(**The attached is an extract from the Group's Annual Report and Accounts for the year ended 31 December 2013. Page number references refer to the full Annual Report when available. See page 124 of the attached Group financial statements for explanation of restatement of 2012 results.**)

Engineering, Construction, Operations & Maintenance (ECOM)

Engineering, Construction, Operations & Maintenance designs and builds oil and gas facilities and operates, manages and maintains them on behalf of our customers.

Onshore Engineering & Construction

Onshore Engineering & Construction delivers onshore engineering, procurement and construction projects. We are predominantly focused on markets in the Middle East, Africa and the Caspian region of the CIS.

We continue to make good progress on our portfolio of projects which remains in excellent shape. We delivered four major projects in Abu Dhabi, Algeria and Turkmenistan. We have commenced early work on our recently awarded projects including, on the Upper Zakum field development in Abu Dhabi, where we have been undertaking capacity enhancement studies. These studies have the potential to increase the scale and duration of the Upper Zakum project and, as we have previously indicated, the revised phasing has resulted in the deferral of significant revenue and margin, compared with our original expectations, from 2014 into 2015 and beyond.

Following the terrorist attack which took place in January 2013 at the In Amenas natural gas site in Algeria, at the request of our client, we evacuated our staff on a temporary basis from the In Salah southern fields development in that country. Full remobilisation to site commenced in early 2014.

Petrofac Emirates

With effect from January 2013, we agreed to increase our economic interest in Petrofac Emirates, our Abu Dhabi based venture, to 75%. Mubadala Petroleum sold its shares in Petrofac Emirates to Nama Project Services LLC, an affiliate of Nama Development Enterprises, a leading local service provider to the energy industry across the United Arab Emirates. Nama will hold a 25% economic interest in the venture. We will report 100% of the revenue and backlog on all current and future Petrofac Emirates' projects (with Nama's 25% economic interest reported as 'profit for the year attributable to non-controlling interests').

New awards

Order intake for the year totalled US$6.2 billion (2012: US$3.0 billion), including the following major awards:

Upper Zakum field development, Abu Dhabi

In April 2013, we announced that Petrofac Emirates had been awarded a contract by Zakum Development Company (ZADCO) for the Upper Zakum field development in Abu Dhabi. The original project is worth approximately US$3.7 billion and has been secured by Petrofac Emirates in a consortium with Daewoo Shipbuilding & Marine Engineering Co Ltd (DSME). Petrofac Emirates' current share of the contract is valued at US$2.9 billion. The project comprises engineering, procurement, construction, transportation and commissioning of island surface facilities on four artificial islands. Specifically, this will include wellhead control, manifolds, crude oil process facilities, water injection and gas lift, oil export pumps, power generation and associated utilities.

Bab gas compression project, Abu Dhabi

In June 2013, Petrofac Emirates was awarded a US$500 million contract by Abu Dhabi Company for Onshore Oil Operations (ADCO) for expansion of compression facilities at the Bab Field, 150 kilometres southwest of Abu Dhabi city. We will undertake modifications to three of the existing compressor stations and install a new fourth facility. The scope of work also includes 27 well head facilities, associated gas

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pipelines, direct gathering manifold and modifications to remote manifold stations. The project will be completed in a phased manner in approximately 30 months whereupon commissioning will commence.

Bab Habshan-1 project, Abu Dhabi
In June 2013, Petrofac Emirates was awarded a US$187 million onshore engineering, procurement and construction contract by ADCO for the development of the Bab Habshan-1 project. The project has an anticipated duration of 20 months and includes the provision of water injection clusters, oil production wells, water injection wells, associated electrical and instrumentation facilities, pipelines (headers and flowlines), overhead power transmission lines and modifications at remote degassing stations.

Alrar project, Algeria
In October 2013, we were awarded a contract to lead a partnership with Italian lump-sum contractor Bonatti to execute a 32-month engineering, procurement and construction (EPC) contract for Sonatrach to extend the life of the Alrar gas field in southeast Algeria. The contract value is more than US$650 million of which approximately 70% will be booked by Petrofac. The scope of work encompasses engineering, procurement, construction, and commissioning services for the development of new separation and booster compression facilities at the well-established Alrar field, which has been operational since 1987.

Sohar Refinery Improvement Project, Oman
In November 2013, Petrofac, in a 50/50 joint venture with Korean based Daelim Industrial Co Ltd (Daelim) was awarded a 36-month EPC contract by Oman Oil Refineries and Petroleum Industries Company (ORPIC) totalling US$2.1 billion. Located in the Sohar Industrial Area, 230 kilometres northwest of Muscat, the scope of work encompasses engineering, procurement, construction, start-up and commissioning services at the refinery. The contract includes improvements at the existing facility as well as the addition of new refining units. The refinery was originally constructed and commissioned in 2006 and ORPIC is now investing in improvements at the site to enhance the current production capacity. When complete, it is anticipated that the revamped facility will increase current output by more than 70%.

We were also successful in securing the following projects in early 2014:

Clean Fuels Project, Kuwait
In February 2014, we announced that we are leading a joint venture with Samsung Engineering Co Ltd (Samsung) and CB&I Nederland BV (CB&I) to deliver Kuwait National Petroleum Company's (KNPC) Clean Fuels Project, Mina Abdulla (MAB1) refinery in Kuwait. The US$3.7 billion contract, of which Petrofac's share is US$1.7 billion, will be completed over a period of approximately four years. The lump-sum engineering, procurement and construction scope of work includes the provision of 19 new refining units at Mina Abdulla, revamping of five existing units at the Shouaiba refinery site and the accompanying inter-refinery transfer lines.

Khazzan central processing facility, Oman
In February 2014, we were awarded a contract by BP for the central processing facility (CPF) for the Khazzan gas project in the Sultanate of Oman. This has been awarded on a convertible lump-sum basis and will convert to a full lump-sum contract worth approximately US$1.2 billion at a pre-determined point during execution. The scope of work will include engineering, procurement and construction of the CPF at the Khazzan field. The CPF will include two process trains, each having a capacity of 525 million standard cubic feet of gas per day, an associated condensate processing system, power generation plant, water treatment system and all associated utilities and infrastructure. The project is expected be completed in 2017.

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Financial performance
Revenue for the year was lower at US$3,534 million (2012 restated: US$4,288 million), reflecting overall activity levels, including the rephasing of the In Salah southern fields development in Algeria and the Upper Zakum project in Abu Dhabi. Five projects contributed over half of the revenue for the reporting segment in the year: the Galkynysh gas field development in Turkmenistan, the El Merk gas processing facility and the In Salah southern fields development in Algeria, the Upper Zakum project in Abu Dhabi and the Jazan refinery and terminal project in Saudi Arabia.

Net profit for the year was US$447 million (2012: US$479 million), representing a net margin of 12.6% (2012 restated: 11.2%). The increase in net margin reflects a contribution from projects in their late stages, including the Galkynysh gas field development in Turkmenistan and the El Merk gas processing facility, and contractual settlements on completed projects.

Onshore Engineering & Construction headcount stood at 6,100 at 31 December 2013 (2012: 7,800), reflecting lower activity levels in 2013 and optimisation of our resources between the United Arab Emirates and our engineering centres in India (which are reported within Engineering & Consulting Services).

Onshore Engineering & Construction backlog increased by more than 50% over the year to stand at US$7.8 billion at 31 December 2013 (2012: US$5.1 billion), reflecting recent awards in Abu Dhabi, where we now book 100% of Petrofac Emirates share, and awards in Algeria and Oman.

Offshore Projects & Operations

Offshore Projects & Operations, which includes our Offshore Capital Projects service line, specialises in both offshore engineering and construction services, for greenfield and brownfield oil and gas projects, and the provision of operations and maintenance support, onshore and offshore.

In 2013, we made substantial progress on the SARB3 project (see below), the upgrade and modification of the FPF1 for the Greater Stella Area development (see Integrated Energy Services) and we completed the refurbishment of the Bekok-C platform in Malaysia. This activity more than offset the impact of projects that substantially completed in the prior year, including: the upgrade and modification of the FPF5 (formerly the Ocean Legend) and the FPSO Berantai. These projects are now complete with the floating production facilities on location on West Desaru on Block PM304 and the Berantai development, both offshore Malaysia. We also increased activity levels on the Laggan-Tormore gas plant on Shetland, UK, and our operations support contracts, particularly in Iraq, where we had the benefit of a full year's activity on the Iraq Crude Oil Expansion Project for South Oil Company (SOC).

New awards
We secured the following major new projects and extensions in 2013:

SARB3 project, Abu Dhabi
In April 2013, we were awarded our largest offshore EPCI project to date, a US$500 million engineering, procurement, installation and commissioning contract by Abu Dhabi Marine Operating Company for the Satah Al Razboot package 3 project (SARB3). Drilling will be conducted from two artificial islands (SARB1 and SARB2) with the well fluid sent by subsea pipeline to a facility on Zirku Island for processing, storage and export. Our scope includes 200 kilometres of subsea pipelines for well fluid, water injection, gas injection, flare and export, along with three kilometres of onshore pipeline and 55 kilometres of subsea power and communication cables. The offshore scope of the contract includes the provision of two riser platforms and four flare platforms with four interconnecting bridges and one single point mooring buoy located at the north of Zirku Island. The onshore scope of the contract includes: drilling utilities, foundations on SARB1 and SARB2, transport, installation, hook up and assistance in the commissioning of the accommodation modules.

Operations and maintenance services, Oman
In June 2013, we announced a new agreement, worth US$50 million, with Oman Oil Company Exploration and Production LLC (OOCEP). The contract, for an initial period of three years, will see us deliver operations and maintenance at two new production facilities on behalf of OOCEP, the upstream subsidiary of Oman Oil Company, the national oil company of Oman. We will design and implement an operations management system to meet OOCEP requirements and manage the initial transition from the commissioning to full operating phase.

Wind convertor station platform commissioning support, German North Sea
In July 2013, we secured a €40 million contract from Siemens Energy to provide support during the commissioning phase of two offshore wind converter station platforms in the German North Sea. We will provide logistics management, platform support services and maintenance services during the commissioning and testing phase of two high voltage direct current offshore platforms. The platforms are currently under construction and will each connect several surrounding wind farms to the German mainland, in total providing enough transmission capacity to supply about two million German households with wind power.

Maintenance services, Iraq
In August 2013, we were awarded a second contract by Gazprom Neft Badra B.V. (Gazprom) on the Badra oil field, situated 160 kilometres southeast of Baghdad. Worth US$95 million over three years, we will provide maintenance engineering, maintenance execution and support services. The award builds on a previous contract to carry out the EPC work on the first phase of the field’s processing facilities. Iraq is an important geography for us, and this award reflects our ability to provide quality maintenance and engineering services on technically and logistically challenging projects in the region.

Operations and maintenance services, Iraq
In October 2013, we announced a contract extension with SOC for its Iraq Crude Oil Expansion Project. The 12-month extension, worth around US$100 million, includes additional scope for operations and maintenance services. The extension follows the original award made in 2012, which covered operations and maintenance services on offshore facilities, including: an offshore platform, metering station, two single point moorings, subsea pipelines and tanker operations, all based 60 kilometres offshore the Al Fao Peninsula in Southern Iraq. The extension covers two additional single point moorings and a central metering and maintenance platform. During the first year of the contract, we achieved some significant milestones on behalf of our customer SOC, including the export of 240 million barrels of oil and one million man-hours worked without a lost time incident.

Financial performance
Revenue for the year increased 19.1% to US$1,671 million (2012: US$1,403 million) reflecting higher levels of activity. Approximately two-thirds of Offshore Projects & Operations’ revenue was generated in the UK and those revenues are generally denominated in sterling. The average US dollar to sterling exchange rate for the year was slightly lower than the prior period. Excluding the impact of the exchange rate movement, revenue growth would have been marginally higher than reported.

Financial reporting exchange rates **US$/sterling**	**Year ended 31 December 2013**	**Year ended 31 December 2012**
Average rate for period	1.57	1.59
Year-end rate	1.66	1.63

Net profit for the year increased 13.1% to US$69 million (2012: US$61 million), reflecting increased levels of activity. Net margins were marginally lower at 4.1% (2012: 4.3%).

The Group's results for the year ended 31 December 2013 included a one-off gain of US$22 million (reported within 'Consolidation adjustments & eliminations'), reflecting the recognition, on granting a finance lease over the FPF5 to the partners on the PM304 Production Sharing Contract in Malaysia, of margin from the modification and upgrade of the FPF5 by Offshore Projects & Operations which was eliminated on consolidation in prior years.

Headcount increased to 5,100 at 31 December 2013 (2012: 4,300) as the Laggan-Tormore project on Shetland is now in its construction phase.

Offshore Projects & Operations backlog stood at US$3.1 billion at 31 December 2013 (2012: US$3.5 billion), as progress on the existing portfolio of projects more than offset new awards and extensions.

Engineering & Consulting Services

Engineering & Consulting Services operates as our centre of technical engineering excellence. From offices across the Middle East and North Africa, CIS, Asia-Pacific, Europe and The Americas, we provide engineering services across the life cycle of oil and gas assets. Our teams execute all aspects of engineering, including conceptual studies, front-end engineering and design (FEED) and detailed design work, for onshore and offshore oil and gas fields and facilities.

As well as supporting the rest of ECOM and IES, we have secured and undertaken a wide range of conceptual studies and FEED studies during the year for external customers. Engineering & Consulting Services' larger awards during 2013 included:

In Salah Gas and In Amenas consultancy, design and procurement services, Algeria
In January 2013, we were awarded a substantial services contract in Algeria, by the In Salah Gas and In Amenas joint ventures comprising Sonatrach, BP and Statoil. Under the terms of the three-year contract, we are providing a range of multi-discipline consultancy, design and procurement services to augment hydrocarbon production.

Lakach project management contract, Mexico
In March 2013, we were awarded, in partnership with Doris Engineering, a project management contract by Petróleos Mexicanos (PEMEX) for the Lakach project, their first major deepwater development. Our services include specialised technical assistance, supervision for the construction, installation, commissioning, testing and start-up of deepwater wells and infrastructure, drilling activities and tie-ins to existing onshore facilities.

Acquisitions
In late 2011, we entered into a collaboration agreement with RNZ Integrated Sdn Bhd (RNZ), a Malaysian engineering company with particular focus on offshore projects. Following the completion of a number of pre-conditions, including the establishment of a management committee, we now have overall control of RNZ and the company is consolidated as part of the Petrofac Group (see note 10 to the financial statements). RNZ has approximately 700 employees and is one of a small number of companies to be licensed to undertake major offshore engineering projects for PETRONAS.

Financial performance
Revenue for the year increased by 47.8% to US$362 million (2012 restated: US$245 million), reflecting a substantial increase in activity levels, including significant activity on a project in Malaysia, and the consolidation of RNZ from April 2013. Net profit for the year increased 10.3% to US$32 million (2012: US$29 million). While activity levels were significantly higher than the prior year, the project in Malaysia was undertaken at lower than average margin.

Headcount increased to 3,900 at 31 December 2013 (2012: 2,800), due principally to the inclusion of approximately 700 employees of RNZ and an increase in headcount in our engineering centres in India.

Integrated Energy Services

Integrated Energy Services provides an integrated service for hydrocarbon resource holders under innovative commercial models that are aligned with their requirements. Projects cover upstream developments, both greenfield and brownfield, and related energy infrastructure projects, and can include investment.

Integrated Energy Services deploys Group capabilities to meet the individual needs of customers using a range of commercial frameworks, including:

- Production Enhancement Contracts (PECs)
- Risk Service Contracts (RSCs)
- Traditional Equity Upstream Investment models including both Production Sharing Contracts (PSCs) and concession agreements

Our service offering is underpinned by our ability to develop resource holders' local capability through the provision of skills training with competency development and assurance frameworks.

Production Enhancement Contracts
In Mexico, we took over field operations on the Pánuco contract area in late March 2013 and on the Arenque contract area in early July 2013. We have made good progress on Magallanes and Santuario during the year, having improved production levels by 45% since we took over the blocks in February 2012.

On the Ticleni PEC in Romania, while production remains below our original expectations, we have achieved an increase in production in 2013 compared with 2012. We spent the latter part of 2013 shooting additional seismic studies in order to enhance our understanding of the Ticleni field, and the results of this will inform a revised field development plan. We expect to recommence drilling activities in 2014.

We earn a tariff per barrel on PECs for an agreed level of baseline production and an enhanced tariff per barrel on incremental production. During the year we earned tariff income on a total of 7.8 million barrels of oil equivalent (mboe) (2012: 5.2 mboe), reflecting: a full 12 months of production from Magallanes and Santuario (11 months in 2012 following commencement in February 2012); a contribution from Pánuco and Arenque, which commenced in the year; and, higher production from Ticleni.

Risk Service Contracts
On the Berantai RSC, offshore Peninsular Malaysia, we commenced the processing and exporting of gas in October 2012. We achieved another key milestone on this project during the first half of 2013 in bringing all 13 wells from the first phase of the development online. We are currently undertaking studies for the second stage of the development.

We continue to support Bowleven on the Etinde Permit in Cameroon with concept/pre-FEED engineering as we progress towards the final investment decision.

In December 2013, we announced, together with Taleveras Energy Resources Limited, an independent African oil and gas company, a 20-year agreement with the Nigerian Petroleum Development Company (NPDC) to provide investment and technical, capacity and capability building support for the further development of NPDC's offshore block OML119 in a risk-based support agreement, whereby reserves and license ownership are retained by NPDC.

Equity Upstream Investments
In Malaysia, despite a number of operational and technical challenges, we commenced production from the third phase of development of Block PM304, West Desaru, in early August 2013, only 18 months from

approval of the Field Development Programme (FDP) by PETRONAS. Initial oil processing is through the recently upgraded FPF5 Mobile Offshore Production Unit with stabilised crude oil exported through the existing Cendor phase 1 facilities and ultimately through the phase two FPSO, which is expected to arrive in the first half of 2014 with first production from phase two expected early in the second half. During the year, we drilled three new wells on Block PM304 as part of a near-field appraisal programme, with encouraging results.

The Chergui gas plant in Tunisia continues to perform in line with our expectations, with production at similar levels to the prior year. Two new wells were drilled during the year, with one tied-in to date, which we expect to improve production and extend the plateau.

During the year, our net entitlement from production from Block PM304 and the Chergui gas plant totalled 1.6 million barrels of oil equivalent (mboe) (2012: 1.4 mboe).

Through Offshore Projects & Operations, we have recently completed the dry dock related marine system refurbishment and hull life extension works on the FPF1 floating production facility for the Greater Stella Area partners. The main topsides processing plant construction and installation activities are now well under way. The FPF1 will be deployed on the Greater Stella Area in the UK North Sea, with production now expected to commence at the end of 2014, reflecting the revised execution schedule.

Financial performance
Integrated Energy Services' revenue increased by 31.9% to US$934 million (2012 restated: US$708 million), reflecting an increase in activity and production on the PECs in Mexico and an increase in production from Block PM304 in Malaysia, following commencement of production from West Desaru in August 2013. These increases more than offset a reduction in revenues from the Berantai Risk Service Contract, following completion of the first phase of the development in the first half of 2013.

Net profit increased 36.0% to US$121 million (2012: US$89 million). Excluding the US$36 million contribution from the FPF1 transaction in 2012, net profit more than doubled, reflecting the commencement of operations on West Desaru on Block PM304 in Malaysia, a full year of income from the FPSO Berantai, a greater contribution from Production Enhancement Contracts due to increased production on the Magallanes and Santuario blocks and a contribution of US$17 million from our interest in Seven Energy (2012: US$8 million loss).

Headcount increased to 3,200 at 31 December 2013 (2012: 3,000), reflecting an increase in activity levels, including commencement of the Pánuco and Arenque PECs.

Integrated Energy Services' backlog increased by 29.1% to stand at US$3.9 billion at 31 December 2013 (2012: US$3.0 billion), following the agreement for the further development of OML119 in Nigeria and an increase in backlog for the PECs in Mexico as we progress the plans for their development.

Financial review
While we delivered modest growth in net profit during the year, up 3% to US$650 million, EBITDA grew strongly (up 17%) to over US$1 billion and backlog increased 27% to end the year at the record level of US$15.0 billion.

Revenue
Group revenue increased 1.4% to US$6,329 million (2012 restated: US$6,240 million), with good growth in Offshore Projects & Operations, Engineering & Consulting Services and Integrated Energy Services due to high levels of activity, largely offset by lower revenues in Onshore Engineering & Construction reflecting lower activity levels, including the rephasing of the In Salah southern fields development in Algeria and the Upper Zakum field development in Abu Dhabi.

Operating profit[1]
Group operating profit for the year increased 4.6% to US$793 million (2012: US$758 million), representing an operating margin of 12.5% (2012 restated: 12.1%). The increase in operating margin was due to strong growth in the higher margin Integrated Energy Services reporting segment, an increase in operating margins in Onshore Engineering & Construction and Offshore Projects & Operations and a gain of US$22 million reported within 'consolidation adjustments & eliminations'. The gain reflects the recognition, on granting a finance lease over the FPF5 to the partners on the PM304 Production Sharing Contract in Malaysia, of margin from the modification and upgrade of the FPF5 by Offshore Projects & Operations which was eliminated on consolidation in prior years.

Net profit
Reported profit for the year attributable to Petrofac Limited shareholders increased 2.8% to US$650 million (2012: US$632 million) with the increase in net profit from Integrated Energy Services, and to a lesser extent, Offshore Projects & Operations and Engineering & Consulting Services, more than offsetting a decrease in net profit from Onshore Engineering & Construction due to lower activity levels. The increase in net profit in Integrated Energy Services was due to the commencement of operations on West Desaru on Block PM304 in Malaysia, a full year of income from the FPSO Berantai, a greater contribution from Production Enhancement Contracts due to increased production on the Magallanes and Santuario blocks and a contribution of US$17 million from our interest in Seven Energy. The additional contribution from these projects more than offset the US$36 million one-off profit from the FPF1 transaction in 2012. In addition, the gain of US$22 million reported within 'consolidation adjustments & eliminations' more than offset higher net finance costs in 'corporate & other'/'consolidation adjustments & eliminations'. The net margin for the Group increased to 10.3% (2012 restated: 10.1%), reflecting a greater contribution from the higher margin Integrated Energy Services reporting segment, a higher net margin in Onshore Engineering & Construction due to significant margin delivery on projects in their late stages and the gain of US$22 million reported within 'consolidation adjustments & eliminations'.

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)[2]
EBITDA increased 16.8% to US$1,031 million (2012 restated: US$883 million), representing an EBITDA margin of 16.3% (2012 restated: 14.2%), reflecting strong growth in EBITDA margins from Integrated Energy Services, Onshore Engineering & Construction and Offshore Projects & Operations. Integrated Energy Services has higher EBITDA margins than the rest of the Group, at 33.7% (2012 restated: 27.7%), reflecting its higher capital intensity. Integrated Energy Services' share of the Group's EBITDA increased during the year (from 22% in 2012 to 31% in 2013), due to a greater contribution from Block PM304 in Malaysia, following the commencement of operations on West Desaru, a full year of income from the FPSO Berantai, a greater contribution from Production Enhancement Contracts due to increased production on the Magallanes and Santuario blocks and a contribution of US$17 million from our interest in Seven Energy. The EBITDA contribution from Onshore Engineering & Construction was lower due to lower activity levels, but the EBITDA margin increased to 15.3% (2012 restated: 13.4%) due to significant margin delivery on projects in their late stages.

[1] Profit from operations before tax and finance (costs)/income and our share of results of associates.

[2] Including our share of results of associates.

Backlog
The Group's backlog increased 27% to end the year at the record level of US$15.0 billion at 31 December 2013 (2012: US$11.8 billion), reflecting a strong intake of new orders in Onshore Engineering & Construction and growth in Integrated Energy Services' backlog due to the signing of an agreement to develop OML119 in Nigeria and scope growth on existing projects.

Exchange rates
The Group's reporting currency is US dollars. A significant proportion of Offshore Projects & Operations' revenue is generated in the UKCS (approximately two-thirds) and those revenues and associated costs are generally denominated in sterling; however, there was little change in the average exchange rate for the US dollar against sterling for the years ended 31 December 2013 and 2012 and therefore little exchange rate impact on our US dollar reported results. The table below sets out the average and year-end exchange rates for the US dollar and sterling as used by the Group for financial reporting purposes.

Financial reporting exchange rates **US$/sterling**	**Year ended 31 December 2013**	**Year ended 31 December 2012**
Average rate for year	1.57	1.59
Year-end rate	1.66	1.63

Interest
Net finance costs for the year were US$4 million (2012: US$7 million net finance income). Finance costs increased from US$5 million in 2012 to US$28 million in 2013, reflecting the move into a net debt position during the year. However, this was mitigated by a US$12 million increase in finance income primarily from growth in the credit from unwinding of the discount on the long-term receivable in respect of the Berantai project, reflecting the larger receivable balance which subsisted during the year.

Taxation
Our policy in respect of tax is to:

- operate in accordance with the terms of the Petrofac Code of Business Conduct
- act with integrity in all tax matters
- work together with the tax authorities in jurisdictions that we operate in, to build positive long-term relationships
- where disputes occur, to address them promptly
- manage tax in a pro-active manner to maximise value for our customers and shareholders

Responsibility for the tax policy and management of tax risk rests with the Chief Financial Officer and Group Head of Tax who report the Group's tax position regularly to the Group Audit Committee. The Group's tax affairs and the management of tax risk are delegated to a global team of tax professionals.

An analysis of the income tax charge is set out in note 6 to the financial statements. The income tax charge for the year as a percentage of profit before tax was broadly unchanged at 18.0% (2012: 17.7%). A number of factors have impacted the effective tax rate this year: net release of tax provisions held in respect of income taxes and from 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.

Earnings per share
Fully diluted earnings per share increased 2.8% to 189.10 cents per share (2012: 183.88 cents), in line with the Group's increase in profit for the year attributable to Petrofac Limited shareholders.

Operating cash flow and liquidity

The Group's net debt stood at US$727 million at 31 December 2013 (2012 restated: net cash US$233 million) as the net result of:

- operating profits before working capital and other non-current changes of US$1,026 million
- net working capital outflows of US$893 million, including:
  - an increase in work in progress of US$817 million, which relates predominantly to projects which were either rephased or were in their late stages during 2013
  - an increase in trade and other receivables of US$252 million, including an increase in other receivables, predominantly relating to VAT receivables, advances to some of our subcontractors and vendors and an increase in retentions on Onshore Engineering & Construction projects as we reach the late stages on a number of projects; this was partially offset by an increase in trade and other payables of US$116 million
- an increase in long-term receivables from customers of US$134 million due to expenditure on the Berantai Risk Service Contract in Malaysia
- investing activities of US$593 million, including capital expenditure of US$487 million on property, plant and equipment, US$43 million on intangible oil & gas assets, US$85 million in respect of the development of the Greater Stella Area, less US$23 million of cash recognised on consolidation of Petrofac Emirates (see note 10 to the financial statements)
- financing activities, in particular, payment of the 2012 final dividend and 2013 interim dividend totalling US$224 million and financing the purchase of treasury shares for US$47 million for the purpose of making awards under the Group's share schemes
- net taxes paid of US$77 million

Gearing ratio	**2013**	**2012(restated)**
	US$ millions (unless otherwise stated)	
Interest-bearing loans and borrowings (A)	1,344	349
Cash and short term deposits (B)	617	582
Net cash/(debt) (C = B - A)	(727)	233
Equity attributable to Petrofac Limited Shareholders (D)	1,989	1,549
Gross gearing ratio (A/D)	68%	23%
Net gearing ratio (C/D)	37%	Net cash position
Net debt/EBITDA	71%	Net cash position

The Group's total gross borrowings less associated debt acquisition costs and the discount on senior notes issuance at the end of 2013 were US$1,344 million (2012: US$349 million). The Group entered into a US$1.2 billion five-year committed revolving credit facility in September 2012, which is available for general corporate purposes. In October 2013, the Group successfully raised US$750 million from our debut bond issue (see note 24 to the financial statements). During the year, Standard and Poors and Moodys initiated ratings coverage for the Group, assigning investment grade credit ratings of BBB+ and Baa1, respectively.

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.

Capital expenditure

Capital expenditure on property, plant and equipment totalled US$597 million in the year ended 31 December 2013 (2012 restated: US$428 million), comprising:

- capital expenditure on Integrated Energy Services projects of US$491 million (see table below), predominantly in relation to development costs for PECs and Block PM304 in Malaysia
- expenditure on assets under construction of US$23 million, which includes expenditure incurred in relation to our new office building in the United Arab Emirates and the Group's Enterprise Resource Planning (ERP) project
- other capital expenditure of US$83 million, including land, buildings and leasehold improvements and office furniture and equipment

Capital expenditure on intangible oil and gas assets during the year was US$43 million (2012: US$165 million), predominantly in respect of pre-development activities on Block PM304, offshore Malaysia.

Capital expenditure on Integrated Energy Services Production Enhancement Contracts and Equity Upstream Investments in the year was US$619 million, including US$85 million accounted for through receivables from customers:

Capital expenditure on Integrated Energy Services projects:

	Cost					Net carrying amount
US$millions	**31 December 2012**	**Additions**	**Transfers in / (out)**	**Disposals / receipts**	**31 December 2013**	**31 December 2013**
Oil & gas assets (note 9: Block PM304 (Cendor, West Desaru), Chergui, PECs)	288	491[2]	49	-	**828**	628
Oil & gas facilities (note 9: Ohanet, various floating production facilities)	558	-	-	(110)[1]	**448**	273
Intangible oil & gas assets (note 12: Block PM304 (Cendor phase 2) and other pre-development costs)	268	43	(21)	-	**290**	290
Receivables from customers in relation to the Greater Stella Area (included within note 14)	115	85	-	-	**200**	200
Total	1,229	619	28	(110)	**1,766**	1,391

[1] The FPF5 was sold under a finance lease during 2013. An amount of US$127 million is included in 'receivable from a joint venture partner' in relation to the receivables due under the finance lease.
[2] Includes US$100 million of capitalised decommissioning costs provided on Block PM304 in Malaysia and Santuario, Magallanes, Arenque and Pánuco Production Enhancement Contracts in Mexico.

In addition to the above, amounts receivable under the Berantai Risk Service Contract (which includes receivables in relation to both capital and operating expenditure) stood at US$476 million at 31 December 2013 (2012: US$389 million).

Total equity

Total equity at 31 December 2013 was US$1,992 million (2012: US$1,550 million). The main elements of the net movement were: net profit for the year of US$647 million, less dividends paid in the year of US$222 million and the purchase of treasury shares of US$47 million, which are held in the Petrofac Employees Benefit Trust for the purpose of making awards under the Group's share schemes (see note 21 to the financial statements).

Return on capital employed

The Group's return on capital employed for the year ended 31 December 2013 was lower at 28% (2012: 46%), predominantly reflecting ongoing investment in Integrated Energy Services.

Dividends

The Company proposes a final dividend of 43.80 cents per share for the year ended 31 December 2013 (2012: 43.00 cents), which, if approved, will be paid to shareholders on 23 May 2014 provided they were on the register on 22 April 2014. Shareholders who have not elected (before 25 February 2014) to receive dividends in US dollars will receive a sterling equivalent of 26.25 pence per share.

Together with the interim dividend of 22.00 cents per share (2012: 21.00 cents), equivalent to 14.10 pence, this gives a total dividend for the year of 65.80 cents per share (2012: 64.00 cents), an increase of 2.8%, in line with the increase in net profit.

Petrofac

Click on, or paste the following link into your web browser, to view the Group financial statements of Petrofac Limited for the year ended 31 December 2013:

http://www.rns-pdf.londonstockexchange.com/rns/9328A_1-2014-2-25.pdf