the Production Enhancement, Risk Service and Production Sharing Contracts. Management has used an oil price of US$100 per barrel (2011: US$85 per barrel) to determine reserve volumes on Production Sharing Contracts.

Tariffs and payment terms: the tariffs and payment terms used in the value in use calculations for the Production Enhancement and Risk Service Contracts are those specified in the respective contracts with assumptions consistent with the current field development plan where KPI's influence the payment terms.

Growth rate: estimates are based on management's assessment of market share having regard to macro-economic factors and the growth rates experienced in the recent past in the markets in which the unit operates. A growth rate of 2.5% per annum has been applied for businesses within the Integrated Energy Services cash-generating unit where the cash flows are not based on long-term contractual arrangements.

Discount rate: management has used a pre-tax discount rate of 13.2% per annum (2011: 13.8% per annum). The discount rate is derived from the estimated weighted average cost of capital of the Group and has been calculated using an estimated risk free rate of return adjusted for the Group's estimated equity market risk premium.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the cash-generating units, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the relevant unit to exceed its recoverable amount, after giving due consideration to the macro-economic outlook for the oil and gas industry and the commercial arrangements with customers underpinning the cash flow forecasts for each of the units.

Notes to the consolidated financial statements continued
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11 Intangible assets

	2012 US$m	2011 US$m
Intangible oil and gas assets		
Cost:		
At 1 January	**103**	69
Additions	**165**	40
Transfer to costs	**–**	(6)
Net book value of intangible oil and gas assets at 31 December	**268**	103
Other intangible assets		
Cost:		
At 1 January	**30**	25
Additions on acquisition	**6**	–
Transfer from other non-current financial assets (note14)	**10**	–
Additions	**7**	6
Disposals	**–**	–
Exchange difference	**1**	(1)
At 31 December	**54**	30
Accumulated amortisation:		
At 1 January	**(11)**	(8)
Amortisation	**(4)**	(3)
Disposal	**–**	–
Exchange difference	**–**	–
At 31 December	**(15)**	(11)
Net book value of other intangible assets at 31 December	**39**	19
Total intangible assets	**307**	122

Intangible oil and gas assets
Oil and gas assets (part of the Integrated Energy Services segment) additions above comprise largely US$149m (2011: US$39m) of capitalised expenditure on the Group's assets in Malaysia.

There were investing cash outflows relating to capitalised intangible oil and gas assets of US$165m (2011: US$40m) in the current period arising from pre-development activities.

US$6m transfer in 2011 relates to a long-term receivable from a customer on the Berantai RSC contract being their share of development expenditure, which was transferred to costs.

Other intangible assets
Other intangible asset additions on acquisition represent US$6m of e-learning software that formed part of the acquisition during the year of Oilennium Limited. Transfers from other non-current financial assets are transition costs relating to the Santuario, Magallanes and Ticleni Production Enhancement Contracts of US$10m (note 14).

Other intangible assets comprising project development expenditure, customer contracts, proprietary software, LNG intellectual property and patent technology are being amortised over their estimated economic useful life on a straight-line basis and the related amortisation charges included in selling, general and administration expenses (note 4c).

12 Investments in associates

	2012 US$m	2011 US$m
Investment in Gateway Storage Company Limited	–	14
Associates acquired through acquisition of subsidiary	1	1
Transfer from subsidiary to investment in associate – Petrofac FPF1 Limited	9	–
Investment in Seven Energy International Limited	167	149
	177	164

As a result of the disposal of 75.2% of Petrofac FPF1 Limited (see note 4f) the remaining 24.8% investment is classified as an associate recognised at a fair value of US$9m.

Gateway Storage Company Limited
During the year the Group's investment of US$14m, representing 20% of the equity of Gateway Storage Company Limited, has been written off in the consolidated income statement and the associated contingent consideration payable of US$7m (note 26) has also been reversed in the consolidated income statement due to continuing uncertainty over the future prospects for the company's business.

Seven Energy International Limited
On 25 November 2010, the Group invested US$100m for 15.0% (12.6% on a fully diluted basis) of the share capital of Seven Energy International Limited (Seven Energy), a leading Nigerian gas development and production company incurring US$1m of transaction costs. This investment which was previously held under available-for-sale financial assets was transferred to investments in associates, pursuant to an investment on 10 June 2011 of US$50m for an additional 4.6% of the share capital of Seven Energy which resulted in the Group being in a position to exercise significant influence over Seven Energy. On 30 October 2012, the Group invested US$25m for an additional 2.4% of the share capital of Seven Energy. The additional US$25m investment was made as part of a discounted rights issue required to deal with a short-term funding requirement by Seven Energy at a subscription price of US$150 per share and in light of this the carrying value of the investment has been tested for impairment and no impairment provision is required. No negative goodwill has been accounted for on the rights issue as the range of possible outcomes was immaterial. The Group also has the option to subscribe for 148,571 of additional warrants in Seven Energy at a cost of a further US$52m, subject to the performance of certain service provision conditions and milestones in relation to project execution. These warrants have been fair valued at 31 December 2012 as derivative financial instruments under IAS 39, using a Black Scholes Model, amounting to US$12m (2011: US$18m). US$6m (2011: US$6m other income) has been recognised as other expense in the current period income statement as a result of the revaluation of these derivatives at 31 December 2012 (note 4g). During 2012 deferred revenue recognised in trade and other payables of US$2m at 31 December 2012 was released in full to the consolidated income statement as 100% of the performance conditions required to subscribe for the remaining warrants in the Company were satisfied (2011: 80% satisfied with revenue recognised of US$10m).

The share of the associate's statement of financial position is as follows:

	2012 US$m	2011 US$m
Non-current assets	163	93
Current assets	22	22
Non-current liabilities	(56)	(48)
Current liabilities	(59)	(11)
Equity	70	56
Transaction costs incurred	2	2
Residual goodwill	95	91
Carrying value of investment	167	149
Share of associates revenues and net loss: Revenue	23	24
Net loss	(8)	(3)

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13 Interest in joint ventures

In the normal course of business, the Group establishes jointly controlled entities for the execution of certain of its operations and contracts. A list of these joint ventures is disclosed in note 32.

The Group's share of assets, liabilities, revenues and expenses relating to jointly controlled entities is as follows:

	2012 US$m	2011 US$m
Revenue	266	453
Cost of sales	(195)	(376)
Gross profit	71	77
Selling, general and administration expenses	(50)	(50)
Finance (expense)/income, net	(2)	1
Profit before income tax	19	28
Income tax	(3)	(1)
Net profit	16	27
Current assets	95	172
Non-current assets	256	183
Total assets	351	355
Current liabilities	133	272
Non-current liabilities	184	57
Total liabilities	317	329
Net assets	34	26

14 Other financial assets

	2012 US$m	2011 US$m
Other financial assets – non-current		
Long-term receivables from customers	437	130
Restricted cash	7	–
Other	–	10
	444	140
Other financial assets – current		
Short-term component of receivable from a customer	67	–
Seven Energy warrants (note 12)	12	18
Fair value of derivative instruments (note 31)	2	9
Restricted cash	4	2
Other	–	1
	85	30

The long-term receivables from customers relate to the discounted value of amounts due under the Berantai RSC, which are being recovered over a six year period from 2013 in line with the contractual terms of the project and to amounts receivable in respect of the development of the Greater Stella Area.

Restricted cash comprises deposits with financial institutions securing various guarantees and performance bonds associated with the Group's trading activities (note 29).This cash will be released on the maturity of these guarantees and performance bonds. Included in other non-current financial assets in 2011 are transition costs relating to the Santuario, Magallanes and Ticleni Production Enhancement Contracts which have been transferred to other intangible assets in 2012 (note 11).

15 Non-current asset held for sale

	2012 US$m	2011 US$m
Non-current asset held for sale (note 9)	–	44
Liabilities directly associated with non-current asset held for sale	–	5

The non-current asset held for sale (part of the Integrated Energy Services segment) at 31 December 2011, comprising FPF1 Ltd was partly disposed of to the extent of 75.2%. The retained interest of 24.8% was recognised as an investment in associate at fair value (note 12).

16 Inventories

	2012 US$m	2011 US$m
Crude oil	3	4
Stores and spares	23	6
Raw materials	1	1
	27	11

Included in the consolidated income statement are costs of inventories expensed of US$18m (2011: US$32m).

17 Work in progress and billings in excess of cost and estimated earnings

	2012 US$m	2011 US$m
Cost and estimated earnings	10,619	12,066
Less: billings	(9,963)	(11,454)
Work in progress	656	612
Billings	5,790	2,856
Less: cost and estimated earnings	(5,462)	(2,467)
Billings in excess of cost and estimated earnings	328	389
Total cost and estimated earnings	16,081	14,533
Total billings	15,753	14,310

18 Trade and other receivables

	2012 US$m	2011 US$m
Trade receivables	1,227	869
Retentions receivable	180	71
Advances	144	216
Prepayments and deposits	41	31
Receivables from joint venture partners	268	131
Other receivables	55	35
	1,915	1,353

Other receivables mainly consist of Value Added Tax recoverable of US$46m (2011 US$8m) with the balance being miscellaneous non-trading receivables.

Notes to the consolidated financial statements continued
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Trade receivables are non-interest bearing and are generally on 30 to 60 days' terms. Trade receivables are reported net of provision for impairment. The movements in the provision for impairment against trade receivables totalling US$1,227m (2011: US$869m) are as follows:

	2012			2011		
	Specific impairment US$m	**General impairment US$m**	**Total US$m**	Specific impairment US$m	General impairment US$m	Total US$m
At 1 January	**2**	**1**	**3**	3	3	6
Charge for the year	**–**	**2**	**2**	–	–	–
Amounts written-off	**–**	**(2)**	**(2)**	(1)	(2)	(3)
At 31 December	**2**	**1**	**3**	2	1	3

At 31 December, the analysis of trade receivables is as follows:

	Neither past due nor impaired US$m	Number of days past due						
		< 30 days US$m	31–60 days US$m	61–90 days US$m	91–120 days US$m	121–360 days US$m	> 360 days US$m	Total US$m
Unimpaired	**838**	**252**	**58**	**21**	**5**	**24**	**10**	**1,208**
Impaired	**–**	**–**	**–**	**–**	**13**	**5**	**4**	**22**
	838	**252**	**58**	**21**	**18**	**29**	**14**	**1,230**
Less: impairment provision	**–**	**–**	**–**	**–**	**(1)**	**(1)**	**(1)**	**(3)**
Net trade receivables 2012	**838**	**252**	**58**	**21**	**17**	**28**	**13**	**1,227**
Unimpaired	570	156	109	14	4	13	1	867
Impaired	–	–	–	–	2	2	1	5
	570	156	109	14	6	15	2	872
Less: impairment provision	–	–	–	–	–	(2)	(1)	(3)
Net trade receivables 2011	570	156	109	14	6	13	1	869

The credit quality of trade receivables that are neither past due nor impaired is assessed by management with reference to externally prepared customer credit reports and the historic payment track records of the counterparties.

Advances represent payments made to certain of the Group's subcontractors for projects in progress, on which the related work had not been performed at the statement of financial position date. The decrease in advances during 2012 relates to the unwinding of advances on more mature contracts in the Onshore Engineering & Construction reporting segment.

Receivables from joint venture partners are amounts recoverable from venture partners on the Berantai FPSO, Block PM304 and Petrofac Emirates on an engineering, procurement and construction project.

All trade and other receivables are expected to be settled in cash.

Certain trade and other receivables will be settled in cash using currencies other than the reporting currency of the Group, and will be largely paid in sterling and euros.

19 Cash and short-term deposits

	2012 US$m	2011 US$m
Cash at bank and in hand	**398**	490
Short-term deposits	**216**	1,082
Total cash and bank balances	**614**	1,572

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at respective short-term deposit rates. The fair value of cash and bank balances is US$614m (2011: US$1,572m).

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following:

	2012 US$m	2011 US$m
Cash at bank and in hand	**398**	490
Short-term deposits	**216**	1,082
Bank overdrafts (note 24)	**(57)**	(37)
	557	1,535

20 Share capital

The share capital of the Company as at 31 December was as follows:

	2012 US$m	2011 US$m
Authorised		
750,000,000 ordinary shares of US$0.020 each (2011: 750,000,000 ordinary shares of US$0.020 each)	**15**	15
Issued and fully paid		
345,891,490 ordinary shares of US$0.020 each (2011: 345,821,729 ordinary shares of US$0.020 each)	**7**	7

The movement in the number of issued and fully paid ordinary shares is as follows:

	Number
Ordinary shares:	
Ordinary shares of US$0.020 each at 1 January 2011	345,715,053
Issued during the year as further contingent consideration payable for the acquisition of a subsidiary	106,676
Ordinary shares of US$0.020 each at 1 January 2012	345,821,729
Issued during the year as further contingent consideration payable for the acquisition of a subsidiary	69,761
Ordinary shares of US$0.020 each at 31 December 2012	**345,891,490**

The share capital comprises only one class of ordinary shares. The ordinary shares carry a voting right and the right to a dividend.

Share premium: The balance on the share premium account represents the amount received in excess of the nominal value of the ordinary shares.

Capital redemption reserve: The balance on the capital redemption reserve represents the aggregated nominal value of the ordinary shares repurchased and cancelled.

21 Treasury shares

For the purpose of making awards under its employee share schemes, the Company acquires its own shares which are held by the Petrofac Employee Benefit Trust and the Petrofac Joint Venture Companies Employee Benefit Trust. All these shares have been classified in the statement of financial position as treasury shares within equity.

The movements in total treasury shares are shown below:

	2012		2011	
	Number	**US$m**	Number	US$m
At 1 January	**5,736,017**	**75**	6,757,339	65
Acquired during the year	**3,000,000**	**76**	2,074,138	49
Vested during the year	**(3,269,804)**	**(51)**	(3,095,460)	(39)
At 31 December	**5,466,213**	**100**	5,736,017	75

Shares vested during the year include dividend shares and 8% uplift adjustment made in respect of the EnQuest demerger of 375,040 shares (2011: 393,344 shares).

22 Share-based payment plans

Performance Share Plan (PSP)
Under the Company's Performance Share Plan, share awards are granted to Executive Directors and a restricted number of other senior executives of the Group. The shares vest at the end of three years subject to continued employment and the achievement of certain pre-defined market and non-market-based performance conditions. The 50% market performance based part of these awards is dependent on the total shareholder return (TSR) of the Group, compared with an index composed of selected relevant companies. The fair value of the shares vesting under this portion of the award is determined by an independent valuer using a Monte Carlo simulation model taking into account the terms and conditions of the plan rules and using the following assumptions at the date of grant:

	2012 awards	2011 awards	2010 awards	2009 awards
Expected share price volatility (based on median of comparator Group's three-year volatilities)	**38.0%**	51.0%	50.0%	49.0%
Share price correlation with comparator Group	**46.0%**	43.0%	39.0%	36.0%
Risk-free interest rate	**0.4%**	1.7%	1.50%	2.10%
Expected life of share award	**3 years**	3 years	3 years	3 years
Fair value of TSR portion	**1,103p**	788p	743p	456p

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The non-market-based condition governing the vesting of the remaining 50% of the total award is subject to achieving between 10% and 20% earnings per share (EPS) growth targets over a three-year period. The fair values of the equity-settled award relating to the EPS part of the scheme are estimated, based on the quoted closing market price per Company share at the date of grant with an assumed vesting rate per annum built into the calculation (subsequently trued up at year end based on the actual leaver rate during the period from award date to year end) over the three-year vesting period of the plan.

Deferred Bonus Share Plan (DBSP)
Under the DBSP selected employees are required to defer a proportion of their annual cash bonus into Company shares ('Invested Award'). Following such an award, the Company will generally grant the participant an additional award of a number of shares bearing a specified ratio to the number of his or her invested shares ('Matching Shares'), typically using a 1:1 ratio. Subject to a participant's continued employment, invested and matching share awards may either vest 100% on the third anniversary of grant; or alternatively, vest one-third on the first anniversary of the grant, one-third on the second anniversary and the final proportion on the third anniversary.

At the year end the values of the bonuses settled by shares cannot be determined until the Remuneration Committee has approved the portion of the employee bonuses to be settled in shares. Once the portion of the bonus to be settled in shares is determined, the final bonus liability to be settled in shares is transferred to the reserve for share-based payments. The costs relating to the Matching Shares are recognised over the corresponding vesting period and the fair values of the equity-settled Matching Shares granted to employees are based on the quoted closing market price at the date of grant with the charge adjusted to reflect the expected vesting rate of the plan.

Share Incentive Plan (SIP)
All UK employees, including UK Executive Directors, are eligible to participate in the SIP. Employees may invest up to sterling £1,500 per tax year of gross salary (or, if lower, 10% of salary) to purchase ordinary shares in the Company. There is no holding period for these shares.

Restricted Share Plan (RSP)
Under the RSP, selected employees are made grants of shares on an ad hoc basis. The RSP is used primarily, but not exclusively, to make awards to individuals who join the Group part way through the year, having left accrued benefits with a previous employer. The fair values of the awards granted under the RSP at various grant dates during the year are based on the quoted market price at the date of grant adjusted for an assumed vesting rate over the relevant vesting period.

Value Creation Plan (VCP)
During 2012 the Company introduced a new one-off Value Creation Plan (VCP) which is a share option scheme for Executive Directors and key senior executives within the Company. The VCP is a premium priced share option scheme with options granted with an exercise price set at a 10% premium to the grant date price. Options will vest to the extent of satisfying Group and divisional profit after tax targets, together with various other performance underpins and risk/malus provisions that can be imposed at the discretion of the Remuneration Committee of the Board. The share options vest in equal tranches on the fourth, fifth and sixth anniversaries of the original grant date but may be exercised up to eight years from the date of grant.

The VCP share options were fair valued by an independent valuer using a Black-Scholes option pricing model taking into account the rules of the plan and using the following key assumptions:

	Tranche 1	Tranche 2	Tranche 3
Share price at the date of grant	**1,555p**	1,555p	1,555p
Exercise price	**1,710p**	1,710p	1,710p
Expected lives of the award	**6 years**	6.5 years	7 years
Share price volatility	**41%**	41%	41%
Share price dividend yield	**2.3%**	2.3%	2.3%
Risk-free interest rates	**1.1%**	1.2%	1.3%
Per share fair values	**451p**	467p	482p

Share-based payment plans information
The details of the fair values and assumed vesting rates of the share-based payment plans are below:

	PSP (EPS portion)		DBSP		RSP	
	Fair value per share	Assumed vesting rate	Fair value per share	Assumed vesting rate	Fair value per share	Assumed vesting rate
2012 awards	**1,705p**	**97.0%**	**1,705p**	**94.6%**	**1,555p**	**89.0%**
2011 awards	1,426p	94.3%	1,426p	91.3%	1,463p	90.2%
2010 awards	1,103p	93.8%	1,185p	87.5%	990p	90.5%
2009 awards	545p	93.1%	545p	91.3%	430p	70.0%

22 Share-based payment plans continued

The following table shows the movements in the number of shares held under the share-based payment plans outstanding but not exercisable:

	PSP		DBSP		RSP			Total	
	2012 Number	2011 Number	**2012 Number**	2011 Number	**2012 Number**	2011 Number	**VCP 2012 Number**	**2012 Number**	2011 Number
Outstanding at 1 January	**1,358,046**	1,350,189	**3,809,746**	4,082,311	**534,780**	1,003,712	**–**	**5,702,572**	6,436,212
Granted during the year	**409,212**	482,379	**1,507,614**	1,538,252	**227,726**	204,402	**1,773,713**	**3,918,265**	2,225,033
Vested during the year	**(535,072)**	(421,309)	**(1,991,385)**	(1,681,130)	**(210,836)**	(664,512)	**–**	**(2,737,293)**	(2,766,951)
Forfeited during the year	**–**	(53,213)	**(205,007)**	(129,687)	**(29,499)**	(8,822)	**–**	**(234,506)**	(191,722)
Outstanding at 31 December	**1,232,186**	1,358,046	**3,120,968**	3,809,746	**522,171**	534,780	**1,773,713**	**6,649,038**	5,702,572

*Includes Invested and Matching Shares.

The number of shares still outstanding but not exercisable at 31 December 2012, for each award is as follows:

	PSP		DBSP		RSP			Total	
	2012 Number	2011 Number	**2012 Number**	2011 Number	**2012 Number**	2011 Number	**VCP 2012 Number**	**2012 Number**	2011 Number
2012 awards	**409,212**	–	**1,421,132**	–	**222,056**	–	**1,773,713**	**3,826,113**	–
2011 awards	**454,969**	454,969	**1,049,174**	1,491,298	**138,135**	204,402	**–**	**1,642,278**	2,150,669
2010 awards	**368,005**	368,005	**650,662**	984,496	**161,980**	186,758	**–**	**1,180,647**	1,539,259
2009 awards	**–**	535,072	**–**	1,333,952	**–**	36,658	**–**	**–**	1,905,682
2008 awards	**–**	–	**–**	–	**–**	1,030	**–**	**–**	1,030
2007 awards	**–**	–	**–**	–	**–**	105,932	**–**	**–**	105,932
Total awards	**1,232,186**	1,358,046	**3,120,968**	3,809,746	**522,171**	534,780	**1,773,713**	**6,649,038**	5,702,572

The weighted average share price of the Company shares during 2012 was US$24.91 (sterling equivalent of £15.70).

The number of outstanding shares excludes the 8% uplift adjustment made in respect of the EnQuest demerger and dividend shares shown below:

	PSP		DBSP		RSP		Total	
	2012 Number	2011 Number	**2012 *Number**	2011 *Number	**2012 Number**	2011 Number	**2012 Number**	2011 Number
EnQuest 8% uplift	**–**	47,335	**52,037**	188,177	**4,542**	27,982	**56,579**	263,494
Dividend shares	**55,511**	68,073	**119,699**	158,691	**14,058**	27,090	**189,268**	253,854
Outstanding at 31 December	**55,511**	115,408	**171,736**	346,868	**18,600**	55,072	**245,847**	517,348

The charge in respect of share-based payment plans recognised in the consolidated income statement is as follows:

	PSP		*DBSP		RSP		VCP		Total	
	2012 US$m	2011 US$m	**2012 US$m**	2011 US$m	**2012 US$m**	2011 US$m	**2012 US$m**	2011 US$m	**2012 US$m**	2011 US$m
Share based payment charge	**6**	6	**15**	13	**4**	4	**1**	–	**26**	23

*Represents charge on Matching Shares only.

The Group has recognised a total charge of US$26m (2011: US$23m) in the consolidated income statement during the year relating to the above employee share-based schemes (see note 4d) which has been transferred to the reserve for share-based payments along with US$20m of the bonus liability accrued for the year ended 31 December 2011 which has been settled in shares granted during the year (2011: US$18m).

For further details on the above employee share-based payment schemes refer to pages 92, 96 and 99 to 103 of the Directors' remuneration report.

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23 Other reserves

	Net unrealised gains/(losses) on derivatives US$m	Foreign currency translation US$m	Reserve for share-based payments US$m	Total US$m
Balance at 1 January 2011	(3)	(19)	57	35
Foreign currency translation (losses)	–	(16)	–	(16)
Net (gains) on maturity of cash flow hedges recycled in the year	(3)	–	–	(3)
Net fair value losses on derivatives and financial assets designated as cash flow hedges	(14)	–	–	(14)
Share-based payments charge (note 22)	–	–	23	23
Transfer during the year (note 22)	–	–	18	18
Shares vested during the year	–	–	(34)	(34)
Deferred tax on share-based payments reserve	–	–	(3)	(3)
Balance at 1 January 2012	(20)	(35)	61	6
Foreign currency translation	–	10	–	10
Net losses on maturity of cash flow hedges recycled in the year	20	–	–	20
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	–	–	–	–
Share-based payments charge (note 22)	–	–	26	26
Transfer during the year (note 22)	–	–	20	20
Shares vested during the year	–	–	(45)	(45)
Deferred tax on share-based payments reserve	–	–	1	1
Balance at 31 December 2012	**–**	**(25)**	**63**	**38**

Nature and purpose of other reserves

Net unrealised gains/(losses) on derivatives

The portion of gains or losses on cash flow hedging instruments that are determined to be effective hedges is included within this reserve net of related deferred tax effects. When the hedged transaction occurs or is no longer forecast to occur, the gain or loss is transferred out of equity to the consolidated income statement. Realised net losses amounting to US$20m (2011: US$3m net gain) relating to foreign currency forward contracts and financial assets designated as cash flow hedges have been recognised in cost of sales.

The forward currency points element and ineffective portion of derivative financial instruments relating to forward currency contracts and gains on un-designated derivatives amounting to a net loss of US$2m (2011: US$6m loss) have been recognised in the cost of sales.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements in foreign subsidiaries. It is also used to record exchange differences arising on monetary items that form part of the Group's net investment in subsidiaries.

Reserve for share-based payments

The reserve for share-based payments is used to record the value of equity-settled share-based payments awarded to employees and transfers out of this reserve are made upon vesting of the original share awards.

The transfer during the year reflects the transfer from accrued expenses within trade and other payables of the bonus liability relating to the year ended 2011 of US$20m (2010 bonus of US$18m) which has been voluntarily elected or mandatorily obliged to be settled in shares during the year (note 22).

24 Interest-bearing loans and borrowings

The Group had the following interest-bearing loans and borrowings outstanding:

		31 December 2012 Actual interest rate %	31 December 2011 Actual interest rate %	Effective interest rate %	Maturity	**2012 US$m**	2011 US$m
Current							
Bank overdrafts	(i)	UK LIBOR + 1.50% US LIBOR + 1.50%	UK LIBOR + 1.50% US LIBOR + 1.50%	UK LIBOR + 1.50% US LIBOR + 1.50%	on demand	**57**	37
Other loans:							
Current portion of term loan	(iii)	–	US/UK LIBOR + 0.875%	n/a (2011: 3.16% to 3.96%)	n/a	–	17
Current portion of term loan	(iv)	–	US/UK LIBOR + 0.875%	n/a (2011: 1.67% to 3.55%)	n/a	–	7
						57	61
Non-current							
Revolving credit facility	(ii)	US LIBOR + 1.50%	–	US LIBOR + 1.50%	5 years	**303**	–
Term loan	(iii)	–	US/UK LIBOR + 0.875%	n/a (2011: 3.16% to 3.96%)	n/a	–	12
Term loan	(iv)	–	US/UK LIBOR + 0.875%	n/a (2011: 1.67% to 3.55%)	n/a	–	7
						303	19
Less:							
Debt acquisition costs net of accumulated amortisation and effective interest rate adjustments						**(11)**	(3)
						292	16

Details of the Group's interest-bearing loans and borrowings are as follows:

(i) Bank overdrafts

Bank overdrafts are drawn down in US dollars and sterling denominations to meet the Group's working capital requirements. These are repayable on demand.

(ii) Revolving Credit Facility

On 11 September 2012, Petrofac entered into a US$1,200m five year committed revolving credit facility with a syndicate of 13 international banks, which is available for general corporate purposes. The facility, which matures on 11 September 2017, is unsecured and is subject to two financial covenants relating to leverage and interest cover. Petrofac was in compliance with these covenants for the year ending 31 December 2012. As at 31 December 2012, US$303m was drawn under this facility.

Interest is payable on the drawn balance of the facility at LIBOR + 1.5% and in addition utilisation fees are payable depending on the level of utilisation.

(iii) Term loan

The loan was repaid in full during 2012 and no amounts were drawn during the year (2011: drawings of US$15m denominated in US dollars and US$15m denominated in sterling).

(iv) Term loan

The loan was repaid in full during 2012 and no amounts were drawn during the year (2011: drawings of US$10m denominated in US dollars and US$4m denominated in sterling).

The Group's credit facilities contain covenants relating to interest and net borrowings cover. None of the Company's subsidiaries are subject to any material restrictions on their ability to transfer funds in the form of cash dividends, loans or advances to the Company.

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25 Provisions

	Other long-term employment benefits provision US$m	Provision for decommissionin g US$m	Other provisions US$m	Total US$m
At 1 January 2012	51	6	3	60
Additions during the year	19	27	1	47
Paid in the year	(8)	(1)	–	(9)
Unwinding of discount	1	1	–	2
At 31 December 2012	**63**	**33**	**4**	**100**

Other long-term employment benefits provision
Labour laws in the United Arab Emirates require employers to provide for other long-term employment benefits. These benefits are payable to employees on being transferred to another jurisdiction or on cessation of employment based on their final salary and number of years' service. All amounts are unfunded. The long-term employment benefits provision is based on an internally produced end of service benefits valuation model with the key underlying assumptions being as follows:

	Senior employees	Other employees
Average number of years of future service	5	3
Average annual % salary increases	6%	4%
Discount factor	5%	5%

Senior employees are those earning a base of salary of over US$96,000 per annum.

Discount factor used is the local Dubai five-year Sukuk rate.

Provision for decommissioning
The decommissioning provision primarily relates to the Group's obligation for the removal of facilities and restoration of the sites at the PM304 field in Malaysia, Chergui in Tunisia and Santuario and Magallanes Production Enhancement Contracts in Mexico. The liability is discounted at the rate of 4.16% on PM304 (2011: 4.16%), 5.25% on Chergui (2011: 5.25%) and 5.38% on Santuario and Magallanes Production Enhancement Contracts (2011: n/a). The unwinding of the discount is classified as finance cost (note 5). The Group estimates that the cash outflows against these provisions will arise in 2026 on PM304, 2018 on Chergui and 2029 on Santuario and Magallanes Production Enhancement Contracts.

Other provisions
This represents amounts set aside to cover claims against the Group which will be settled via the captive insurance company Jermyn Insurance Company Limited.

26 Other financial liabilities

	2012 US$m	2011 US$m
Other financial liabilities – non-current		
Contingent consideration payable	**1**	13
Finance lease creditors (note 29)	**6**	11
Fair value of derivative instruments (note 31)	**1**	–
Other	**–**	–
	8	24
Other financial liabilities – current		
Contingent consideration payable	**7**	3
Fair value of derivative instruments (note 31)	**3**	23
Finance lease creditors (note 29)	**7**	5
Other	**–**	1
	17	32

Contingent consideration payable to the Group's investment in Gateway Storage Company Limited of US$7m (note 12) has been reversed during the year.

27 Trade and other payables

	2012 US$m	2011 US$m
Trade payables	**862**	477
Advances received from customers	**373**	770
Accrued expenses	**601**	415
Other taxes payable	**40**	24
Other payables	**105**	56
	1,981	1,742

Advances from customers represent payments received for contracts on which the related work had not been performed at the statement of financial position date.

Other payables mainly consist of retentions held against subcontractors of US$86m (2011: US$29m).

Certain trade and other payables will be settled in currencies other than the reporting currency of the Group, mainly in sterling, euros and Kuwaiti dinars.

28 Accrued contract expenses

	2012 US$m	2011 US$m
Accrued contract expenses	**743**	1,269

29 Commitments and contingencies

Commitments

In the normal course of business the Group will obtain surety bonds, letters of credit and guarantees, which are contractually required to secure performance, advance payment or in lieu of retentions being withheld. Some of these facilities are secured by issue of corporate guarantees by the Company in favour of the issuing banks.

At 31 December 2012, the Group had letters of credit of US$nil (2011: US$6m) and outstanding letters of guarantee, including performance, advance payments and bid bonds of US$2,296m (2011: US$2,185m) against which the Group had pledged or restricted cash balances of, in aggregate, US$11m (2011: US$2m).

At 31 December 2012, the Group had outstanding forward exchange contracts amounting to US$228m (2011: US$324m). These commitments consist of future obligations either to acquire or to sell designated amounts of foreign currency at agreed rates and value dates (note 31).

Leases

The Group has financial commitments in respect of non-cancellable operating leases for office space and equipment. These non-cancellable leases have remaining non-cancellable lease terms of between one and 17 years and, for certain property leases, are subject to renegotiation at various intervals as specified in the lease agreements. The future minimum rental commitments under these non-cancellable leases are as follows:

	2012 US$m	2011 US$m
Within one year	**25**	24
After one year but not more than five years	**108**	45
More than five years	**198**	49
	331	118

Included in the above are commitments relating to the leasing of an FPSO for the Cendor Phase 2 project of US$149m (2011: US$ nil) and the lease of office buildings in Aberdeen, United Kingdom of US$127m (2011: US$34m).

Minimum lease payments recognised as an operating lease expense during the year amounted to US$37m (2011: US$37m).

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Long-term finance lease commitments are as follows:

	Future minimum lease payments US$m	Finance cost US$m	Present value US$m
Land, buildings and leasehold improvements	14	1	13
The commitments are as follows:			
Within one year	8	1	7
After one year but not more than five years	6	–	6
More than five years	–	–	–
	14	1	13

Capital commitments
At 31 December 2012, the Group had capital commitments of US$493m (2011: US$480m) excluding the above lease commitments.

Included in the US$493m of commitments are:

	2012 US$m	2011 US$m
Production Enhancement Contracts in Mexico	**146**	225
Costs to refurbish the Berantai FPSO in Malaysia	**–**	89
Further appraisal and development of wells as part of Block PM304 in Malaysia	**287**	111
Costs in respect of Ithaca Greater Stella Field development in the North Sea	**50**	–
Production Enhancement Contract on the Ticleni field in Romania	**–**	25
Commitments in respect of the construction of a new office building in United Arab Emirates	**5**	21

30 Related party transactions

The consolidated financial statements include the financial statements of Petrofac Limited and the subsidiaries listed in note 32. Petrofac Limited is the ultimate parent entity of the Group.

The following table provides the total amount of transactions which have been entered into with related parties:

		Sales to related parties US$m	Purchases from related parties US$m	Amounts owed by related parties US$m	Amounts owed to related parties US$m
Joint ventures	**2012**	**170**	**135**	**5**	**38**
	2011	323	187	95	23
Associates	**2012**	**3**	**–**	**17**	**–**
	2011	14	–	4	–
Key management personnel interests	**2012**	**–**	**2**	**–**	**–**
	2011	–	2	–	–

All sales to and purchases from joint ventures are made at normal market prices and the pricing policies and terms of these transactions are approved by the Group's management.

All related party balances will be settled in cash.

Purchases in respect of key management personnel interests of US$1,521,000 (2011: US$1,411,000) reflect the costs of chartering the services of an aeroplane used for the transport of senior management and Directors of the Group on company business, which is owned by an offshore trust of which the Group Chief Executive of the Company is a beneficiary. The charter rates charged for Group usage of the aeroplane are significantly less than comparable market rates.

Also included in purchases in respect of key management personnel interests is US$189,000 (2011: US$180,000) relating to client entertainment provided by a business owned by a member of the Group's key management.

For details of the rights issue by Seven Energy and the warrants held see note 12 to the financial statements.

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30 Related party transactions continued

Compensation of key management personnel

The following details remuneration of key management personnel of the Group comprising Executive and Non-executive Directors of the Company and other senior personnel. Further information relating to the individual Directors is provided in the Directors' remuneration report on pages 88 to 103.

	2012 US$m	2011 US$m
Short-term employee benefits	**21**	20
Share-based payments	**8**	8
Fees paid to Non-executive Directors	**1**	1
	30	29

31 Risk management and financial instruments

Risk management objectives and policies

The Group's principal financial assets and liabilities, other than derivatives, comprise available-for-sale financial assets, trade and other receivables, amounts due from/to related parties, cash and short-term deposits, work-in-progress, interest-bearing loans and borrowings, trade and other payables and contingent consideration.

The Group's activities expose it to various financial risks particularly associated with interest rate risk on its variable rate cash and short-term deposits, loans and borrowings and foreign currency risk on both conducting business in currencies other than reporting currency as well as translation of the assets and liabilities of foreign operations to the reporting currency. These risks are managed from time to time by using a combination of various derivative instruments, principally forward currency contracts in line with the Group's hedging policies. The Group has a policy not to enter into speculative trading of financial derivatives.

The Board of Directors of the Company has established an Audit Committee and Board Risk Committee to help identify, evaluate and manage the significant financial risks faced by the Group and their activities are discussed in detail on pages 78 to 87.

The other main risks besides interest rate and foreign currency risk arising from the Group's financial instruments are credit risk, liquidity risk and commodity price risk and the policies relating to these risks are discussed in detail below:

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the Group's interest-bearing financial liabilities and assets.

The Group's exposure to market risk arising from changes in interest rates relates primarily to the Group's long-term variable rate debt obligations and its cash and bank balances. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. The Group's cash and bank balances are at floating rates of interest.

Interest rate sensitivity analysis

The impact on the Group's pre-tax profit and equity due to a reasonably possible change in interest rates on loans and borrowings at the reporting date is demonstrated in the table below. The analysis assumes that all other variables remain constant.

	Pre-tax profit		Equity	
	100 basis point increase US$m	100 basis point decrease US$m	100 basis point increase US$m	100 basis point decrease US$m
31 December 2012	**(2)**	**2**	**–**	**–**
31 December 2011	(1)	1	–	–

The following table reflects the maturity profile of these financial liabilities and assets:

Year ended 31 December 2012

	Within 1 year US$m	**1–2 years US$m**	**2–3 years US$m**	**3–4 years US$m**	**4–5 years US$m**	**More than 5 years US$m**	**Total US$m**
Financial liabilities							
Floating rates							
Bank overdrafts (note 24)	**57**	**–**	**–**	**–**	**–**	**–**	**57**
Term loans (note 24)	**–**	**–**	**–**	**–**	**303**	**–**	**303**
	57	**–**	**–**	**–**	**303**	**–**	**360**
Financial assets							
Floating rates							
Cash and short-term deposits (note 19)	**614**	**–**	**–**	**–**	**–**	**–**	**614**
Restricted cash balances (note 14)	**4**	**7**	**–**	**–**	**–**	**–**	**11**
	618	**7**	**–**	**–**	**–**	**–**	**625**

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Year ended 31 December 2011

	Within 1 year US$m	1–2 years US$m	2–3 years US$m	3–4 years US$m	4–5 years US$m	More than 5 years US$m	Total US$m
Financial liabilities							
Floating rates							
Bank overdrafts (note 24)	37	–	–	–	–	–	37
Term loans (note 24)	24	19	–	–	–	–	43
	61	19	–	–	–	–	80
Financial assets							
Floating rates							
Cash and short-term deposits (note 19)	1,572	–	–	–	–	–	1,572
Restricted cash balances (note 14)	2	–	–	–	–	–	2
	1,574	–	–	–	–	–	1,574

Financial liabilities in the above table are disclosed gross of debt acquisition costs and effective interest rate adjustments of US$11m (2011: US$3m).

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases, and translation of assets and liabilities that are in a currency other than the functional currency of its operating units. The Group is also exposed to the translation of the functional currencies of its units to the US dollar reporting currency of the Group. The following table summarises the percentage of foreign currency denominated revenues, costs, financial assets and financial liabilities, expressed in US dollar terms, of the Group totals.

	2012 % of foreign currency denominated items	2011 % of foreign currency denominated items
Revenues	**34.5%**	36.4%
Costs	**54.7%**	57.7%
Current financial assets	**37.8%**	32.5%
Non-current financial assets	**0.0%**	0.0%
Current financial liabilities	**33.9%**	34.7%
Non-current financial liabilities	**2.7%**	54.2%

The Group uses forward currency contracts to manage the currency exposure on transactions significant to its operations. It is the Group's policy not to enter into forward contracts until a highly probable forecast transaction is in place and to negotiate the terms of the derivative instruments used for hedging to match the terms of the hedged item to maximise hedge effectiveness.

Foreign currency sensitivity analysis

The income statements of foreign operations are translated into the reporting currency using a weighted average exchange rate of conversion. Foreign currency monetary items are translated using the closing rate at the reporting date. Revenues and costs in currencies other than the functional currency of an operating unit are recorded at the prevailing rate at the date of the transaction. The following significant exchange rates applied during the year in relation to US dollars:

	2012		2011	
	Average rate	**Closing rate**	Average rate	Closing rate
Sterling	**1.59**	**1.63**	1.60	1.55
Kuwaiti dinar	**3.57**	**3.55**	3.62	3.59
Euro	**1.29**	**1.32**	1.40	1.30

The following table summarises the impact on the Group's pre-tax profit and equity (due to change in the fair value of monetary assets, liabilities and derivative instruments) of a reasonably possible change in US dollar exchange rates with respect to different currencies:

	Pre-tax profit		Equity	
	+10% US dollar rate increase US$m	−10% US dollar rate decrease US$m	+10% US dollar rate increase US$m	−10% US dollar rate decrease US$m
31 December 2012	**(10)**	**10**	**19**	**(19)**
31 December 2011	(4)	4	50	(50)

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31 Risk management and financial instruments continued

Derivative instruments designated as cash flow hedges

At 31 December 2012, the Group had foreign exchange forward contracts as follows:

	Contract value		Fair value (undesignated)		Fair value (designated)		Net unrealised gain/(loss)	
	2012 US$m	2011 US$m	**2012 US$m**	2011 US$m	**2012 US$m**	2011 US$m	**2012 US$m**	2011 US$m
Euro purchases	**67**	223	**–**	–	**–**	(10)	**–**	(8)
Sterling (sales) purchases	**(103)**	40	**(2)**	–	**–**	(2)	**–**	(1)
Yen (sales)	**(4)**	(4)	**–**	–	**–**	–	**–**	–
Singapore dollar purchases	**–**	46	**–**	–	**–**	(1)	**–**	(1)
			(2)	–	**–**	(13)	**–**	(10)

The above foreign exchange contracts mature and will affect income between January 2013 and July 2014 (2011: between January 2012 and July 2013).

At 31 December 2012, the Group had cash and short-term deposits designated as cash flow hedges with net unrealised gains/(losses) of US$ nil (2011: US$9m loss) as follows:

	Fair value		Net unrealised gain/(loss)	
	2012 US$m	2011 US$m	**2012 US$m**	2011 US$m
Euro cash and short-term deposits	**118**	181	**–**	(9)
Sterling cash and short-term deposits	**7**	15	**–**	–
Yen cash and short-term deposits	**1**	3	**–**	–
Swiss francs cash and short-term deposits	**–**	–	**–**	–
			–	(9)

During 2012, changes in fair value gains of US$2m (2011: losses US$14m) relating to these derivative instruments and financial assets were taken to equity and US$18m of losses (2011: US$3m gains) were recycled from equity into cost of sales in the income statement. The forward points and ineffective portions of the above foreign exchange forward contracts and loss on un-designated derivatives of US$2m (2011: US$6m loss) were recognised in the income statement (note 4b).

Commodity price risk – oil prices

The Group is exposed to the impact of changes in oil and gas prices on its revenues and profits generated from sales of crude oil and gas. The Group's policy is to manage its exposure to the impact of changes in oil and gas prices using derivative instruments, primarily swaps and collars. Hedging is only undertaken once sufficiently reliable and regular long-term forecast production data is available.

During the year the Group entered into various crude oil swaps and zero cost collars hedging oil production of 1,000,000 barrels (bbl) (2011: 163,766 bbl) with maturities ranging from January 2013 to December 2013. In addition, fuel oil swaps were also entered into for hedging gas production of 31,743 metric tonnes (MT) (2011: 21,100MT) with maturities from January 2013 to September 2013.

The fair value of oil derivatives at 31 December 2012 was US$ nil (2011: US$1m liability) with net unrealised losses deferred in equity of US$ nil (2011 US$ nil). During the year, losses of US$2m (2011: US$ nil loss) were recycled from equity into the consolidated income statement on the occurrence of the hedged transactions and a loss in the fair value recognised in equity of US$2m (2011: US$ nil).

The following table summarises the impact on the Group's pre-tax profit and equity (due to a change in the fair value of oil derivative instruments and the underlifting asset/overlifting liability) of a reasonably possible change in the oil price:

	Pre-tax profit		Equity	
	+10 US$/bbl increase US$m	−10 US$/bbl decrease US$m	+10 US$/bbl increase US$m	−10 US$/bbl decrease US$m
31 December 2012	**–**	**–**	**(12)**	**12**
31 December 2011	(1)	1	(2)	2

Credit risk

The Group trades only with recognised, creditworthy third parties. Business Unit Risk Review Committees (BURRC) evaluates the creditworthiness of each individual third-party at the time of entering into new contracts. Limits have been placed on the approval authority of the BURRC above which the approval of the Board of Directors of the Company is required. Receivable balances are monitored on an ongoing basis with appropriate follow-up action taken where necessary. At 31 December 2012, the Group's five largest customers accounted for 48.8% of outstanding trade receivables and work in progress (2011: 47.1%).

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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Liquidity risk
The Group's primary objective is to ensure sufficient liquidity is available to support future growth. Our strategy includes the provision of financial capital and the potential impact on the Group's capital structure is reviewed regularly. The Group is not exposed to any external capital constraints. The maturity profiles of the Group's financial liabilities at 31 December 2012 are as follows:

Year ended 31 December 2012

	6 months or less US$m	6–12 months US$m	1–2 years US$m	2–5 years US$m	More than 5 years US$m	Contractual undiscounted cash flows US$m	Carrying amount US$m
Financial liabilities							
Interest-bearing loans and borrowings	57	–	–	303	–	360	349
Finance lease creditors	–	8	6	–	–	14	13
Trade and other payables (excluding advances from customers and other taxes payable)	1,464	104	–	–	–	1,568	1,568
Due to related parties	38	–	–	–	–	38	38
Contingent consideration	1	6	2	–	–	9	8
Derivative instruments	3	–	1	–	–	4	4
Interest payments	4	3	6	6	–	19	–
	1,567	121	15	309	–	2,012	1,980

Year ended 31 December 2011

	6 months or less US$m	6–12 months US$m	1–2 years US$m	2–5 years US$m	More than 5 years US$m	Contractual undiscounted cash flows US$m	Carrying amount US$m
Financial liabilities							
Interest-bearing loans and borrowings	48	12	20	–	–	80	77
Finance lease creditors	–	6	11	–	–	17	16
Trade and other payables (excluding advances from customers and other taxes payable)	932	16	–	–	–	948	948
Due to related parties	23	–	–	–	–	23	23
Contingent consideration	2	2	13	–	–	17	16
Derivative instruments	20	3	–	–	–	23	23
	1,025	39	44	–	–	1,108	1,103

The Group uses various funded facilities provided by banks and its own financial assets to fund the above mentioned financial liabilities.

Capital management
The Group's policy is to maintain a healthy capital base to sustain future growth and maximise shareholder value.

The Group seeks to optimise shareholder returns by maintaining a balance between debt and capital and monitors the efficiency of its capital structure on a regular basis. The gearing ratio and return on shareholders' equity is as follows:

	2012 US$m	2011 US$m
Cash and short-term deposits	614	1,572
Interest-bearing loans and borrowings (A)	(349)	(77)
Net cash (B)	265	1,495
Equity attributable to Petrofac Limited shareholders (C)	1,549	1,112
Profit for the year attributable to Petrofac Limited shareholders (D)	632	540
Gross gearing ratio (A/C)	22.5%	6.9%
Net gearing ratio (B/C)	Net cash position	Net cash position
Shareholders' return on investment (D/C)	40.8%	48.6%

31 Risk management and financial instruments continued

Fair values of financial assets and liabilities

The fair value of the Group's financial instruments and their carrying amounts included within the Group's statement of financial position are set out below:

	Carrying amount		Fair value	
	2012 US$m	2011 US$m	**2012 US$m**	2011 US$m
Financial assets				
Cash and short-term deposits	**614**	1,572	**614**	1,572
Restricted cash	**11**	2	**11**	2
Seven Energy warrants	**12**	18	**12**	18
Forward currency contracts – designated as cash flow hedge	**1**	9	**1**	9
Forward currency contracts – undesignated	**1**	–	**1**	–
Financial liabilities				
Interest-bearing loans and borrowings	**349**	77	**360**	80
Contingent consideration	**8**	16	**8**	16
Oil derivative	**–**	1	**–**	1
Forward currency contracts – designated as cash flow hedge	**1**	22	**1**	22
Forward currency contracts – undesignated	**3**	–	**3**	–

Fair values of financial assets and liabilities

Market values have been used to determine the fair values of available-for-sale financial assets, forward currency contracts and oil derivatives. The fair value of warrants over equity instruments in Seven Energy has been calculated using a Black Scholes option valuation model (note 12). The fair values of long-term interest-bearing loans and borrowings are equivalent to their amortised costs determined as the present value of discounted future cash flows using the effective interest rate. The Company considers that the carrying amounts of trade and other receivables, work-in-progress, trade and other payables, other current and non-current financial assets and liabilities approximate their fair values and are therefore excluded from the above table.

Fair value hierarchy

The following financial instruments are measured at fair value using the hierarchy below for determination and disclosure of their respective fair values:

Tier 1: Unadjusted quoted prices in active markets for identical financial assets or liabilities
Tier 2: Other valuation techniques where the inputs are based on all observation data (directly or indirectly)
Tier 3: Other valuation techniques where the inputs are based on unobservable market data

Year ended 31 December 2012

	Tier 2 US$m	**Tier 3 US$m**
Financial assets		
Seven Energy warrants	**–**	**12**
Forward currency contracts – designated as cash flow hedge	**1**	**–**
Forward currency contracts – undesignated	**1**	**–**
Financial liabilities		
Forward currency contracts – designated as cash flow hedge	**1**	**–**
Forward currency contracts – undesignated	**3**	**–**

Year ended 31 December 2011

	Tier 2 US$m
Financial assets	
Seven Energy warrants	18
Forward currency contracts – designated as cash flow hedge	9
Forward currency contracts – undesignated	–
Financial liabilities	
Forward currency contracts – designated as cash flow hedge	21
Forward currency contracts – undesignated	1
Oil derivative	1

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32 Principal subsidiaries and joint ventures

At 31 December 2012, the Group had investments in the following subsidiaries and incorporated joint ventures:

Name of company	Country of incorporation	Proportion of nominal value of issued shares controlled by the Group 2012	2011
Trading subsidiaries			
Petrofac Algeria EURL	Algeria	**100**	100
Petrofac (Cyprus) Limited	Cyprus	**100**	100
CO_2DeepStore (Aspen) Limited	England	**100**	100
Eclipse Petroleum Technology Limited	England	**100**	100
K W Limited	England	**100**	–
Oilennium Limited	England	**100**	–
Petrofac (Malaysia-PM304) Limited	England	**100**	100
Petrofac Contracting Limited	England	**100**	–
Petrofac Engineering Limited	England	**100**	100
Petrofac Services Limited	England	***100**	*100
Petrofac UK Holdings Limited	England	***100**	*100
The New Energy Industries Limited	England	**100**	100
TNEI Services Limited	England	**100**	100
Caltec Limited	England	**100**	100
Petrofac Energy Developments UK Limited	England	***100**	*100
Jermyn Insurance Company Limited	Guernsey	***100**	*100
Petrofac Engineering India Private Limited	India	**100**	100
Petrofac Engineering Services India Private Limited	India	**100**	100
Petrofac Information Services Private Limited	India	**100**	100
PT. PCI Indonesia	Indonesia	**80**	80
Petrofac Iran (PJSC)	Iran	**–**	100
Petrofac Pars (PJSC)	Iran	**–**	100
CO_2DeepStore Holdings Limited	Jersey	**100**	100
FPF1 Limited	Jersey	**25**[1]	100
Monsoon Shipmanagement Limited	Jersey	**100**	100
Petrofac Energy Developments (Ohanet) Jersey Limited	Jersey	**100**	100
Petrofac Energy Developments International Limited	Jersey	***100**	*100
Petrofac Energy Developments West Africa Limited	Jersey	**100**	–
Petrofac Facilities Management International Limited	Jersey	***100**	*100
Petrofac FPF004 Limited	Jersey	**100**	100
Petrofac FPSO Holding Limited	Jersey	**100**	100
Petrofac GSA Limited	Jersey	**100**	100
Petrofac International Ltd	Jersey	***100**	*100
Petrofac Offshore Management Limited	Jersey	**100**	100
Petrofac Platform Management Services Limited	Jersey	**100**	100
Petrofac Training International Limited	Jersey	***100**	*100
Petroleum Facilities E & C Limited	Jersey	***100**	*100
Petrokyrgyzstan Limited	Kyrgyzstan	**100**	100
Petrofac E&C Sdn Bhd	Malaysia	**100**	100
Petrofac Energy Developments Sdn Bhd	Malaysia	**100**	100
Petrofac Engineering Services (Malaysia) Sdn Bhd	Malaysia	**100**	–
Petrofac FPF005 Limited	Malaysia	**100**	100
Petrofac Training Sdn Bhd	Malaysia	**100**	100
PFMAP Sdn Bhd	Malaysia	**100**	100

[1] Associate in 2012

32 Principal subsidiaries and joint ventures continued

Name of company	Country of incorporation	Proportion of nominal value of issued shares controlled by the Group 2012	2011
Trading subsidiaries continued			
SPD Well Engineering Sdn Bhd	Malaysia	**100**	–
H&L/SPD Americas S. de R.L.	Mexico	**100**	–
Petrofac Mexico SA de CV	Mexico	**100**	100
Petrofac Mexico Servicios SA de CV	Mexico	**100**	100
Petro-SPM Integrated Services S.A. de C.V.	Mexico	**50**	–
Petrofac Kazakhstan B.V.	Netherlands	**100**	100
Petrofac Mexico Holdings B.V.	Netherlands	**100**	–
Petrofac Netherlands Cooperatief U.A.	Netherlands	**100**	100
Petrofac Netherlands Holdings B.V.	Netherlands	**100**	100
Petrofac Treasury B.V.	Netherlands	**100**	100
PTS B.V.	Netherlands	**100**	100
Petrofac Energy Services Nigeria Limited	Nigeria	**100**	–
Petrofac International (Nigeria) Limited	Nigeria	**100**	100
KW Norge AS	Norway	**100**	100
Petrofac Norge AS	Norway	**100**	100
Petrofac E&C Oman LLC	Oman	**100**	100
Petrofac Solutions & Facilities Support S.R.L	Romania	**100**	100
PKT Technical Services Ltd	Russia	****50**	**50
PKT Training Services Ltd	Russia	**100**	100
Sakhalin Technical Training Centre	Russia	**80**	80
Petrofac Saudi Arabia Company Limited	Saudi Arabia	**100**	100
Atlantic Resourcing Limited	Scotland	**100**	100
CO_2DeepStore Limited	Scotland	**100**	100
Petrofac Facilities Management Group Limited	Scotland	**100**	100
Petrofac Facilities Management Limited	Scotland	**100**	100
Petrofac Training Limited	Scotland	**100**	100
Scotvalve Services Limited	Scotland	**100**	100
SPD Limited	Scotland	**100**	100
Stephen Gillespie Consultants Limited	Scotland	**100**	100
i Perform Limited	Scotland	**100**	100
Petrofac Training Group Limited	Scotland	**100**	100
Petrofac Training Holdings Limited	Scotland	**100**	100
Plant Asset Management Limited	Scotland	**100**	100
Petrofac FPF003 Pte Limited	Singapore	**100**	100
Petrofac South East Asia Pte Ltd	Singapore	**100**	100
Petrofac Training Institute Pte Limited	Singapore	**100**	100
Petrofac International South Africa (Pty) Limited	South Africa	**100**	100
Petrofac E&C International Limited	United Arab Emirates	**100**	100
Petrofac FZE	United Arab Emirates	**100**	100
Petrofac International (UAE) LLC	United Arab Emirates	**100**	100
SPD LLC	United Arab Emirates	****49**	**49
Petrofac Energy Developments (Ohanet) LLC	United States	**100**	100
Petrofac Inc.	United States	***100**	*100
Petrofac Training Inc.	United States	**100**	100
SPD Group Limited	British Virgin Islands	**100**	100

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Name of company	Country of incorporation	Proportion of nominal value of issued shares controlled by the Group 2012	2011
Joint Ventures			
MJVI Sdn Bhd	Brunei	**50**	50
Costain Petrofac Limited	England	**50**	50
PT. Petrofac IKPT International	Indonesia	**51**	51
Spie Capag – Petrofac International Limited	Jersey	**50**	50
TTE Petrofac Limited	Jersey	**50**	50
Kyrgyz Petroleum Company	Kyrgyz Republic	**–**	50
Berantai Floating Production Limited	Malaysia	**51**	51
China Petroleum Petrofac Engineering Services Cooperatif U.A.	Netherlands	**49**	49
Professional Mechanical Repair Services Company	Saudi Arabia	**50**	–
Petrofac Emirates LLC	United Arab Emirates	**49**	49
Dormant subsidiaries			
Monsoon Shipmanagement Limited	Cyprus	**–**	100
Joint Venture International Limited	Scotland	**100**	100
Montrose Park Hotels Limited	Scotland	**100**	100
RGIT Ethos Health & Safety Limited	Scotland	**100**	100
Rubicon Response Limited	Scotland	**100**	100
Scota Limited	Scotland	**100**	100
Petrofac Training (Trinidad) Limited	Trinidad	**100**	100
Petrofac Services Inc	USA	***100**	*100
Petrofac ESOP Trustees Limited	Jersey	***100**	*100

* Directly held by Petrofac Limited

** Companies consolidated as subsidiaries on the basis of control.

The Company's interest in joint venture operations are disclosed on page 131.