Petrofac Engineering Limited

Report and Financial Statements

31 December 2012

Registered No 2615887

Petrofac Engineering Limited

Directors
M Barnes
G Grant
R Smith

Secretary
R Smith

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

Bankers
The Royal Bank of Scotland plc
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Solicitors
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Petrofac Engineering Limited
Registration No 2615887

Directors' report

The directors present their report and financial statements for the year ended 31 December 2012

Results and dividends

The profit for the year after taxation amounted to £2,155,822 (2011 - £8,878,191)

No dividends were declared or paid during the year (2011 - £5,482,500) The directors do not propose the payment of a final dividend

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 30 customers in the oil & gas industry Engineering services were provided to oil companies on projects in several countries around the world with Norway, Russia, Tunisia, Turkmenistan and the United Kingdom being the top five

The Company's key financial and other performance indicators during the year were as follows

	2012 £	2011 £	Change (%)
Turnover	126,616,814	184,482,157	(31)%
Operating profit	2,782,328	11,793,820	(76)%
Profit after tax	2,155,822	8,878,191	(76)%
Equity shareholders' funds	16,671,528	14,516,563	15%
Current assets as % of current liabilities ('quick ratio')	2 17	2 49	(13%)
Average number of employees	169	139	22%

The Company's revenue is earned from contracts which can range significantly in value In 2012, the Company continued executing the work under a contract awarded in 2011 by a fellow subsidiary undertaking for a substantial value The Company decided that a large portion of the scope of this work should be sub-contracted in order to maintain a manageable workload which matched the Company's capacity and the resources available to it

Our balance sheet remained strong with over £16m of net current assets and a 'quick ratio' of 2 17 at 31 December 2012

Principal risks and uncertainties

The Company's key risks and uncertainties are described below Additional risks and uncertainties not presently known to the Company, or that the Company currently deems to be immaterial, may also impact on the performance of the business

Directors' report

Principal risks and uncertainties (continued)

- 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

- Ability to attract and retain skilled personnel

  The availability of skilled personnel remains a significant challenge facing the oil and gas industry The Company remains confident that its efforts to promote and reward on merit, its growing employee share ownership in the shares of the ultimate parent company, management and technician training programmes and recruitment strategies, involvement in world-class projects and its exciting prospects will enable it to retain and attract the necessary skilled personnel to achieve its growth targets

- 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 Foreign currency projects are usually hedged to minimise the exchange movement risk if the project value is significant

- Credit risk

  The Company trades ideally with recognised, creditworthy third parties, and intercompany customers which are predominately wholly owned subsidiaries of the Petrofac consolidated group (except where disclosed in note 18) For external customers, management will evaluate the creditworthiness of each individual third party at the time of entering into new contracts, where possible, or seek an advance payment if credit risk is considered high Limits have been placed on the approval authority of the various levels of management when entering into new contracts For intercompany customers, credit is provided generally on the same terms as third parties however payments may be deferred for overall group working capital purposes, which may negatively impact on the working capital of the Company Receivable balances are monitored on an ongoing basis with appropriate follow up action taken where necessary

Research and development

We continue to develop novel ideas and solutions for the oil and gas industry

Foreign branches

The Company has an active branch in Italy A branch in Mexico was opened in May 2013 This branch was opened to assist execution of projects in Mexico

Future developments

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

Directors' report

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

Charitable donations

Charitable donations of £33,653 were made during the year (2011 - £10,035)

Directors and their interests

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

M Barnes

M Daniels (resigned 1 July 2013)

G Grant

R Smith

R Verma (resigned 12 January 2012)

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

Directors' indemnity

The Company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006

Going concern

Petrofac UK Holdings Limited, the immediate parent company, has undertaken to provide sufficient funds to the company to enable it to continue operating and to meet its obligations as they fall due As a consequence, the directors believe that the Company is well in placed to manage its business risks successfully The directors therefore have a reasonable expectation that the company has adequate resources to continue its operational existence for the foreseeable future Accordingly they continue to adopt the going concern basis in preparing the report and financial statements

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 25 days

Directors' report

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

In the absence of a notice proposing that the appointment be terminated, Ernst & Young LLP will be deemed to be re-appointed as the Company's auditor for the next year

On behalf of the board

Robert Smith

Company Secretary

6 November 2013

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing 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 are sufficient to show and explain the company's transactions and 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 2006 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

The directors confirm that they have complied with those requirements and, having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts

Independent auditors' report

to the members of Petrofac Engineering Limited

We have audited the financial statements of Petrofac Engineering Limited for the year ended 31 December 2012 which comprises the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 22 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor's 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

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been properly prepared in accordance with the requirements of Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report

to the members of Petrofac Engineering Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst + Young LLP

Justine Belton (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

6 November 2013

Petrofac Engineering Limited

Profit and loss account
for the year ended 31 December 2012

	Notes	2012 £	2011 £
Turnover	2	126,616,814	184,482,157
Cost of sales		116,284,805	166,479,637
Gross profit		10,332,009	18,002,520
Administrative expenses		7,549,681	6,208,700
Operating profit	3	2,782,328	11,793,820
Other income		464,102	191,580
Profit on ordinary activities before interest and tax		3,246,430	11,985,400
Interest receivable and similar income	6	59,287	27,082
Interest payable and similar charges	7	-	44,422
Profit before taxation		3,305,717	11,968,060
Tax expense on profit on ordinary activities	8	1,149,895	3,089,869
Profit after taxation		2,155,822	8,878,191

The Company's results are derived from continuing activities

Petrofac Engineering Limited

Statement of total recognised gains and losses
for the year ended 31 December 2012

	2012	*2011*
	£	*£*
Profit for the year	2,155,822	8,878,191
Currency translation differences	(857)	(2,718)
Total recognised gains & losses for the year	2,154,965	8,875,473

Petrofac Engineering Limited
Registration No 2615887

Balance Sheet
as at 31 December 2012

	Notes	*2012* £	*2011* £
Fixed assets			
Tangible assets	9	1,803,843	1,210,524
		1,803,843	1,210,524
Current assets			
Debtors	10	29,870,832	18,984,729
Cash at bank and in hand		-	5,399,617
		29,870,832	24,384,346
***Creditors*:** amounts falling due within one year	11	12,832,575	9,803,719
Bank overdraft		935,334	-
		13,767,909	9,803,719
Net current assets		16,102,923	14,580,627
Total assets less current liabilities		17,906,766	15,791,151
Provisions for liabilities and charges	12	1,235,238	1,274,588
Net assets		16,671,528	14,516,563
Capital and reserves			
Share capital	13	3,225,000	3,225,000
Profit and loss account	14	13,446,528	11,291,563
Equity shareholder's funds	14	16,671,528	14,516,563

On behalf of the Board

Robert Smith
Director
6 November 2013

Notes to the Financial Statements
as at 31 December 2012

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

Revenue recognition

Revenue is recognised to the extent that it is probable economic benefits will flow to the Company 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 100% of the voting rights

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

Notes to the Financial Statements
as at 31 December 2012

1. Accounting policies (continued)

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

Provisions

Provisions are recognised when the Company 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 income statement as a finance cost

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
as at 31 December 2012

1. Accounting policies (continued)

Foreign currencies

Assets and liabilities of foreign currency branches are translated into sterling at rates of exchange ruling at the balance sheet date The profit and loss account is translated into sterling using average rates of exchange Exchange differences arising when the opening net assets and the profits for the year retained by foreign currency branches are translated into sterling are taken directly to reserves and reported in the statement of total recognised gains and losses

All other exchange gains or losses on settlement or translation at closing rates of exchange of monetary assets and liabilities are included in the determination of profit or loss for the year

Operating lease 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

Share-based payment transactions

Employees (including directors) of the Company 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') of the parent entity, Petrofac Limited

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 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 Company's best estimate of the number of equity instruments that will ultimately vest The income statement charge or credit for a period represents the movement in cumulative expense 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 condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance 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 income statement

Notes to the Financial Statements
as at 31 December 2012

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and fellow subsidiaries, 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

	2012	*2011*
	£	£
Africa	10,695,564	11,121,357
Americas	204,654	92,586
Australasia	-	50,564
Europe	28,750,708	5,347,661
Former Soviet Union and Asia	83,284,832	163,403,028
Middle East	3,681,056	4,466,961
	126,616,814	184,482,157

Turnover attributable to group undertakings amounted to £107,734,788 (2011 - £172,178,392)

3. Operating profit

Operating profit is stated after charging/(crediting)

	2012	*2011*
	£	£
Depreciation of owned fixed assets	1,075,940	854,164
Auditors' remuneration		
- audit services	79,480	74,156
Operating leases		
- land and buildings	1,445,937	1,351,110
- other	1,580	17,670
Foreign exchange (gains)/losses	357,764	(25,256)

Notes to the Financial Statements
as at 31 December 2012

4. Staff costs

	2012 £	*2011* £
Wages and salaries	15,002,048	11,453,440
Social security costs	1,885,941	1,580,504
	16,887,989	13,033,944

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

	2012 *No*	*2011* *No*
Administration	38	38
Operations	126	98
Sales	5	3
	169	139

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

	2012 *No*	*2011* *No*
Consultants	192	160

5. Directors' emoluments

	2012 £	*2011* £
Emoluments	963,758	1,098,247

Highest paid director

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

	2012 £	*2011* £
Emoluments	261,200	265,284

Notes to the Financial Statements
as at 31 December 2012

6. Interest receivable and similar income

	2012	*2011*
	£	£
On surplus cash	59,287	23,287
Other interest receipts	-	3,795
	59,287	27,082

7. Interest payable and similar charges

	2012	*2011*
	£	£
Overdraft	-	164
Unwinding of discount on onerous contracts	-	44,258
	-	44,422

8. Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2012	*2011*
	£	£
Current tax		
UK corporation tax for the period	611,334	2,627,403
Adjustments in respect of prior periods	(228,083)	(720,874)
	383,251	1,906,529
Foreign tax on income for the period	639,209	659,562
Total current tax (note 8 (b))	1,022,460	2,566,091
Deferred tax for the period (note 8 (d))	127,438	167,319
Deferred tax in respect of prior periods (note 8 (d))	(3)	356,459
Total tax on profit on ordinary activities	1,149,895	3,089,869

Notes to the Financial Statements
as at 31 December 2012

8. Taxation (continued)

(b) Factors affecting the current tax expense for the year

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 24 5% (2011 – 26 5%) The differences are explained below

	2012 £	*2011* £
Profit/(loss) on ordinary activities before tax	3,305,717	11,968,060
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 24 5% (2011 – 26 5%)	809,901	3,171,536
Adjustments to tax charge in respect of previous periods	(228,083)	(720,874)
Income not chargeable for tax purposes	(151,842)	(386,424)
Foreign tax cost	639,209	659,562
Depreciation in excess of capital allowances	(46,725)	(157,709)
Total current tax charge for the year (note 8 (a))	1,022,460	2,566,091

(c) Factors that may affect the future tax charges

The standard rate of corporation tax in the UK changes from 24% to 23% with effect from 1 April 2013 Following the 2013 budget announcement by the UK government, there will be further reductions to the standard rate of corporation tax in the UK over the following 2 years, reducing the rate to 20% from 1 April 2015

(d) Deferred tax provided in the accounts is as follows

	2012 £	*2011* £
Accelerated capital allowances	46,725	157,709
Other timing differences	(15,894)	(90,158)
Impact of tax rate changes	96,607	99,768
Adjustment in respect of prior periods	(3)	356,459
Total deferred tax charge for the year (note 8 (a))	127,435	523,778
Deferred tax asset provided at 1 January	(1,231,174)	(1,754,952)
Debit/(credit) to profit and loss account	127,435	523,778
Deferred tax asset provided at 31 December	(1,103,739)	(1,231,174)

The deferred tax asset is calculated at 23% (2011 – 25%) The tax rate change from 24% to 23% was substantively enacted on 3rd July 2012

9. Tangible fixed assets

	Leasehold Improvement £	*Computer software* £	*Furniture and office equipment* £	*Total* £
Cost				
At 1 January 2012	1,040,408	1,412,027	928,868	3,381,303
Exchange adjustment	-	-	(2,133)	(2,133)
Additions	445,669	386,513	837,970	1,670,152
Disposals	-	-	-	-
At 31 December 2012	1,486,077	1,798,540	1,764,705	5,049,322
Depreciation				
At 1 January 2012	605,449	1,025,850	539,480	2,170,779
Exchange adjustment	-	-	(1,240)	(1,240)
Charge for year	215,577	577,448	282,915	1,075,940
Disposals	-	-	-	-
At 31 December 2012	821,026	1,603,298	821,155	3,245,479
Net book value				
At 31 December 2012	665,051	195,242	943,550	1,803,843
At 31 December 2011	434,959	386,177	389,388	1,210,524

10. Debtors

	2012 £	*2011* £
Trade debtors	3,772,951	5,100,508
Amounts owed by parent and fellow subsidiary undertakings	20,467,289	8,460,941
Unbilled Revenue	3,724,757	2,377,758
Other debtors	-	14,599
Prepayments and rent deposits	802,096	777,417
Deferred taxation	1,103,739	1,231,174
VAT recoverable	-	1,022,332
	29,870,832	18,984,729

Notes to the Financial Statements
as at 31 December 2012

11. Creditors: amounts falling due within one year

	2012 £	*2011* £
Trade creditors	1,092,451	2,627,209
Amounts owed to parent and fellow subsidiary undertakings	2,796,540	497,662
Deferred income	80,022	-
Foreign tax	534,802	498,734
Other taxes and social security costs	516,676	684,973
Other creditors	16,679	185,323
Accruals	6,170,190	4,371,350
Corporation tax	1,426,897	938,468
VAT payable	198,318	-
	12,832,575	9,803,719

Petrofac Limited, the Company's ultimate parent company, has group facilities with The Royal Bank of Scotland and the Bank of Scotland As part of these facilities, the Company has access to an overdraft facility which carries an interest rate of 1 5% per annum above LIBOR In addition, the Company has cross-guaranteed the US$57 million debt outstanding under these facilities as at 31 December 2012 Under the Facilities Agreement a term loan facility, overdraft facility and a bond and guarantee facility have been made available to the Petrofac Limited group

12. Provisions for liabilities and charges

	Provision for warranties £	*Dilapidation provision* £	*Total* £
At 1 January 2012	1,128,588	146,000	1,274,588
Additional provision during year	728,436	222,833	951,269
Utilised during the year	-	-	-
Provisions no longer required	(990,619)	-	(990,619)
At 31 December 2012	866,405	368,833	1,235,238

Warranty provisions comprise potential future claims under warranty on on-going projects

13. Share capital

	2012 £	*2011* £
Authorised		
Ordinary shares of £1 each	3,225,000	3,225,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	3,225,000	3,225,000

Notes to the Financial Statements
as at 31 December 2012

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

	Share capital £	*Profit and loss account* £	*Total* £
As 1 January 2011	3,225,000	7,898,590	11,123,590
Profit for year	-	8,878,191	8,878,191
Currency translation differences	-	(2,718)	(2,718)
Share based payment expenses	-	454,497	454,497
Funding of share based payment expense	-	(454,497)	(454,497)
Dividends paid		(5,482,500)	(5,482,500)
As 31 December 2011	3,225,000	11,291,563	14,516,563
Profit for year	-	2,155,822	2,155,822
Currency translation differences	-	(857)	(857)
Share based payment expenses		617,899	617,899
Funding of share based payment expense		(617,899)	(617,899)
Dividends paid	-	-	-
At 31 December 2012	3,225,000	13,446,528	16,671,528

15. Commitments under operating leases

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

	Land and buildings 2012 £	*Other 2012* £	*Total 2012* £	*Land and buildings 2011* £	*Other 2011* £	*Total 2011* £
Expiry Date·						
Within one year	130,515	-	130,515	33,600	-	33,600
Within two to five years	397,500	1,580	399,080	397,500	1,580	399,080
Over five years	857,030	-	857,030	857,030	-	857,030
	1,385,045	1,580	1,386,625	1,288,130	1,580	1,289,710

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as at 31 December 2012

16. Other commitments

Authorised and contracted future expenditure is estimated at £74,115 (2011-£567,103)

17. Contingent liabilities

The Company has cross-guaranteed a US$57 million debt facilities agreement (see note 11)

18. 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 members or investors of the Petrofac Limited group where the group controls 100% of the voting rights

Sales and costs that are related to the transactions with associated companies for which the Petrofac Limited Group controls less than 100% of the voting rights are below These transactions mainly comprise sales and purchase of goods and services in the ordinary course of business

	2012 £	*2011* £
Charges to		
Petrofac Emirates LLC	422,925	314,800
	422,925	314,800

The balances outstanding at 31 December in respect of the above transactions were as follows

	2012 £	*2011* £
Amount due from		
Petrofac Emirates LLC	76,709	101,980
	76,709	101,980

Petrofac Emirates LLC is a 49% owned joint venture of Petrofac International Ltd which is a 100% owned subsidiary within the Petrofac Ltd group Subsequent to year end, the Petrofac Group increased its economic interest in Petrofac Emirates LLC by an additional 25% The financial position and performance of this entity will be consolidated into the Group financial statements from 1 January 2013

19. Hedge transactions

The Company entered into forward foreign currency transactions during 2012 There were no outstanding positions at 31 December 2012

20. Share-based payment plans

On 13 September 2005, Petrofac Limited established three share schemes for the benefit of employees, being a Performance Share Plan, a Deferred Bonus Share Plan and an approved Share Incentive Plan A further share scheme, the Restricted Share Plan was established during 2006 for UK subsidiary companies All of these share schemes are equity settled award schemes and are described below

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 50% market performance based part of these awards is dependent on the total shareholder return (TSR) of Petrofac Limited, 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 5%	2 1%
Expected life of share award	**3 years**	3 years	3 years	3 years
Fair value of TSR portion	**1,103p**	788p	743p	456p

The non-market-based condition governing the vesting of the remaining 50% of the total award is subject to achieving 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 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

	Fair value per share	*Trued up vesting rate*
2012 awards	**1,705p**	**97.0.%**
2011 awards	1,426p	94 3%
2010 awards	1,103p	93 8%
2009 awards	545p	93 1%

20. Share-based payment plans (continued)

Performance Share Plan (PSP) (continued)

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

	2012 Number	*2011 Number*
Outstanding at 1 January	**1,402**	-
Shares transferred to sister entities	-	-
Granted during the period	**2,349**	1,402
Vested during the period	-	-
Forfeited during the period	-	-
Outstanding at 31 December	**3,751**	1,402

The number of awards to Petrofac Engineering Limited employees still outstanding but not exercisable at 31 December 2012 is made up of 2,349 in respect of 2012 (2011 - nil) and 1,402 in respect of 2011 (2011 - 1,402) The charge recognised in the current year was £12,184 (2011 - nil)

Deferred Bonus Share Plan (DBSP)

Selected employees of the Petrofac Group are eligible to participate in this scheme Participants are required, or in some cases invited, to receive a proportion of any bonus in ordinary shares of Petrofac Limited ("Invested Awards") Following such an 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")

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 the 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 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 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 charged by Petrofac Limited, the ultimate holding company to the Company The details of the fair values and assumed vesting rates of the DBSP scheme are below

Notes to the Financial Statements
as at 31 December 2012

20. Share-based payment plans (continued)

Deferred Bonus Share Plan (DBSP) (continued)

	Weighted average fair value per share	*Trued up vesting rate*
2011 awards	**1,705p**	**94.6%**
2011 awards	1,426p	91 3%
2010 awards	1,185p	87 5%
2009 awards	545p	91 3%

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

	2012 Number *	*2011 Number **
Outstanding at 1 January	**77,594**	143,446
Shares transferred from sister entities	**7,702**	-
Shares transferred to sister entities	**(42,006)**	(7,044)
Granted during the period	**42,914**	26,762
Vested during the period	**(21,344)**	(74,458)
Forfeited during the period	**(2,254)**	(11,112)
Outstanding at 31 December	**62,606**	77,594

* Includes invested and matching shares

The number of awards still outstanding but not exercisable at 31 December 2012 is made up of 41,726 in respect of 2012 awards (2011 – nil), 13,856 in respect of 2011 awards (2011 – 25,284), 7,024 in respect of 2010 awards (2011 – 18,638) and nil in respect of 2009 awards (2011 – 33,672)

The charge recognised in the current year amounted to £586,024 (2011 – £378,527)

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

20. Share-based payment plans (continued)

Restricted Share Plan (RSP) (continued)

	Weighted average fair value per share	*Trued up vesting rate*
2011 awards	1,463p	90 2%
2009 awards	430p	70 0%

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

	2012 Number	*2011 Number*
Outstanding at 1 January	**13,042**	31,185
Granted during the period	**-**	4,695
Vested during the period	**(9,911)**	(22,838)
Forfeited during the period	**-**	-
Outstanding at 31 December	**3,131**	13,042

The number of awards still outstanding but not exercisable at 31 December 2012 is made up of 3,131 in respect of 2011 (2011 – 4,695) and nil in respect of 2009 (2011 – 8,347)

The charge recognised in the current year amounted to £19,691 (2011 - £75,970)

21. Post balance sheet events

During 2013 the Company borrowed £20 4m from Petrofac Treasury BV in two tranches of £7 4m (April 2013) and £13 0m (September 2013) Interest is payable at the rate of LIBOR+2% on the outstanding balance At the date of signing these accounts the loan outstanding with Petrofac Treasury BV is £5 2m

The Company opened a branch in Mexico in May 2013 to assist execution of projects in Mexico

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, Ogier House, The Esplanade, St Helier, Jersey