

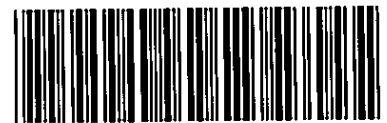
Petrofac Engineering Limited

Report and Financial Statements

31 December 2008

Registered No: 02615887

TUESDAY



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COMPANIES HOUSE

Petrofac Engineering Limited

Directors

M Cannavina
M Daniels
G Grant
G Jack
R Smith
R Verma

Secretary

R Smith

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers

The Royal Bank of Scotland plc
Queens Cross Branch
40 Albyn Place
Aberdeen
AB10 1YN

Solicitors

Charles Russell & Co
Buryfields House
Bury Fields
Guildford
Surrey
GU2 4AZ

Registered Office

Chester House
76-86 Chertsey Road
Woking
Surrey
GU21 5BJ

Directors' report

The directors present their report and financial statements for the year ended 31 December 2008.

Results and dividends

The profit for the year after taxation amounted to £1,151,770 (2007 - £4,926,443).

The directors recommend that no dividend be paid and the profit be transferred to reserves.

Principal activities and review of the business

Petrofac Engineering Limited (the Company) provides field development engineering for the oil & gas industry, including consultancy, studies, conceptual engineering, front end engineering and design (FEED), detailed design, procurement support, risk, safety and environmental services.

During the year the Company undertook contracts for more than 40 customers in the oil & gas industry. Engineering services were provided to oil companies on projects in several countries around the world with Algeria, Egypt, Kazakhstan, Russia and Tunisia being the top five.

Principal risks and uncertainties

The Company's key risks and uncertainties are described below.

- Health and Safety

The Company conducts its operations within a strict health and safety regime. Failure to comply with the relevant regulations could adversely affect its reputation and future revenues. The culture of health and safety within the Company is a key element of its operational and business activities. Effective health and safety management is vital to the system of business management and is integral to the delivery of quality and business excellence.

- Demand for services

The global recession has led to volatility in the global demand for oil & gas. This, coupled with the considerable volatility in the oil price and financial markets, has meant caution replacing the buoyancy in our industry. As a consequence, we must manage our costs carefully to ensure we have capacity to meet demand.

- Financial risk

The Company operates in a competitive market and is subject to the pressure of price movements. Projects are typically shorter than one year and, where this is not the case, mechanisms are often introduced in contracts to allow for changes in prices during the course of projects. Additionally, as far as possible, the timing of cash generated from projects is matched to the cash spent on delivering those projects.

Future developments

The directors remain committed to a strategy of providing a broad range of engineering and support services to the onshore and offshore oil & gas industry.

Employee involvement

The Company's policy is to consult and discuss with employees matters likely to affect employees' interests. During the year the Company has maintained its obligation to develop and improve arrangements aimed at involving employees in all of its affairs in so far as they affect employees.

Directors' report (continued)

Directors and their interests

The directors who served the Company during the year and to the date of these accounts were as follows:

M Cannavina

M Daniels (appointed 17 June 2009)

G Grant

G Jack

R Jewkes (resigned 6 January 2009)

S Keen (resigned 23 April 2009)

R Smith

R Verma

Under Section 2 of Schedule 7 of the Companies Act 1985, the interests of directors in the shares of Petrofac Limited are not required to be notified to the Company and, accordingly, are not disclosed in these financial statements.

No director had an interest in the shares of the Company during the year and no director had any interest in the share or debentures of subsidiary undertakings of Petrofac Ltd during the year.

Creditor payment policy

The Company's current policy concerning the payment of the majority of its trade creditors is to:

- (a) agree the terms of payment with those suppliers when agreeing the terms of each transaction;
- (b) ensure that those suppliers are made aware of the terms of payment whenever possible; and
- (c) pay in accordance with its contractual and other legal obligations where possible.

At the balance sheet date, the Company's trade creditors were paid after an average of 70 days.

Political and charitable donations

Charitable donations of £16,370 were made during the year.

Disclosure of information to the auditors


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

Auditors

Ernst & Young LLP will continue in office as the Company's auditor in accordance with the elective resolution passed by the Company under Section 386 of the Companies Act 1985.

On behalf of the board

R Smith



Company Secretary

19 August 2009

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report

to the members of Petrofac Engineering Limited

We have audited the Company's financial statements for the year ended 31 December 2008 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 22. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

21 August 2009

Petrofac Engineering Limited

Profit and loss account

for the year ended 31 December 2008

	Notes	2008 £	2007 £
Turnover	2	90,285,295	80,296,075
Cost of sales		80,396,831	68,003,973
Gross profit		9,888,464	12,292,102
Other operating income		150,700	1,207,000
Administrative expenses		7,667,264	5,339,445
Operating profit	3	2,371,900	8,159,657
Other income		239,569	-
Profit on ordinary activities before interest and tax		2,611,469	8,159,657
Interest receivable and similar income		87,063	53,455
Interest payable and similar charges	6	212,543	342,449
Profit before taxation		2,485,989	7,870,663
Tax on profit on ordinary activities	7	1,334,219	2,944,220
Profit retained for the financial year		1,151,770	4,926,443

Statement of total recognised gains and losses

for the year ended 31 December 2008

	2008 £	2007 £
Profit for the year	1,151,770	4,926,443
Currency translation differences	846	-
Total recognised gains & losses for the year	1,152,616	4,926,443

Petrofac Engineering Limited

Balance sheet

at 31 December 2008

	Notes	2008 £	2007 £
Fixed assets			
Tangible assets	8	2,263,802	4,091,193
Investment	9	-	1
		<u>2,263,802</u>	<u>4,091,194</u>
Current assets			
Debtors	10	20,179,463	21,422,549
Cash at bank and in hand		10,669,473	1,464,129
		<u>30,848,936</u>	<u>22,886,628</u>
Creditors: amounts falling due within one year	11	15,565,431	16,503,708
		<u>15,283,505</u>	<u>6,382,970</u>
Net current assets			
		<u>17,547,307</u>	<u>10,474,164</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	12	-	802,238
Provisions for liabilities and charges	13	7,158,057	435,292
		<u>10,389,250</u>	<u>9,236,634</u>
Net assets			
Capital and reserves			
Share capital	14	3,225,000	3,225,000
Profit and loss account	15	7,164,250	6,011,634
		<u>10,389,250</u>	<u>9,236,634</u>
Equity shareholder's funds	15		
		<u>10,389,250</u>	<u>9,236,634</u>



M Cannavina

Director

19 August 2009

Notes to the financial statements

at 31 December 2008

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

Consolidation

The Company is exempt from the requirement to prepare and deliver group accounts by virtue of section 228 of the Companies Act 1985, and accordingly the accounts present information about the Company as an individual undertaking and not about its group.

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:

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.

Provision is made for all losses expected to arise on completion of contracts entered into at the balance sheet 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. 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.

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

Cash flow statement

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

Related party transactions

The Company is a wholly owned subsidiary of Petrofac Limited, the consolidated accounts of which are publicly available. Accordingly, the Company has taken advantage of the exemption in Financial Reporting Standard No. 8 from disclosing transactions with members or investors of the Petrofac Limited group where the group controls 90% of the voting rights.

Notes to the financial statements

at 31 December 2008

1. Accounting policies (continued)

Trade debtors

Trade debtors are recognised and carried at original invoice amounts 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.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Leasehold improvements	over the lease term or life of project if shorter
Computer software	over 1 to 3 years or life of project if shorter
Furniture	over 4 years or life of project if shorter
Office equipment	over 3 years or life of project if shorter

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax, or a right to pay less or receive more tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacements assets are sold;
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

at 31 December 2008

1. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Operating leases agreements

Rental payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

Derivative financial instruments and hedging

The Company uses derivative financial instruments in the form of forward currency contracts to hedge its risks associated with foreign currency fluctuations. When the forward currency contracts are matched against a particular project, the values of the receivables arising from that project are recorded at the exchange rate specified in the matching forward contract. When the forward currency contracts are used to hedge existing assets, the gain or loss on the contract is recognised in the profit and loss account at maturity.

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties, except in respect of long term contracts where turnover represents the sales value of work done in the year, including estimates in respect of amounts not invoiced.

An analysis of turnover by geographical market is given below:

	2008 £	2007 £
Africa	21,579,612	27,467,375
Australasia	253,741	210,732
Europe	2,022,896	4,785,740
Former Soviet Union and Asia	60,488,057	45,587,873
Middle East	5,940,989	2,228,105
South America	-	16,250
	<hr/>	<hr/>
	90,285,295	80,296,075
	<hr/>	<hr/>

Turnover attributable to group undertakings amounted to £76,223,449 (2007 – £59,592,770).

Notes to the financial statements

at 31 December 2008

3. Operating profit

Operating profit is stated after charging/(crediting):

	<i>2008</i> £	<i>2007</i> £
Depreciation of owned fixed assets	3,528,511	3,859,256
Auditors' remuneration		
- audit services	68,152	43,502
Operating leases		
- land and buildings	2,059,232	1,221,807
- other	218,185	63,792
Foreign exchange (gains)/losses	(640,488)	(414,166)
Other operating income	(150,700)	(1,207,000)
	<hr/>	<hr/>

4. Staff costs

	<i>2008</i> £	<i>2007</i> £
Wages and salaries	14,950,461	12,316,233
Social security costs	1,880,858	1,380,342
	<hr/>	<hr/>
	16,831,319	13,696,575
	<hr/>	<hr/>

The monthly average number of employees during the year was as follows:

	<i>2008</i> <i>No</i>	<i>2007</i> <i>No</i>
Administration	59	32
Operations	160	138
Sales	5	3
	<hr/>	<hr/>
	224	173
	<hr/>	<hr/>

Notes to the financial statements

at 31 December 2008

The monthly average number of consultants during the year was as follows:

	2008 No	2007 No
Consultants	343	266
	<hr/>	<hr/>

5. Directors' emoluments

	2008 £	2007 £
Emoluments	1,219,420	957,218
	<hr/>	<hr/>

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2008 £	2007 £
Emoluments	364,716	299,649
	<hr/>	<hr/>

6. Interest payable and similar charges

	2008 £	2007 £
Group loans	-	129,338
Overdraft	212,543	213,111
	<hr/>	<hr/>
	212,543	342,449
	<hr/>	<hr/>

Notes to the financial statements

at 31 December 2008

7. Taxation**(a) Tax on profit on ordinary activities**

	2008 £	2007 £
Current tax:		
UK corporation tax for the period	2,833,160	2,984,625
Adjustments in respect of prior periods	(135,047)	56,304
	<hr/>	<hr/>
Foreign tax on income for the period	2,698,113	3,040,929
	764,235	663,963
	<hr/>	<hr/>
Total current tax	3,462,348	3,704,892
Deferred tax	(2,128,129)	(760,672)
	<hr/>	<hr/>
Total tax on profit on ordinary activities	1,334,219	2,944,220
	<hr/>	<hr/>

(b) Factors affecting the tax charge for period

	2008 £	2007 £
Profit on ordinary activities before tax	2,485,989	7,870,663
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007 – 30%)	708,507	2,361,199
Adjustments to tax charge in respect of previous periods	(135,047)	56,304
Expenses not deductible for tax purposes	1,897,568	293,464
Foreign tax cost	764,235	663,963
Depreciation in excess of capital allowances	491,571	517,773
Double taxation relief	(264,486)	(187,811)
	<hr/>	<hr/>
Total current tax charge for the year	3,462,348	3,704,892
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Notes to the financial statements

at 31 December 2008

7. Taxation (continued)

(c) Deferred tax provided in the accounts is as follows:

	2008 £	2007 £
Accelerated capital allowances	(487,973)	(536,993)
On withholding tax to be suffered	(82,938)	10,006
Other timing differences	(1,557,218)	(233,685)
	<hr/>	<hr/>
Total deferred tax charge/(credit) for the year	(2,128,129)	(760,672)
	<hr/>	<hr/>
Deferred tax provided at 1 January	(969,516)	(208,844)
Debit/(credit) to profit and loss account	(2,128,129)	(760,672)
	<hr/>	<hr/>
Deferred tax provided at 31 December	(3,097,645)	(969,516)
	<hr/>	<hr/>

8. Tangible fixed assets

	Leasehold Improvement £	Computer software £	Furniture and office equipment £	Total £
Cost:				
At 1 January 2008	711,074	3,505,744	4,524,700	8,741,518
Additions	277,828	1,034,570	390,482	1,702,880
Disposals	-	-	(1,920)	(1,920)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	988,902	4,540,314	4,913,262	10,442,478
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation:				
At 1 January 2008	314,454	2,373,325	1,962,546	4,650,325
Charge for year	152,732	1,839,758	1,536,021	3,528,511
Disposals	-	-	(160)	(160)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	467,186	4,213,083	3,498,407	8,178,676
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Net book value:				
At 31 December 2008	521,716	327,231	1,414,855	2,263,802
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At 31 December 2007	396,620	1,132,419	2,562,154	4,091,193
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the financial statements

at 31 December 2008

9. Investments

The investment in Petrofac Kazakhstan Ltd of £1 was sold to Petrofac UK Holdings Ltd for £1 during the year.

10. Debtors

	2008 £	2007 £
Trade debtors	3,233,798	2,412,024
Amounts owed by parent and fellow subsidiary undertakings	10,379,514	12,712,074
Amounts recoverable under long-term contracts	1,288,021	2,123,450
Other debtors	358,741	2,049
Prepayments and rent deposits	1,176,810	791,939
Deferred taxation	3,097,645	969,516
Other taxation	644,934	2,411,497
	<hr/>	<hr/>
	20,179,463	21,422,549
	<hr/>	<hr/>

11. Creditors: amounts falling due within one year

	2008 £	2007 £
Trade creditors	1,918,594	2,794,330
Amounts owed to parent and fellow subsidiary undertakings	3,175,505	526,245
Corporation tax	2,973,159	3,519,581
Other taxes and social security costs	469,743	384,264
Other creditors	1,103,992	5,927
Accruals	5,732,896	7,952,498
Deferred income on long-term contracts	191,542	1,320,863
	<hr/>	<hr/>
	15,565,431	16,503,708
	<hr/>	<hr/>

Notes to the financial statements

at 31 December 2008

11. Creditors: amounts falling due within one year (continued)

Petrofac Limited, the Company's ultimate parent company, has group facilities with The Royal Bank of Scotland and Bank of Scotland. As part of these facilities, the Company has access to an overdraft facility and a bond and guarantee facility. The overdraft facility carries an interest rate of UK LIBOR plus 0.875%. In addition, the Company has cross-guaranteed the US\$137 million debt facilities agreement between Petrofac Limited, The Royal Bank of Scotland and Bank of Scotland. Under the Facilities Agreement a term loan facility, revolving credit facilities, overdraft facility and a bond and guarantee facility have been made available to the Petrofac Limited group.

12. Creditors: amounts falling due after more than one year

	2008 £	2007 £
Amounts owed to group undertakings	-	802,238

13. Provisions for liabilities and charges

	Costs to complete provisions £	Onerous contract provisions £	Total £
At 1 January 2008	358,965	76,327	435,292
Additional provision during year	4,746,614	2,005,240	6,751,854
Unused amounts reversed	(29,089)	-	(29,089)
At 31 December 2008	5,076,490	2,081,567	7,158,057

Costs to complete provisions comprise provision for liquidated damages of £659,752 for one project and provision for costs to complete of £4,416,738 for another project.

Onerous contract provisions comprise provision for dilapidations of £579,697 and provision for office space of £1,501,870.

14. Share capital

	2008 £	2007 £
<i>Authorised:</i>		
Ordinary shares of £1 each	3,225,000	3,225,000
<i>Allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	3,225,000	3,225,000

Notes to the financial statements

at 31 December 2008

15. Reconciliation of shareholder's funds and movements on reserves

	<i>Share capital</i> £	<i>Profit and loss</i> <i>account</i> £	<i>Total</i> £
At 1 January 2007	3,225,000	1,085,191	4,310,191
Profit for year	-	4,926,443	4,926,443
As 31 December 2007	3,225,000	6,011,634	9,236,634
Profit for year	-	1,151,770	1,151,770
Currency translation differences		846	846
At 31 December 2008	3,225,000	7,164,250	10,389,250

16. Commitments under operating leases

The Company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and</i> <i>buildings</i> 2008 £	<i>Other</i> 2008 £	<i>Total</i> 2008 £	<i>Land and</i> <i>buildings</i> 2007 £	<i>Other</i> 2007 £	<i>Total</i> 2007 £
Expiry date:						
- within one year	194,801	53,629	248,430	340,644	1,222	341,866
- within two to five years	279,796	55,031	334,827	284,472	100,283	384,755
- over five years	1,254,530	-	1,254,530	397,500	-	397,500
	<u>1,729,127</u>	<u>108,660</u>	<u>1,837,787</u>	<u>1,022,616</u>	<u>101,505</u>	<u>1,124,121</u>

17. Other commitments

Authorised and contracted future expenditure is estimated at £130,656 (2007 - £190,666).

18. Contingent liabilities

The Company has cross-guaranteed a US\$137 million debt facilities agreement (see note 11).

The Company has issued a bid bond in the amount of US\$301,031 to BP Exploration (In Amenas) Limited in connection with a bid for a gas gathering system.

The Company has also issued a performance bond for £270,140 in favour of OMV Austria Exploration and Production GmbH in connection with the Front End Engineering Design of Strasshof Field Development Central Processing Plant and Related Facilities.

Notes to the financial statements

at 31 December 2008

19. Related party transactions

As a subsidiary the Company has taken advantage of the exemption in Financial Reporting Standard No. 8 "Related Party Disclosures" relating to the disclosure of transactions with other members of the group headed by Petrofac Limited.

20. Hedge transactions

The Company entered into forward foreign currency transactions during 2008. At 31 December 2008, the following positions were held:

Forward exchange contract commitments to sell US\$4.871 million (2007 - US\$4.5 million) and buy £2.721 million (2007 - £2.223 million) between 2 January 2009 and 1 October 2009 (2007 - between 29 January 2008 and 29 May 2008). The mark-to-market loss on these contracts at 31 December 2008 was £615,977 (2007 - £26,466 loss); this has not been recognised in the accounts.

21. Share-based payment plans

Performance Share Plan (PSP)

Under the Performance Share Plan of Petrofac Limited, share awards are granted to a restricted number of senior executives of the group. The shares cliff vest at the end of three years subject to continued employment and the achievement of certain pre-defined non-market and market based performance conditions. The non-market based condition governing the vesting of 50% of the total award, is subject to achieving between 15% and 25% 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 Petrofac Limited 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. The fair value and assumed vesting rates of the EPS part of the scheme are shown below:

	<i>Fair value per share</i>	<i>Trued up vesting rate</i>
2008 awards	522p	98.9%
2007 awards	415p	97.1%
2006 awards	353p	95.3%

The remaining 50% market performance based part of these awards is dependent on the total shareholder return (TSR) of the group compared to 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:

	<i>2008 awards</i>	<i>2007 awards</i>	<i>2006 awards</i>
Expected share price volatility (based on median of comparator group's three year volatilities)	32.0%	29.0%	28.0%
Share price correlation with comparator group	22.0%	17.0%	10.0%
Risk-free interest rate	3.79%	5.20%	4.60%
Expected life of share award	3 years	3 years	3 years
Fair value of TSR portion	287p	245p	234p

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at 31 December 2008

21. Share-based payment plans (continued)

The number of awards to Petrofac Engineering Limited employees still outstanding but not exercisable at 31 December 2008 was 82,054 (2007 – 63,645) and was made up of 18,409 in respect of 2008 awards (2007 – nil), 25,094 in respect of 2007 awards (2007 – 25,094) and 38,551 in respect of 2006 awards (2006 – 38,551). The charge recognised in the current year amounted to £90,625 (2007 – £67,026).

Deferred Bonus Share Plan (DBSP)

Selected employees of the Petrofac Group are eligible to participate in this scheme. Participants may be invited to elect or, in some cases, be required to receive a proportion of any bonus in ordinary shares of Petrofac Limited ("Invested Awards"). Following such award, Petrofac Limited 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"). The 2006 awards vest on the third anniversary of the grant date provided that the participant did not leave the group's employment, subject to a limited number of exceptions. However, a change in the rules of the DBSP scheme was approved by shareholders at the Annual General Meeting of Petrofac Limited on 11 May 2007 such that for the March 2007 share awards and for any awards made thereafter, the invested and matching shares would, unless the Remuneration Committee of the Board of Directors of Petrofac Limited determined otherwise, vest 33.33% on the first anniversary of the date of grant, a further 33.33% on the second anniversary of the date of grant and the final 33.34% of the award on the third anniversary of the date of grant.

At the year end the values of the bonuses settled by shares cannot be determined until all employees have confirmed the voluntary portion of their bonus they wish to be settled by shares rather than cash and until the Remuneration Committee has approved the mandatory portion of the employee bonuses to be settled in shares. Once the voluntary and mandatory portions of the bonus to be settled in shares are 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 relevant 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 adjusted for the trued up percentage vesting rate of the plan. The details of the fair values and assumed vesting rates of the DBSP scheme are below:

	<i>Weighted average fair value per share</i>	<i>Trued up vesting rate</i>
2008 awards	522p	95.8%
2007 awards	415p	91.2%
2006 awards	353p	87.0%

The following shows the movement in the number of shares held under the DBSP scheme outstanding but not exercisable:

	<i>2008 Number *</i>	<i>2007 Number *</i>
Outstanding at 1 January	215,298	91,106
Granted during the period	162,636	126,450
Vested during the period	(41,344)	-
Forfeited during the period	(27,686)	(2,258)
Outstanding at 31 December	308,904	215,298

* Includes invested and matching shares

Notes to the financial statements

at 31 December 2008

21. Share-based payment plans (continued)

The number of awards still outstanding but not exercisable at 31 December 2008 is made up of 151,746 in respect of 2008 awards (2007 - nil), 75,684 in respect of 2007 awards (2007 - 124,192) and 81,474 for 2006 awards (2007 - 91,106).

The charge recognised in the current year in relation to matching share awards amounted to £360,632 (2007 - £176,171).

Share Incentive Plan (SIP)

All UK employees, including UK resident Directors, are eligible to participate in the scheme. Employees may invest up to £1,500 per tax year of gross salary (or, if lower, 10% of salary) to purchase ordinary shares in Petrofac Limited. There is no holding period for these shares.

Restricted Share Plan (RSP)

Under the Restricted Share Plan scheme, employees are granted shares in Petrofac Limited over a discretionary vesting period which may or may not be at the direction of the Remuneration Committee of Board of Directors of Petrofac Limited, subject to the satisfaction of performance conditions. At present there are no performance conditions applying to this scheme nor is there currently any intention to introduce them in the future. The fair values of the awards granted under the plan 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. For details of the fair values and assumed vesting rate of the RSP scheme, see below:

	<i>Weighted average fair value per share</i>	<i>Trued up vesting rate</i>
2008 awards	416p	98.1%

The following shows the movement in the number of shares held under the RSP scheme outstanding but not exercisable:

	<i>2008 Number</i>	<i>2007 Number</i>
Outstanding at 1 January	0	0
Granted during the period	24,250	-
Vested during the period	0	-
Forfeited during the period	0	-
Outstanding at 31 December	24,250	0

The number of awards still outstanding but not exercisable at 31 December 2008 is made up of 24,250 in respect of 2008 awards (2007 - nil).

The charge recognised in the current year amounted to £7,383 (2007 - nil).

22. Ultimate parent company

The Company is an immediate subsidiary undertaking of Petrofac UK Holdings Limited, a company incorporated in England.

Petrofac Limited, the ultimate holding company and controlling party, is a company incorporated in Jersey in which the results of the Company are finally consolidated.

Copies of the Petrofac UK Holding Limited financial statements can be obtained from the Registrar of Companies, and copies of the Petrofac Limited financial statements can be obtained from the Petrofac Limited Registered Office, Whiteley Chambers, Don Street, St Helier, Jersey.