Petrofac Limited

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2009

	Notes	***2009*** ***US$'000***	*2008* *US$'000*
Revenue	4a	**3,655,426**	3,329,536
Cost of sales	4b	**(3,035,120)**	(2,776,661)
Gross profit		**620,306**	552,875
Selling, general and administration expenses	4e	**(180,197)**	(202,167)
Other income	4c	**4,075**	7,421
Other expenses	4d	**(2,998)**	(2,543)
Profit from operations before tax and finance income/(costs)		**441,186**	355,586
Finance costs	5	**(5,582)**	(13,906)
Finance income	5	**11,942**	16,688
Profit before tax		**447,546**	358,368
Income tax expense	6	**(84,515)**	(93,379)
Profit for the year		**363,031**	264,989
Attributable to:			
Petrofac Limited shareholders		**353,603**	264,989
Minority interests		**9,428**	-
		363,031	264,989
Earnings per share (US cents)	7		
- Basic		104.78	78.03
- Diluted		103.19	77.11

The attached notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

	Notes	***2009 US$'000***	*2008 US$'000*
Profit for the period		**363,031**	264,989
Foreign currency translation		**15,087**	(84,232)
Net gains on maturity of cash flow hedges recycled in the period	23	**(4,303)**	(32,103)
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	23	**29,229**	(25,907)
Net changes in the fair value of available-for-sale financial assets		**-**	(879)
Impairment of available-for-sale financial assets	14	**-**	355
Other comprehensive income (loss)		**40,013**	(142,766)
Total comprehensive income for the period		**403,044**	122,223
Attributable to:			
Petrofac Limited shareholders		**389,416**	122,223
Minority interests		**13,628**	-
		403,044	122,223

The attached notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2009

	Notes	*2009* *US$'000*	*2008* *US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	9	**677,996**	413,064
Goodwill	11	**97,922**	97,534
Intangible assets	12	**73,107**	38,353
Available-for-sale financial assets	14	**539**	566
Other financial assets	15	**12,535**	9,126
Deferred income tax assets	6c	**49,726**	46,444
		911,825	605,087
Current assets			
Inventories	16	**9,798**	4,077
Work in progress	17	**333,698**	252,695
Trade and other receivables	18	**878,670**	700,931
Due from related parties	30	**18,260**	2,907
Other financial assets	15	**30,957**	9,709
Cash and short-term deposits	19	**1,417,363**	694,415
		2,688,746	1,664,734
TOTAL ASSETS		**3,600,571**	2,269,821
EQUITY AND LIABILITIES			
Equity attributable to Petrofac Limited shareholders			
Share capital	20	**8,638**	8,636
Share premium		**69,712**	68,203
Capital redemption reserve		**10,881**	10,881
Shares to be issued	10	**1,988**	1,988
Treasury shares	21	**(56,285)**	(69,333)
Other reserves	23	**21,194**	(39,292)
Retained earnings		**834,382**	577,739
		890,510	558,822
Minority interests		**16,245**	209
TOTAL EQUITY		**906,755**	559,031
Non-current liabilities			
Interest-bearing loans and borrowings	24	**59,195**	88,188
Provisions	25	**92,103**	29,663
Other financial liabilities	26	**27,485**	32,265
Deferred income tax liabilities	6c	**42,192**	38,196
		220,975	188,312
Current liabilities			
Trade and other payables	27	**967,791**	513,329
Due to related parties	30	**57,326**	559
Interest-bearing loans and borrowings	24	**58,071**	54,412
Other financial liabilities	26	**3,634**	6,362
Income tax payable		**88,219**	110,428
Billings in excess of cost and estimated earnings	17	**461,144**	285,527
Accrued contract expenses	28	**836,656**	551,861
		2,472,841	1,522,478
TOTAL LIABILITIES		**2,693,816**	1,710,790
TOTAL EQUITY AND LIABILITIES		**3,600,571**	2,269,821

The financial statements on pages 82 to 135 were approved by the Board of Directors on 5 March 2010 and signed on its behalf by Keith Roberts – Chief Financial Officer.

The attached notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2009

	Notes	***2009 US$'000***	*2008 US$'000*
OPERATING ACTIVITIES			
Profit before tax		**447,546**	358,368
Adjustments for:			
Depreciation, amortisation, impairment and write off	4b, 4e	**117,780**	63,366
Share-based payments	4f	**13,263**	9,448
Difference between other long-term employment benefits paid and amounts recognised in the income statement		**7,905**	9,007
Net finance (income)	5	**(6,360)**	(2,782)
(Gain) loss on disposal of property, plant and equipment	4b,4d	**(784)**	41
Other non-cash items, net		**(3,233)**	11,303
Operating profit before working capital changes		**576,117**	448,751
Trade and other receivables		**(176,773)**	(194,817)
Work in progress		**(81,003)**	17,486
Due from related parties		**(15,353)**	240
Inventories		**(5,721)**	(1,821)
Other current financial assets		**(4,775)**	(1,680)
Trade and other payables		**466,469**	104,708
Billings in excess of cost and estimated earnings		**175,617**	77,422
Accrued contract expenses		**284,795**	138,395
Due to related parties		**56,767**	(185)
Other current financial liabilities		**177**	-
		1,276,317	588,499
Other non-current items, net		**(58)**	(1,927)
Cash generated from operations		**1,276,259**	586,572
Interest paid		**(3,351)**	(11,526)
Income taxes paid, net		**(87,714)**	(67,418)
Net cash flows from operating activities		**1,185,194**	507,628
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(317,174)**	(255,542)
Acquisition of subsidiaries, net of cash acquired	10	**-**	(40,774)
Purchase of other intangible assets	12	**(10,375)**	-
Purchase of intangible oil & gas assets	12	**(29,230)**	(37,036)
Purchase of available-for-sale financial assets		**(106)**	-
Proceeds from disposal of property, plant and equipment		**1,333**	1,031
Proceeds from disposal of available-for-sale financial assets		**95**	-
Interest received		**12,158**	16,704
Net cash flows used in investing activities		**(343,299)**	(315,617)

The attached notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT (continued)
For the year ended 31 December 2009

	Notes	***2009*** ***US$'000***	*2008* *US$'000*
FINANCING ACTIVITIES			
Proceeds from interest-bearing loans and borrowings		**-**	25,000
Repayment of interest-bearing loans and borrowings		**(9,958)**	(6,213)
Proceeds from capital injection by minority interest		**2,408**	
Treasury shares purchased	21	**-**	(42,500)
Equity dividends paid		**(98,995)**	(64,135)
Net cash flows used in financing activities		**(106,545)**	(87,848)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**735,350**	104,163
Net foreign exchange difference on cash and cash equivalents		**6,235**	(20,890)
Cash and cash equivalents at 1 January		**649,159**	565,886
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	19	**1,390,744**	649,159

The attached notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2009

For the year ended 31 December 2009	*Issued share capital US$'000*	*Share premium US$'000*	*Capital redemption reserve US$'000*	*Shares to be issued US$'000*	**Treasury shares US$'000 (note 21)*	*Other reserves US$'000 (note 23)*	*Retained earnings US$'000*	*Total US$'000*	*Minority interests US$'000*	*Total equity US$'000*
	Attributable to shareholders of Petrofac Limited									
Balance at 1 January 2009	8,636	68,203	10,881	1,988	(69,333)	(39,292)	577,739	558,822	209	559,031
Net profit for the year	-	-	-	-	-	-	353,603	353, 603	9,428	363,031
Other comprehensive income/(loss)	-	-	-	-	-	35,813	-	35,813	4,200	40,013
Total comprehensive income/(loss) for the year	-	-	-	-	-	35,813	353, 603	389,416	13,628	403,044
Shares issued on acquisition (note 10)	2	1,509	-	-	-	-	-	1,511	-	1,511
Share-based payments charge (note 22)	-	-	-	-	-	13,263	-	13,263	-	13,263
Shares vested during the year (note 21)	-	-	-	-	13,048	(12,617)	(431)	-	-	-
Transfer to reserve for share-based payments (note 22)	-	-	-	-	-	10,942	-	10,942	-	10,942
Deferred tax on share based payment reserve	-	-	-	-	-	13,085	-	13,085	-	13,085
Capital injection by minority interests	-	-	-	-	-	-	-	-	2,408	2,408
Dividends (note 8)	-	-	-	-	-	-	(96,529)	(96,529)	-	(96,529)
Balance at 31 December 2009	**8,638**	**69,712**	**10,881**	**1,988**	**(56,285)**	**21,194**	**834,382**	**890,510**	**16,245**	**906,755**

For the year ended 31 December 2008	*Issued share capital US$'000*	*Share premium US$'000*	*Capital redemption reserve US$'000*	*Shares to be issued US$'000*	**Treasury shares US$'000 (note 21)*	*Other reserves US$'000 (note 23)*	*Retained earnings US$'000*	*Total US$'000*	*Minority interests US$'000*	*Total equity US$'000*
	Attributable to shareholders of Petrofac Limited									
Balance at 1 January 2008 as previously reported	8,636	68,203	10,881	-	(29,842)	50,467	377,450	485,795	209	486,004
Restatement	-	-	-	-	-	36,966	-	36,966	-	36,966
Balance at 1 January 2008 as restated	8,636	68,203	10,881	-	(29,842)	87,433	377,450	522,761	209	522,970
Net profit for the year	-	-	-	-	-	-	264,989	264,989	-	264,989
Other comprehensive loss	-	-	-	-	-	(142,766)	-	(142,766)	-	(142,766)
Total comprehensive income/(loss) for the year	-	-	-	-	-	(142,766)	264,989	122,223	-	122,223
Shares to be issued on acquisition (note 10)	-	-	-	1,988	-	-	-	1,988	-	1,988
Share-based payments charge (note 22)	-	-	-	-	-	9,448	-	9,448	-	9,448
Shares vested during the year (note 21)	-	-	-	-	3,009	(3,009)	-	-	-	-
Treasury shares purchased (note 21)	-	-	-	-	(42,500)	-	-	(42,500)	-	(42,500)
Transfer to reserve for share-based payments (note 22)	-	-	-	-	-	9,602	-	9,602	-	9,602
Dividends (note 8)	-	-	-	-	-	-	(64,700)	(64,700)	-	(64,700)
Balance at 31 December 2008	8,636	68,203	10,881	1,988	(69,333)	(39,292)	577,739	558,822	209	559,031

* Shares held by Petrofac Employee Benefit Trust.

The attached notes 1 to 33 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of Petrofac Limited (the "Company") for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the directors on 5 March 2010.

Petrofac Limited is a limited liability company registered and domiciled in Jersey under the Companies (Jersey) Law 1991 and is the holding company for the international group of Petrofac subsidiaries (together "the group"). The Company's 31 December 2009 financial statements are shown on pages 136 to 152. The group's principal activity is the provision of facilities solutions to the oil & gas production and processing industry.

A full listing of all group companies, and joint venture companies, is contained in note 33 to these consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale financial assets which have been measured at fair value. The presentation currency of the consolidated financial statements is United States dollars and all values in the financial statements are rounded to the nearest thousand (US$'000) except where otherwise stated. Certain comparative information has been reclassified to conform to current period presentation.

Statement of compliance

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

Basis of consolidation

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

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

Minority interests in subsidiaries consolidated by the group are disclosed separately from the group's equity and income statement. Losses attributable to minority interests in excess of its interest in the net assets of the subsidiary are adjusted against the interest of the group unless there is a binding obligation on the part of the minority to contribute additional investment in the subsidiary.

New standards and interpretations

The group has adopted new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2009. The principal effects of the adoption of these new and amended standards and interpretations are discussed below:

IAS 1 *'Presentation of Financial Statements (Revised)'*
The revised standard requires that items of income and expenses, which are non-owner changes in equity, be presented separately in a statement of comprehensive income either separately as a single statement or as two statements along with the income statement. The group has decided to opt for the former and present a single separate statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards and interpretations (continued)

IFRS 7 *'Financial Instruments: Disclosures (Amendments)'*
The amendments require additional disclosures about the fair value measurement and liquidity risk. The disclosures require that for each item recorded at fair value, a fair value measurement hierarchy be disclosed based on the source of inputs for ascertaining the fair values of such items. The amendment also requires the disclosure of liquidity risk with respect to derivative financial instruments used for liquidity management. The adoption in the current year of the amendment has resulted in additional disclosure but does not have an impact on the accounting policies and measurement basis adopted by the group.

IFRS 8 *'Operating Segments'*
This standard introduces the management approach to segment reporting which requires the disclosure of segment information based on the internal reports regularly reviewed by the group's Chief Operating Decision Maker in order to assess each segment's performance and allocate resources to them. The adoption of this standard during 2009 has not had any impact on the financial position of the group. However, the segment information disclosed has changed as a result of the recent internal restructuring of the group.

Certain new standards, amendments to and interpretations of existing standards have been issued and are effective for the group's accounting periods beginning on or after 1 January 2010 or later periods which the group has not early adopted. Those that are applicable to the group are as follows:

i) **IFRS 3 *'Business Combinations (Revised)'*** effective for annual periods beginning on or after 1 July 2009, have been enhanced to, amongst other matters, specify the accounting treatments for acquisition costs, contingent consideration, pre-existing relationships and reacquired rights. The revised standards include detailed guidance in respect of step acquisitions and partial disposals of subsidiaries and associates as well as in respect of allocation of income to non-controlling interests. Further, an option has been added to IFRS 3 to permit an entity to recognise 100 per cent of the goodwill of an acquired entity, not just the acquiring entity's portion of the goodwill. The impact of this standard on the group will be assessed when a business combination transaction occurs.

ii) **IAS 27 *'Consolidated and Separate Financial Statements (Amendments)'*** effective for annual periods beginning on or after 1 July 2009, prescribes accounting treatment in respect of change in ownership interest in a subsidiary, allocation of losses incurred by a subsidiary between controlling and non-controller interests and accounting for loss of interest in a subsidiary. This may affect the group where a subsidiary with non-controlling interest becomes loss making or, there is a change in ownership interest in any of its subsidiaries.

iii) **IFRIC 17 *'Distributions of Non-cash Assets to owners'*** this interpretation provides guidance in respect of accounting for non-cash asset distributions to shareholders. This interpretation is effective for periods beginning on or after 1 July 2009. Management will consider its impact on the financial position of the group at the time of any such transaction.

Significant accounting judgements and estimates

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

- *Revenue recognition on fixed-price engineering, procurement and construction contracts*: the group recognises revenue on fixed-price engineering, procurement and construction contracts using the percentage-of-completion method, based on surveys of work performed. The group has determined this basis of revenue recognition is the best available measure of progress on such contracts.

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

- *Project cost to complete estimates*: at each balance sheet date the group is required to estimate costs to complete on fixed price contracts. Estimating costs to complete on such contracts requires the group to make estimates of future costs to be incurred, based on work to be performed beyond the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

- *Onerous contract provisions*: the group provides for future losses on long-term contracts where it is considered probable that the contract costs are likely to exceed revenues in future years. Estimating these future losses involves a number of assumptions about the achievement of contract performance targets and the likely levels of future cost escalation over time.

- *Impairment of goodwill*: the group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the group to make an estimate of the expected future cash flows from each cash-generating unit and also to determine a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2009 was US$97,922,000 (2008: US$97,534,000).

- *Deferred tax assets*: the group recognises deferred tax assets on unused tax losses where it is probable that future taxable profits will be available for utilisation. This requires management to make judgements and assumptions regarding the amount of deferred tax that can be recognised as well as the likelihood of future taxable profits. The carrying amount of recognised tax losses at 31 December 2009 was US$18,413,000 (2008: US$33,165,000).

- *Income tax*: the Company and its subsidiaries are subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the appropriate authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authority concerned.

- *Recoverable value of intangible oil & gas and other intangible assets:* the group determines at each balance sheet date whether there is any evidence of impairment in the carrying value of its intangible oil & gas and other intangible assets. This requires management to estimate the recoverable value of its intangible assets for example by reference to quoted market values, similar arm's length transactions involving these assets or value in use calculations.

- *Units of production depreciation:* estimated proven plus probable reserves are used in determining the depreciation of oil & gas assets such that the depreciation charge is proportional to the depletion of the remaining reserves over their life of production. These calculations require the use of estimates and assumptions including the amount of economically recoverable reserves and estimates of future oil & gas capital expenditure.

Interests in joint ventures

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

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

The balance sheets of overseas subsidiaries and joint ventures are translated into US dollars using the closing rate method, whereby assets and liabilities are translated at the rates of exchange prevailing at the balance sheet date. The income statements of overseas subsidiaries and joint ventures are translated at average exchange rates for the year. Exchange differences arising on the retranslation of net assets are taken directly to a separate component of equity.

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

Property, plant and equipment

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

Oil & gas facilities	10% - 12.5%
Plant and equipment	4% - 33%
Buildings and leasehold improvements	5% - 33% (or shorter of the lease term)
Office furniture and equipment	25% - 100%
Vehicles	20% - 33%

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

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

No depreciation is charged on land or assets under construction.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognised. Gains are not classified as revenue.

Non-current assets held for sale

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Goodwill

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

For the purpose of impairment testing, goodwill acquired is allocated to the cash-generating units that are expected to benefit from the synergies of the combination. Each unit or units to which goodwill is allocated represents the lowest level within the group at which the goodwill is monitored for internal management purposes and is not larger than an operating segment determined in accordance with IFRS8 ‘Operating Segments’.

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

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

Deferred consideration payable on acquisition

When, as part of a business combination, the group defers a proportion of the total purchase consideration payable for an acquisition, the amount provided for is calculated based on the best estimate of the timing of additional payments discounted back to present value with the discount factor element recognised as a finance cost in the income statement.

Intangible assets – non oil & gas assets

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

Oil & gas assets

Capitalised costs
The group’s activities in relation to oil & gas assets are limited to assets in the evaluation, development and production phases.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Oil & gas assets (continued)

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

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

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

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

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

Available-for-sale financial assets

Investments classified as available-for-sale are initially stated at fair value, including acquisition charges associated with the investment.

After initial recognition, available-for-sale financial assets are measured at their fair value using quoted market rates. Gains and losses are recognised as a separate component of equity until the investment is sold or impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Impairment of assets (excluding goodwill)

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

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

Fixed price lump sum engineering, procurement and construction contracts are presented in the balance sheet as follows:

- For each contract, the accumulated cost incurred, as well as the estimated earnings recognised at the contract's percentage of completion less provision for any anticipated losses, after deducting the progress payments received or receivable from the customers, are shown in current assets in the balance sheet under "Work in progress".

- Where the payments received or receivable for any contract exceed the cost and estimated earnings less provision for any anticipated losses, the excess is shown as "Billings in excess of cost and estimated earnings" within current liabilities.

Trade and other receivables

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

Cash and cash equivalents

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

Interest-bearing loans and borrowings

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

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

Provisions

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets and liabilities

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

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

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

Pensions and other long-term employment benefits

The group has various defined contribution pension schemes in accordance with the local conditions and practices in the countries in which it operates. The amount charged to the income statement in respect of pension costs reflects the contributions payable in the year. Differences between contributions payable during the year and contributions actually paid are shown as either accrued liabilities or prepaid assets in the balance sheet.

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

Share-based payment transactions

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

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

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

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance conditions 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.

Petrofac Employee Benefit Trust

The Petrofac Employee Benefit Trust was established on 7 March 2007 to warehouse ordinary shares purchased to satisfy various new share scheme awards made to the employees of the Company, which will be transferred to the members of the scheme on their respective vesting dates subject to satisfying the performance conditions of each scheme. The trust has been presented as part of both the Company and group financial statements in accordance with SIC 12 'Special Purpose Entities'. The cost of shares temporarily held by Petrofac Employee Benefit Trust are reflected as treasury shares and deducted from equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

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

Revenue recognition

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

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

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

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

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

Facilities management, engineering and training services (Offshore Engineering & Operations, Engineering, Training Services and Production Solutions)
Revenues from reimbursable contracts are recognised in the period in which the services are provided based on the agreed contract schedule of rates.

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

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

Oil & gas activities (Energy Developments)
Oil & gas revenues comprise the group’s share of sales from the processing or sale of hydrocarbons on an entitlement basis, when the significant risks and rewards of ownership have been passed to the buyer.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pre-contract/bid costs

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

Income taxes

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

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to the taxation authorities. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

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

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

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

Derivative financial instruments and hedging

The group uses derivative financial instruments such as forward currency contracts, interest rate collars and swaps and oil price collars and forward contracts to hedge its risks associated with foreign currency, interest rate and oil price fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the income statement.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging (continued)

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

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

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

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

Fair value hedges
For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged; the derivative is remeasured at fair value and gains and losses from both are taken to the income statement. For hedged items carried at amortised cost, the adjustment is amortised through the income statement such that it is fully amortised by maturity.

The group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the group revokes the designation.

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

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

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

3 SEGMENT INFORMATION

As described on page 5, with effect from 1 January 2009, the group reorganised to deliver its services through seven business units: Engineering & Construction, Engineering & Construction Ventures, Offshore Engineering & Operations, Engineering Services, Training Services, Production Solutions and Energy Developments. As a result the segment information has been realigned to fit the new group organisational structure which now comprises four reporting segments being Engineering & Construction, Offshore Engineering & Operations, Engineering, Training Services and Production Solutions and Energy Developments, rather than as was historically the case, split between three reporting divisions Engineering & Construction, Operations Services and Energy Developments.

The following tables represent revenue and profit information relating to the group's reporting segments for the year ended 31 December 2009 and the comparative segmental information has been restated to reflect the revised group structure.

Included within the Engineering, Training Services and Production Solutions segment are three diverse businesses none of which have ever met the quantitative thresholds set by IFRS 8 'Operating Segments' for determining reportable segments.

The consolidation adjustments and corporate columns include certain balances which due to their nature are not allocated to segments.

Year ended 31 December 2009

	Engineering & Construction US$'000	*Offshore Engineering & Operations US$'000*	*Engineering, Training Services & Production Solutions US$'000*	*Energy Developments US$'000*	*Corporate & others US$'000*	*Consolidation adjustments & eliminations US$'000*	*Total US$'000*
Revenue							
External sales	2,508,951	616,542	281,225	248,708	-	-	3,655,426
Inter-segment sales	-	10,178	68,431	-	-	(78,609)	-
Total revenue	2,508,951	626,720	349,656	248,708	-	(78,609)	3,655,426
Segment results	321,600	17,830	34,483	77,395	(1,615)	(326)	449,367
Unallocated corporate costs	-	-	-	-	(8,181)	-	(8,181)
Profit / (loss) before tax and finance income / (costs)	321,600	17,830	34,483	77,395	(9,796)	(326)	441,186
Finance costs	-	(258)	(1,582)	(10,702)	(5,705)	12,665	(5,582)
Finance income	14,087	94	313	64	10,049	(12,665)	11,942
Profit / (loss) before income tax	335,687	17,666	33,214	66,757	(5,452)	(326)	447,546
Income tax (expense) / income	(61,328)	(4,853)	(672)	(20,566)	3,095	(191)	(84,515)
Minority interests	(9,240)	-	(188)	-	-	-	(9,428)
Profit / (loss) for the year attributable to Petrofac Limited shareholders	265,119	12,813	32,354	46,191	(2,357)	(517)	353,603

3 SEGMENT INFORMATION (continued)

Year ended 31 December 2008

	Engineering & Construction US$'000	*Offshore Engineering & Operations US$'000*	*Engineering, Training Services & Production Solutions US$'000*	*Energy Developments US$'000*	*Corporate & others US$'000*	*Consolidation adjustments & eliminations US$'000*	*Total US$'000*
Revenue							
External sales	1,968,522	767,795	439,862	153,357	-	-	3,329,536
Inter-segment sales	25,017	8,769	70,542	-	-	(104,328)	-
Total revenue	1,993,539	776,564	510,404	153,357	-	(104,328)	3,329,536
Segment results	241,160	23,172	48,258	51,713	(1,176)	(215)	362,912
Unallocated corporate costs	-	-	-	-	(7,326)	-	(7,326)
Profit / (loss) before tax and finance income / (costs)	241,160	23,172	48,258	51,713	(8,502)	(215)	355,586
Finance costs	-	(914)	(3,656)	(8,247)	(7,547)	6,458	(13,906)
Finance income	19,395	32	998	224	8,075	(12,036)	16,688
Profit / (loss) before income tax	260,555	22,290	45,600	43,690	(7,974)	(5,793)	358,368
Income tax (expense) / income	(54,206)	(5,847)	(12,507)	(21,810)	(571)	1,562	(93,379)
Profit / (loss) for the year attributable to Petrofac Limited shareholders	206,349	16,443	33,093	21,880	(8,545)	(4,231)	264,989

Year ended 31 December 2009

	Engineering & Construction US$'000	*Offshore Engineering & Operations US$'000*	*Engineering, Training Services & Production Solutions US$'000*	*Energy Developments US$'000*	*Corporate & others US$'000*	*Consolidation adjustments & eliminations US$'000*	*Total US$'000*
Assets							
Segment assets	2,719,786	249,026	266,642	751,959	626,119	(1,071,692)	3,541,840
Inter-segment assets	(451,816)	(13,664)	(42,974)	(4,948)	(558,290)	1,071,692	-
Investments	-	-	-	539	-	-	539
	2,267,970	235,362	223,668	747,550	67,829	-	3,542,379
Unallocated assets	-	-	-	-	8,466	-	8,466
Deferred tax assets	4,160	2,953	5,181	21,579	15,853	-	49,726
Total assets	2,272,130	238,315	228,849	769,129	92,148	-	**3,600,571**
Other segment information							
Capital expenditures:							
Property, plant and equipment	51,821	3,400	6,682	309,824	4,686	(1,014)	375,399
Intangible oil & gas assets	-	-	-	29,230	-	-	29,230
Charges:							
Depreciation	24,525	1,887	7,482	78,677	251	(918)	111,904
Amortisation	415	-	668	-	-	-	1,083
Impairment	-	-	-	4,793	-	-	4,793
Other long-term employment benefits	7,779	833	1,736	52	38	-	10,438
Share-based payments	6,213	1,263	2,258	1,337	2,192	-	13,263

3 SEGMENT INFORMATION (continued)

Year ended 31 December 2008

	Engineering & Construction US$'000	*Offshore Engineering & Operations US$'000*	*Engineering, Training Services & Production Solutions US$'000*	*Energy Developments US$'000*	*Corporate & others US$'000*	*Consolidation adjustments & eliminations US$'000*	*Total US$'000*
Assets							
Segment assets	1,590,789	221,303	279,958	450,813	-	(352,592)	2,190,271
Inter-segment assets	(292,321)	(14,436)	(45,441)	(394)	-	352,592	-
Investments	-	-	-	566	-	-	566
	1,298,468	206,867	234,517	450,985	-	-	2,190,837
Unallocated assets	-	-	-	-	32,540	-	32,540
Deferred tax assets	3,136	1,565	4,100	37,162	919	(438)	46,444
Total assets	1,301,604	208,432	238,617	488,147	33,459	(438)	2,269,821
Other segment information							
Capital expenditures:							
Property, plant and equipment	49,906	4,221	10,005	197,718	325	(6,633)	255,542
Intangible oil & gas assets	-	-	-	37,036	-	-	37,036
Other intangible assets	-	-	12,009	-	-	-	12,009
Goodwill	-	-	52,353	-	-	-	52,353
Charges:							
Depreciation	11,210	1,504	10,803	22,254	425	(840)	45,356
Amortisation	-	-	2,829	-	-	-	2,829
Impairment	-	-	-	5,355	-	-	5,355
Write-off of intangible oil & gas assets	-	-	-	9,826	-	-	9,826
Other long-term employment benefits	7,867	816	1,427	60	53	-	10,223
Share-based payments	3,855	1,485	1,679	1,059	1,370	-	9,448

Geographical segments

The following tables present revenue from external customers based on their location and non-current assets by geographical segments for the years ended 31 December 2009 and 2008.

Year ended 31 December 2009

	United Kingdom US$'000	*United Arab Emirates US$'000*	*Syria US$'000*	*Algeria US$'000*	*Oman US$'000*	*Kuwait US$'000*	*Kazakhstan US$'000*	*Other countries US$'000*	*Consolidated US$'000*
Revenues from external customers	705,281	695,118	530,269	492,378	380,601	203,577	184,305	463,897	3,655,426

	United Kingdom US$'000	*Tunisia US$'000*	*United Arab Emirates US$'000*	*Algeria US$'000*	*Malaysia US$'000*	*Other countries US$'000*	*Consolidated US$'000*
Non-current assets:							
Property, plant and equipment	447,591	57,078	74,093	55,229	25,279	18,726	677,996
Intangible oil & gas assets	-	-	-	-	53,888	-	53,888
Other intangible assets	11,654	-	-	-	-	7,565	19,219
Goodwill	85,155	-	12,099	-	-	668	97,922

Year ended 31 December 2008

	United Kingdom US$'000	*United Arab Emirates US$'000*	*Oman US$'000*	*Tunisia US$'000*	*Algeria US$'000*	*Syria US$'000*	*Kazakhstan US$'000*	*Other countries US$'000*	*Consolidated US$'000*
Revenues from external customers	790,083	553,393	494,818	277,676	224,122	215,077	201,762	572,605	3,329,536

3 SEGMENT INFORMATION (continued)

Year ended 31 December 2008

	United Kingdom US$'000	*Tunisia US$'000*	*United Arab Emirates US$'000*	*Algeria US$'000*	*Malaysia US$'000*	*Other countries US$'000*	*Consolidated US$'000*
Non-current assets:							
Property, plant and equipment	180,457	68,904	68,365	59,009	25,212	11,117	413,064
Intangible oil & gas assets	29,451	-	-	-	-	-	29,451
Other intangible assets	8,902	-	-	-	-	-	8,902
Goodwill	80,418	-	16,448	-	-	668	97,534

Revenues disclosed in the above tables are based on where the project is located. Revenue from two customers amounted to US$801,723,000 (2008: US$822,114,000) in the Engineering & Construction segment.

4 REVENUES AND EXPENSES

a. Revenue

	2009 US$'000	*2008 US$'000*
Rendering of services	**3,446,037**	3,214,782
Sale of crude oil & gas	**202,770**	102,036
Sale of processed hydrocarbons	**6,619**	12,718
	3,655,426	3,329,536

Included in revenues from rendering of services are Offshore Engineering & Operations, Engineering, Training Services and Production Solutions revenues of a 'pass-through' nature with zero or low margins amounting to US$230,262,000 (2008: US$275,947,000).

b. Cost of sales

Included in cost of sales for the year ended 31 December 2009 is US$908,000 (2008: US$88,000 loss) gain on disposal of property, plant and equipment used to undertake various engineering and construction contracts. In addition depreciation charged on property, plant and equipment of US$104,997,000 during 2009 (2008: US$39,143,000) is included in cost of sales (note 9).

Also included in cost of sales are forward points and ineffective portions on derivatives designated as cash flow hedges and gains on maturity of undesignated derivatives of US$19,508,000 (2008: US$11,826,000 losses). These amounts are an economic hedge but do not meet the criteria within IAS39 and are most appropriately recorded in cost of sales.

c. Other income

	2009 US$'000	*2008 US$'000*
Foreign exchange gains	**2,342**	6,134
Gain on sale of property, plant and equipment	**-**	47
Other income	**1,733**	1,240
	4,075	7,421

4 REVENUES AND EXPENSES (continued)

d. Other expenses

	2009	*2008*
	US$'000	*US$'000*
Foreign exchange losses	**2,675**	1,932
Loss on sale of property, plant and equipment	**124**	47
Other expenses	**199**	564
	2,998	2,543

e. Selling, general and administration expenses

	2009	*2008*
	US$'000	*US$'000*
Staff costs	**94,583**	99,441
Depreciation	**6,907**	6,213
Amortisation (note 12)	**1,083**	2,829
Impairment (note 12 and 14)	**4,793**	5,355
Write-off of intangible oil & gas assets (note 12)	**-**	9,826
Other operating expenses	**72,831**	78,503
	180,197	202,167

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

f. Staff costs

	2009	*2008*
	US$'000	*US$'000*
Total staff costs:		
Wages and salaries	**708,684**	682,869
Social security costs	**27,877**	28,892
Defined contribution pension costs	**11,155**	11,948
Other long-term employee benefit costs (note 25)	**10,438**	10,223
Expense of share-based payments (note 22)	**13,263**	9,448
	771,417	743,380

Of the US$771,417,000 of staff costs shown above, US$676,834,000 (2008: US$643,939,000) are included in cost of sales, with the remainder in selling, general and administration expenses.

US$25,598,000 of prior year Engineering & Construction contract related staff costs have been reclassified from selling, general and administrative expenses to cost of sales to be consistent with the current year ended 31 December 2009 accounting treatment of these costs.

The average number of persons employed by the group during the year was 11,628 (2008: 10,383).

4 REVENUES AND EXPENSES (continued)

g. Auditors' remuneration

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

	2009 US$'000	*2008 US$'000*
Audit of the group financial statements	**1,369**	1,177
Other fees to auditors:		
Auditing the accounts of subsidiaries	**546**	236
Other services relating to taxation	**178**	107
All other services	**15**	46
	2,108	1,566

5 FINANCE (COSTS) / INCOME

	2009 US$'000	*2008 US$'000*
Interest payable:		
Long-term borrowings	**(3,171)**	(2,888)
Other interest, including short-term loans and overdrafts	**(310)**	(1,239)
Unwinding of discount on deferred consideration and decommissioning provisions	**(2,101)**	(1,910)
Ineffective foreign currency cash flow hedge	**-**	(8,157)
Time value portion of derivatives designated as hedges (note 31)	**-**	288
Total finance cost	**(5,582)**	(13,906)
Interest receivable:		
Bank interest receivable	**11,487**	15,989
Other interest receivable	**455**	699
Total finance income	**11,942**	16,688

6 INCOME TAX

a. Tax on ordinary activities

The major components of income tax expense are as follows:

	2009 US$'000	*2008 US$'000*
Current income tax		
Current income tax charge	**100,985**	128,243
Adjustments in respect of current income tax of previous years	**(31,448)**	4,373
Deferred income tax		
Relating to origination and reversal of temporary differences	**5,570**	(33,393)
Adjustments in respect of deferred income tax of previous years	**9,408**	(5,844)
Income tax expense reported in the income statement	**84,515**	93,379

6 INCOME TAX (continued)

b. Reconciliation of total tax charge

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

	2009	*2008*
	US$'000	*US$'000*
Accounting profit before tax	**447,546**	358,368
At Jersey's domestic income tax rate of 0% (2008: 20%)	**-**	71,674
Profits exempt from Jersey income tax	**-**	(71,674)
Expected tax charge using the weighted average statutory tax rate for the group	**107,320**	92,922
Overhead allowances	**-**	(4,484)
Expenditure not allowable for income tax purposes	**14,706**	6,192
Income not taxable	**(396)**	(415)
Adjustments in respect of previous years	**(22,040)**	(1,470)
Tax effect of utilisation of tax losses not previously recognised	**(252)**	(312)
Unrecognised tax losses	**618**	946
Other permanent differences	**(15,441)**	-
At the effective income tax rate of 18.9% (2008: 26.1%)	**84,515**	93,379

The group's effective tax rate for the year ended 31 December 2009 is 18.9% (2008: 26.1%). There are a number of factors contributing to the decrease in the group effective tax rate. These include confirmation during the year of the applicability of a lower tax rate in relation to the group's projects in Oman. The lower rate applies to the profits earned in earlier years; the effect has been recognised as an adjustment in respect of prior years in the tax reconciliation. Also a higher proportion of Engineering & Construction segmental profits have been earned in lower tax rate jurisdictions. The Energy Developments business unit has claimed the tax allowances available to it during 2009 and in particular Ring Fence Expenditure Supplement which is available for a limited number of accounting periods for company's carrying on a ring fence trade with the UK Continental Shelf.

For the year ended 31 December 2008 the Company obtained Jersey exempt company status and was therefore exempt from Jersey income tax on non-Jersey source income and bank interest (by concession). From 1 January 2009 the Jersey exempt company status regime has been abolished and under the new regime the Company will be charged to tax in Jersey at the rate of 0%. No material impact to the income tax expense is expected to arise as a result of this change.

c. Deferred income tax

Deferred income tax relates to the following:

	Consolidated Balance Sheet		*Consolidated Income Statement*	
	2009	*2008*	***2009***	*2008*
	US$'000	*US$'000*	***US$'000***	*US$'000*
Deferred income tax liabilities				
Fair value adjustment on acquisitions	**2,599**	3,610	**(139)**	(800)
Accelerated depreciation	**27,515**	23,065	**15,472**	19,778
Other temporary differences	**12,078**	11,521	**(1,441)**	(18,094)
Gross deferred income tax liabilities	**42,192**	38,196		
Deferred income tax assets				
Losses available for offset	**18,413**	33,165	**(11,130)**	(28,747)
Decelerated depreciation for tax purposes	**7,596**	5,893	**9,409**	(3,932)
Share scheme	**18,636**	2,799	**(1,142)**	(3,024)
Other temporary differences	**5,081**	4,587	**3,949**	(4,418)
Gross deferred income tax assets	**49,726**	46,444		
Deferred income tax (credit)/charge			**14,978**	(39,237)

6 INCOME TAX (continued)

d. Unrecognised tax losses

Deferred income tax assets are recognised for tax loss carry-forwards and tax credits to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The group did not recognise deferred income tax assets of US$15,452,000 (2008: US$20,732,000).

	2009 US$'000	*2008 US$'000*
Expiration dates for tax losses		
On completion of the contract	**-**	-
No earlier than 2022	**11,451**	11,906
No expiration date	**3,360**	6,534
	14,811	18,440
Tax credits (no expiration date)	**641**	2,292
	15,452	20,732

7 EARNINGS PER SHARE

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

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

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

	2009 US$'000	*2008 US$'000*
Net profit attributable to ordinary shareholders for basic and diluted earnings per share	**353,603**	264,989

	2009 Number '000	*2008 Number '000*
Weighted average number of ordinary shares for basic earnings per share	**337,473**	339,585
Effect of diluted potential ordinary shares granted under share-based payment schemes	**5,187**	4,072
Adjusted weighted average number of ordinary shares for diluted earnings per share	**342,660**	343,657

8 DIVIDENDS PAID AND PROPOSED

	2009 US$'000	*2008 US$'000*
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2007: 11.50 cents per share	**-**	39,164
Interim dividend 2008: 7.50 cents per share	**-**	25,536
Final dividend for 2008: 17.90 cents per share	**60,332**	-
Interim dividend 2009: 10.70 cents per share	**36,197**	-
	96,529	64,700

	2009 US$'000	*2008 US$'000*
Proposed for approval at AGM		
(not recognised as a liability as at 31 December)		
Equity dividends on ordinary shares		
Final dividend for 2009: 25.10 cents per share (2008: 17.90 cents per share)	**86,729**	61,831

9 PROPERTY, PLANT AND EQUIPMENT

	Oil & gas assets US$'000	*Oil & gas facilities US$'000*	*Land, buildings and leasehold improvements US$'000*	*Plant and equipment US$'000*	*Vehicles US$'000*	*Office furniture and equipment US$'000*	*Assets under construction US$'000*	*Total US$'000*
Cost								
At 1 January 2008	135,515	125,371	21,247	22,556	4,443	53,420	31,064	393,616
Additions	189,214	-	35,018	2,935	2,516	25,859	-	255,542
Acquisition of subsidiaries	-	-	190	-	-	534	-	724
Transfer from capital work in progress	-	-	31,064	-	-	-	(31,064)	-
Disposals	-	-	(723)	(683)	(318)	(875)	-	(2,599)
Exchange difference	(45,626)	-	(3,708)	(2,573)	(67)	(9,891)	-	(61,865)
At 1 January 2009	279,103	125,371	83,088	22,235	6,574	69,047	-	585,418
Additions	276,798	32,612	32,632	4,273	4,907	17,663	6,514	375,399
Disposals	-	-	(1,474)	(4,631)	(789)	(3,366)		(10,260)
Exchange difference	-	-	1,296	1,103	204	3,745	165	6,513
At 31 December 2009	**555,901**	**157,983**	**115,542**	**22,980**	**10,896**	**87,089**	**6,679**	**957,070**
Depreciation								
At 1 January 2008	(8,874)	(73,660)	(4,060)	(15,049)	(3,467)	(32,269)	-	(137,379)
Charge for the year	(7,748)	(13,366)	(5,346)	(2,598)	(1,052)	(15,246)	-	(45,356)
Disposals	-	-	544	20	237	726	-	1,527
Exchange difference	435	-	879	1,115	47	6,378	-	8,854
At 1 January 2009	(16,187)	(87,026)	(7,983)	(16,512)	(4,235)	(40,411)	-	(172,354)
Charge for the year	(60,984)	(15,254)	(14,998)	(3,571)	(2,254)	(14,843)	-	(111,904)
Disposals	-	-	1,330	4,516	740	3,150	-	9,736
Exchange difference	-	-	(379)	(1,051)	(37)	(3,085)	-	(4,552)
At 31 December 2009	**(77,171)**	**(102,280)**	**(22,030)**	**(16,618)**	**(5,786)**	**(55,189)**	**-**	**(279,074)**
Net carrying amount:								
At 31 December 2009	**478,730**	**55,703**	**93,512**	**6,362**	**5,110**	**31,900**	**6,679**	**677,996**
At 31 December 2008	262,916	38,345	75,105	5,723	2,339	28,636	-	413,064

No interest has been capitalised within oil & gas facilities during the year (2008: nil) and the accumulated capitalised interest, net of depreciation at 31 December 2009, was US$931,000 (2008: US$1,430,000).

Additions to oil & gas assets in the year mainly comprise development expenses capitalised on the group's interest in the Don area assets of US$274,114,000 (2008: US$167,265,000).

9 PROPERTY, PLANT AND EQUIPMENT (continued)

Included in oil & gas assets are US$50,726,000 (2008: US$2,879,000) of capitalised decommissioning costs net of depreciation provided on the PM304 asset in Malaysia, the Chergui asset in Tunisia and the Don area assets in the United Kingdom.

Of the total charge for depreciation in the income statement, US$104,997,000 (2008: US$39,143,000) is included in cost of sales and US$6,907,000 (2008: US$6,213,000) in selling, general and administration expenses.

Capital work in progress comprises of expenditures incurred in relation to the group ERP project.

10 BUSINESS COMBINATIONS

Acquisitions in 2008

Eclipse Petroleum Technology Limited
On 25 July 2008, the group acquired a 100% interest in the share capital of Eclipse Petroleum Technology Limited (Eclipse), a specialist production engineering company. The consideration for the acquisition inclusive of transaction costs of Sterling 195,000 (equivalent US$388,000), was Sterling 8,150,000 (equivalent US$16,200,000). The consideration of Sterling 7,955,000 (equivalent US$15,812,000), excluding transaction costs, comprised of Sterling 6,000,000 (equivalent US$11,927,000) in cash, Sterling 1,000,000 (equivalent US$1,988,000) to be satisfied with 158,177 ordinary shares vesting in two years' time and the balance being the discounted value of deferred consideration amounting to Sterling 955,000 (equivalent US$1,897,000) payable based on the estimated future profitability of Eclipse. The deferred consideration in no event will exceed an additional amount of Sterling 9,000,000 (equivalent US$17,892,000).

The fair value of net assets acquired was US$3,960,000, which included fair value of intangible assets recognised on acquisition of US$2,179,000. These intangible assets recognised on acquisition comprise a proprietary software system which is being amortised over its remaining economic useful life of six years on a straight-line basis.

During the year, income of US$152,000 (2008: US$275,000 charge) for the unwinding of interest has been reflected in the income statement reflecting the catch-up impact of the change in the estimated deferred consideration payable during 2009.

The deferred consideration was re-assessed at year end in the light of latest financial projections for the business and the current carried amount was reduced by Sterling 1,025,000 (equivalent US$1,712,000) with a corresponding decrease in the carried goodwill.

The residual goodwill of Sterling 5,133,000 (equivalent US$8,327,000) (2008: Sterling 6,158,000, equivalent US$8,995,000) comprises the fair value of expected future synergies and business opportunities arising from the integration of the business in to the group.

Caltec Limited
On 29 August 2008, the group acquired a 100% interest in the share capital of Caltec Limited (Caltec), a specialist production technology company, for a consideration of Sterling 26,776,000 (equivalent US$48,956,000), including transaction costs of Sterling 596,000 (equivalent US$1,093,000). The consideration of Sterling 26,180,000 (equivalent US$47,863,000), excluding transaction costs, comprised of Sterling 15,699,000 (equivalent US$28,641,000) in cash as initial consideration and working capital adjustments and the balance being the discounted value of deferred consideration of Sterling 10,481,000 (equivalent US$19,222,000) payable based on the expected achievement of future performance targets set for the company. The deferred consideration in no event will exceed an additional amount of Sterling 15,000,000 (equivalent US$27,510,000).

The fair value of net assets acquired was US$8,843,000, which included fair value of intangible assets recognised on acquisition of US$9,830,000. These intangible assets recognised on acquisition represent patented technology which is being amortised over its remaining economic useful life of ten years on a straight-line basis.

During the year, a charge of US$752,000 (2008: US$248,000) for the unwinding of interest has been reflected in the income statement.

During the year, 97,530 (Sterling 1,000,000 equivalent US$1,614,000) Petrofac shares were issued in settlement of additional deferred consideration payable on the original acquisition.

10 BUSINESS COMBINATIONS (continued)

Acquisitions in 2008 (continued)

Caltec Limited (continued)
The deferred consideration was re-assessed at year end in the light of latest financial projections for the business and the current carried amount was reduced by Sterling 1,754,000 (equivalent US$2,929,000) with a corresponding decrease in the carried goodwill.

The residual goodwill of Sterling 20,072,000 (equivalent US$32,563,000) (2008: Sterling 21,826,000, equivalent US$31,881,000) comprises the fair value of expected future synergies and business opportunities arising from the integration of the business in to the group.

11 GOODWILL

A summary of the movements in goodwill is presented below:

	2009 *US$'000*	*2008* *US$'000*
At 1 January	**97,534**	71,743
Acquisitions during the year (note 10)	**-**	52,353
Reassessment of deferred consideration payable (note 10 & 26)	**(8,992)**	-
Exchange difference	**9,380**	(26,562)
At 31 December	**97,922**	97,534

The decrease in goodwill is as a result of the reassessment of deferred consideration payable on SPD Group Limited of US$4,351,000, Eclipse Petroleum Technology Limited of US$1,712,000 and Caltec Limited of US$2,929,000.

Goodwill acquired through business combinations has been allocated to four groups of cash-generating units, which are operating segments, for impairment testing as follows:

- Offshore Engineering & Operations
- Production Solutions
- Training
- Energy Developments

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

Offshore Engineering & Operations, Production Solutions and Training cash-generating units
The recoverable amounts for the Offshore Engineering & Operations, Production Solutions and Training units have been determined based on value in use calculations, using discounted pre-tax cash flow projections. Management has adopted a ten year projection period to assess each unit's value in use as it is confident based on past experience of the accuracy of long-term cash flow forecasts that these projections are reliable. The cash flow projections are based on financial budgets approved by senior management covering a five year period, extrapolated for a further five years at a growth rate of 5% for Offshore Engineering & Operations and Training cash-generating units and 2.5% per annum for Production Solutions cash-generating unit since it includes newly acquired businesses (note 10) where there is less historic track record of achieving financial projections. Management considers these long-term growth rates to be conservative relative to both the economic outlook for the units in their respective markets within the oil & gas industry and the growth rates experienced in the recent past by each unit.

Energy Developments cash-generating unit
The recoverable amount of the Energy Developments unit is also determined on a value in use calculation using discounted pre-tax cash flow projections based on financial budgets and economic assumptions for the unit approved by senior management and covering a five year period, as referred to in IAS 36.

11 GOODWILL (continued)

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

	2009	*2008*
	US$'000	*US$'000*
Offshore Engineering & Operations unit	**22,975**	20,433
Production Solutions unit	**52,496**	56,653
Training unit	**20,234**	18,231
Energy Developments unit	**2,217**	2,217
	97,922	97,534

Key assumptions used in value in use calculations

The calculation of value in use for the Offshore Engineering & Operations, Production Solutions and Training units is most sensitive to the following assumptions:

Market share: the assumption relating to market share for the Offshore Engineering & Operations unit is based on the unit re-securing those existing customer contracts in the UK which are due to expire during the projection period; for the Training unit, the key assumptions relate to management's assessment of maintaining the unit's market share in the UK and developing further the business in international markets.

Growth rate: estimates are based on management's assessment of market share having regard to macro-economic factors and the growth rates experienced in the recent past by each unit. A growth rate of 5% per annum has been applied for Offshore Engineering & Operations and Training cash-generating units for the remaining five years of the ten year projection period and 2.5% per annum for Production Solutions cash-generating unit since it includes newly acquired businesses (note 10) where there is less historic track record of achieving financial projections.

Net profit margins: estimates are based on management's assumption of achieving a level of performance at least in line with the recent past performance of each of the units.

Discount rate: management has used a pre-tax discount rate of 14.5% per annum for Offshore Engineering & Operations (2008: 16.1%), Production Solutions (2008: 16.1%) and Training (2008: 15.1%) cash-generating units which are derived from the estimated weighted average cost of capital of the group. This discount rate has been calculated using an estimated risk free rate of return adjusted for the group's estimated equity market risk premium and the group's cost of debt.

The calculation of value in use for the Energy Developments unit is most sensitive to the following assumptions:

Discount rate: management has used an estimate of the pre-tax weighted average cost of capital of the group plus a risk premium to reflect the particular risk characteristics of each individual investment. The discount rate used for 2009 was 10.5% for each asset (2008: 11.4%).

Oil & gas prices: management has used an oil price assumption of US$70 (2008: US$55) per barrel and a gas price of US$8.30 (2008: US$6.40) per mcf for the impairment testing of its individual oil & gas investments.

Reserve volumes and production profiles: management has used its internally developed economic models of reserves and production as a basis of calculating value in use.

Sensitivity to changes in assumptions

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

12 INTANGIBLE ASSETS

	2009	*2008*
	US$'000	*US$'000*
Intangible oil & gas assets		
Cost:		
At 1 January	**43,137**	15,927
Additions	**29,230**	37,036
Asset written off	**-**	(9,826)
Disposal	**(18,479)**	-
At 31 December	**53,888**	43,137
Accumulated impairment:		
At 1 January	**(13,686)**	(8,686)
Impairment	**(4,793)**	(5,000)
Disposal	**18,479**	-
At 31 December	**-**	(13,686)
Net book value of intangible oil & gas assets at 31 December	**53,888**	29,451
Other intangible assets		
Cost:		
At 1 January	**13,892**	3,930
Additions on acquisition (note 10)	**-**	12,009
Acquired intangible assets (note 10)	**-**	414
Additions	**10,375**	-
Exchange difference	**1,209**	(2,461)
At 31 December	**25,476**	13,892
Accumulated amortisation:		
At 1 January	**(4,990)**	(2,161)
Amortisation	**(1,083)**	(2,829)
Exchange difference	**(184)**	-
At 31 December	**(6,257)**	(4,990)
Net book value of other intangible assets at 31 December	**19,219**	8,902
Total intangible assets	**73,107**	38,353

Intangible oil & gas assets

Oil & gas asset (part of the Energy Development segment) additions above comprise of US$29,230,000 (2008: US$24,658,000) of capitalised expenditure on near field appraisal wells in the group's 30% interest in Block PM304, offshore Malaysia.

During the year a further impairment provision of US$4,793,000 (2008: US$5,000,000) was made against the group's interest in Permit NT/P68 in Australia. The group's interests in the project were transferred to a third party for US$ nil consideration.

There were investing cash outflows relating to capitalised intangible oil & gas assets of US$29,230,000 (2008: US$37,036,000) in the current period arising from pre-development activities. As at 31 December 2009 there were cash and deposits of US$ nil (2008: US$495,000) and trade and other payables of US$ nil (2008: US$508,000) arising from pre-development activities in the current period.

12 INTANGIBLE ASSETS (continued)

Other intangible assets

Additions to other intangible assets of US$10,375,000 comprise of US$7,980,000 paid on account of intellectual property rights to LNG technology and capitalisation of further development costs of a proprietary well engineering software system of US$2,395,000. Other intangible assets comprising customer contracts, proprietory software, LNG intellectual property and patent technology are being amortised over their remaining estimated economic useful life of three, six, eight and ten years respectively on a straight-line basis and the related amortisation charges included in selling, general and administrative expenses (note 4e).

13 INTEREST IN JOINT VENTURES

In the normal course of business, the group establishes jointly controlled entities and operations for the execution of certain of its operations and contracts. A list of these joint ventures is disclosed in note 33. The group's share of assets, liabilities, revenues and expenses relating to jointly controlled entities and operations is as follows:

	2009 ***US$'000***	*2008* *US$'000*
Revenue	**31,573**	28,878
Cost of sales	**(28,293)**	(21,481)
Gross profit	**3,280**	7,397
Selling, general and administration expenses	**(16,374)**	(1,200)
Other income/(expense), net	**47**	-
Finance income, net	**5**	87
(Loss)/profit before income tax	**(13,042)**	6,284
Income tax	**(268)**	(523)
Net (loss)/profit	**(13,310)**	5,761
Current assets	**61,677**	38,295
Non-current assets	**4,830**	3,644
Total assets	**66,507**	41,939
Current liabilities	**64,619**	2,446
Non-current liabilities	**3,686**	-
Total liabilities	**68,305**	2,446
Net (liabilities)/assets	**(1,798)**	39,493

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009 ***US$'000***	*2008* *US$'000*
Shares – listed	**-**	**133**
Units in a mutual fund	**539**	**433**
	539	**566**

Available-for-sale financial assets consist of units in a mutual fund and therefore have no fixed maturity date or coupon rate.

During the year, the listed shares were sold for US$95,000 realising a US$38,000 loss on disposal. In 2008 an impairment provision of US$355,000 was made against the above listed shares held as an available-for-sale financial asset on the basis of a fall in the market value of these shares was considered to be significant.

15 OTHER FINANCIAL ASSETS

	2009 US$'000	2008 US$'000
Other financial assets – non-current		
Fair value of derivative instruments (note 31)	**9,655**	7,227
Restricted cash	**2,880**	1,899
	12,535	9,126
Other financial assets - current		
Fair value of derivative instruments (note 31)	**22,306**	5,631
Interest receivable	**845**	1,047
Restricted cash	**7,431**	2,736
Other	**375**	295
	30,957	9,709

Restricted cash comprises deposits with financial institutions securing various guarantees and performance bonds associated with the group's trading activities and cash in escrow against reimbursed long-term employee benefits charged to a customer and for the acquisition of a company (note 32). This cash will be released on the maturity of these guarantees and performance bonds and on the transfer/cessation of employment of the relevant employee for which the long-term benefit is held in escrow.

16 INVENTORIES

	2009 US$'000	2008 US$'000
Crude oil	**5,272**	1,669
Processed hydrocarbons	**31**	805
Stores and spares	**2,943**	744
Raw materials	**1,552**	859
	9,798	4,077

Included in the income statement are costs of inventories expensed of US$37,306,000 (2008: US$22,404,000).

17 WORK IN PROGRESS AND BILLINGS IN EXCESS OF COST AND ESTIMATED EARNINGS

	2009 US$'000	2008 US$'000
Cost and estimated earnings	**3,918,368**	3,782,100
Less: billings	**(3,584,670)**	(3,529,405)
Work in progress	**333,698**	252,695
Billings	**3,406,412**	1,509,548
Less: cost and estimated earnings	**(2,945,268)**	(1,224,021)
Billings in excess of cost and estimated earnings	**461,144**	285,527
Total cost and estimated earnings	**6,863,636**	5,006,121
Total billings	**6,991,082**	5,038,953

18 TRADE AND OTHER RECEIVABLES

	2009	*2008*
	US$'000	*US$'000*
Trade receivables	**614,837**	608,023
Retentions receivable	**8,772**	2,241
Advances	**139,550**	31,977
Prepayments and deposits	**35,143**	24,849
Other receivables	**80,368**	33,841
	878,670	700,931

Trade receivables are non-interest bearing and are generally on 30 to 60 days' terms. Trade receivables are reported net of provision for impairment. The movements in the provision for impairment against trade receivables totalling US$614,837,000 (2008: US$608,023,000) are as follows:

	2009			*2008*		
	Specific Impairment US$'000	***General impairment US$'000***	***Total US$'000***	*Specific impairment US$'000*	*General impairment US$'000*	*Total US$'000*
At 1 January	**3,698**	**1,296**	**4,994**	4,086	1,216	5,302
Charge for the year	**6,309**	**1,320**	**7,629**	1,361	482	1,843
Amounts written off	**(343)**	**(198)**	**(541)**	-	(333)	(333)
Unused amounts reversed	**(4,798)**	**(661)**	**(5,459)**	(1,530)	(15)	(1,545)
Exchange difference	**9**	**(3)**	**6**	(219)	(54)	(273)
At 31 December	**4,875**	**1,754**	**6,629**	3,698	1,296	4,994

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

	Neither past due nor impaired	*Number of days past due*						
		< 30 days	*31-60 days*	*61-90 days*	*91-120 days*	*121-360 days*	*> 360 days*	*Total*
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Unimpaired	434,159	116,197	28,835	13,365	3,431	5,977	2,138	604,102
Impaired	-	3,177	2,148	386	2,510	6,220	2,923	17,364
	434,159	119,374	30,983	13,751	5,941	12,197	5,061	621,466
Less: impairment provision	-	(585)	(243)	(332)	(305)	(3,421)	(1,743)	(6,629)
Net trade receivables 2009	**434,159**	**118,789**	**30,740**	**13,419**	**5,636**	**8,776**	**3,318**	**614,837**
Unimpaired	325,844	197,790	45,106	11,012	10,460	12,714	1,319	604,245
Impaired	-	734	86	618	666	3,032	3,636	8,772
	325,844	198,524	45,192	11,630	11,126	15,746	4,955	613,017
Less: impairment provision	-	(190)	(85)	(194)	(249)	(1,640)	(2,636)	(4,994)
Net trade receivables 2008	325,844	198,334	45,107	11,436	10,877	14,106	2,319	608,023

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

Advances represent payments made to certain of the group's sub-contractors for projects in progress, on which the related work had not been performed at the balance sheet date. The significant increase in advances during 2009 relates to some major new contract awards in the Engineering & Construction business.

Included in other receivables are US$46,697,000 (2008: US$ nil) recoverable from venture partners on the Don assets being their share of accrued expenses.

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

Certain trade and other receivables will be settled in cash using currencies other than the reporting currency of the group, and will be largely paid in Sterling and Kuwaiti Dinars.

19 CASH AND SHORT-TERM DEPOSITS

	2009	*2008*
	US$'000	*US$'000*
Cash at bank and in hand	**203,105**	107,461
Short-term deposits	**1,214,258**	586,954
Total cash and bank balances	**1,417,363**	694,415

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the group, and earn interest at respective short-term deposit rates. The fair value of cash and bank balances is US$1,417,363,000 (2008: US$694,415,000).

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

	2009	*2008*
	US$'000	*US$'000*
Cash at bank and in hand	**203,105**	107,461
Short-term deposits	**1,214,258**	586,954
Bank overdrafts (note 24)	**(26,619)**	(45,256)
	1,390,744	649,159

20 SHARE CAPITAL

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

	2009	*2008*
	US$'000	*US$'000*
Authorised		
750,000,000 ordinary shares of US$0.025 each (2008: 750,000,000 ordinary shares of US$0.025 each)	**18,750**	18,750
Issued and fully paid		
345,532,388 ordinary shares of US$0.025 each (2008: 345,434,858 ordinary shares of US$0.025 each)	**8,638**	8,636

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

	Number
Ordinary shares:	
Ordinary shares of US$0.025 each at 1 January 2008	345,434,858
Movement during the year	-
Ordinary shares of US$0.025 each at 1 January 2009	345,434,858
Issued during the year as further deferred consideration payable for the acquisition of a subsidiary (note 10)	97,530
Ordinary shares of US$0.025 each at 31 December 2009	345,532,388

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

21 TREASURY SHARES

For the purpose of making awards under its employee share schemes, the Company acquires its own shares which are held by the Petrofac Employee Benefit Trust. All these shares have been classified in the balance sheet as treasury shares within equity.

The movements in total treasury shares are shown below:

	2009		*2008*	
	Number	***US$'000***	*Number*	*US$'000*
At 1 January	**9,540,306**	**69,333**	4,052,024	29,842
Acquired during the year	**-**	**-**	5,854,194	42,500
Vested during the year	**(2,329,341)**	**(13,048)**	(365,912)	(3,009)
At 31 December	**7,210,965**	**56,285**	9,540,306	69,333

As at 31 December 2009 5,504,819 (2008: 5,504,819) of the above shares were held by Lehman Brothers in a client custody account which is now being managed by their appointed administrator. The Company anticipates that the Administrators will release these assets in the near future under a signed Claim Resolution Agreement approved by the creditors.

Included in the above treasury shares are 274,938 (2008: 274,938) shares held in relation to the acquisition of SPD Group Limited in 2007.

Shares vested during the year include dividend shares of 76,931 (2008: 3,096) with a cost of US$431,000 (2008: US$25,000).

22 SHARE-BASED PAYMENT PLANS

Performance Share Plan (PSP)

Under the Performance Share Plan of the Company, share awards are granted to executive Directors and a restricted number of other 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% earning per share (EPS) growth targets over a three year period. The fair values of the equity-settled award relating to the EPS part of the scheme are estimated based on the quoted closing market price per Company share at the date of grant with an assumed vesting rate per annum built into the calculation (subsequently trued up at year end based on the actual leaver rate during the period from award date to year end) over the three year vesting period of the plan. The fair value and assumed vesting rates of the EPS part of the scheme are shown below:

	Fair value per share	*Assumed vesting rate*
2009 awards	**545p**	**100.0%**
2008 awards	522p	**91.3%**
2007 awards	415p	**94.9%**
2006 awards	353p	**91.7%**

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:

22 SHARE-BASED PAYMENT PLANS (continued)

Performance Share Plan (PSP) (continued)

	2009 awards	*2008 awards*	*2007 awards*	*2006 awards*
Expected share price volatility (based on median of comparator group's three year volatilities)	**49.0%**	32.0%	29.0%	28.0%
Share price correlation with comparator group	**36.0%**	22.0%	17.0%	10.0%
Risk-free interest rate	**2.10%**	3.79%	5.20%	4.60%
Expected life of share award	**3 years**	3 years	3 years	3 years
Fair value of TSR portion	**456p**	287p	245p	234p

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

	2009 Number	*2008 Number*
Outstanding at 1 January	**1,298,809**	864,181
Granted during the year	**576,780**	456,240
Vested during the year	**(418,153)**	-
Forfeited during the year	**(24,756)**	(21,612)
Outstanding at 31 December	**1,432,680**	1,298,809

The number of awards still outstanding but not exercisable at 31 December 2009 is made up of 576,780 in respect of 2009 awards (2008: nil), 431,843 in respect of 2008 awards (2008: 451,178), 424,057 in respect of 2007 awards (2008: 436,603) and nil for 2006 (2008: 411,028).

The charge recognised in the current year amounted to US$2,727,000 (2008: US$2,258,000).

Deferred Bonus Share Plan (DBSP)

Executive Directors and selected employees were originally eligible to participate in this scheme although the Remuneration Committee decided during 2007 that executive Directors should no longer continue to participate. Participants may be invited to elect or in some cases, be required, to receive a proportion of any bonus in ordinary shares of the Company ("Invested Awards"). Following such an award, the Company will generally grant the participant an additional award of a number of shares bearing a specified ratio to the number of his or her invested shares ("Matching Shares").

The 2006 share 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 the Company 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 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:

22 SHARE-BASED PAYMENT PLANS (continued)

Deferred Bonus Share Plan (DBSP) (continued)

	Fair value per share	*Assumed vesting rate*
2009 awards	**545p**	**98.2%**
2008 awards	522p	**92.9%**
2007 awards	415p	**90.7%**
2006 awards	353p	**85.5%**

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

	2009 Number*	*2008 Number**
Outstanding at 1 January	**3,755,383**	2,558,711
Granted during the year	**2,773,020**	1,777,080
Vested during the year	**(1,743,372)**	(385,700)
Forfeited during the year	**(90,840)**	(194,708)
Outstanding at 31 December	**4,694,191**	3,755,383

* Includes invested and matching shares.

The number of awards still outstanding but not exercisable at 31 December 2009 is made up of 2,696,752 in respect of 2009 awards (2008: nil), 1,237,786 in respect of 2008 awards (2008: 1,688,558), 759,653 in respect of 2007 awards (2008: 1,084,602) and nil for 2006 awards (2008: 982,223).

The charge recognised in the 2009 income statement in relation to matching share awards amounted to US$8,064,000 (2008: US$5,665,000).

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

Restricted Share Plan (RSP)
Under the Restricted Share Plan scheme, employees are granted shares in the Company over a discretionary vesting period which may or may not be, at the direction of the Remuneration Committee of the Board of Directors, 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:

	Weighted average fair value per share	*Assumed vesting rate*
2009 awards	**430p**	**100.0%**
2008 awards	478p	**91.1%**
2007 awards	456p	**94.4%**
2006 awards	278p	**96.3%**

22 SHARE-BASED PAYMENT PLANS (continued)

Restricted Share Plan (RSP) (continued)
The following shows the movement in the number of shares held under the RSP scheme outstanding but not exercisable:

	2009 Number	*2008 Number*
Outstanding at 1 January	**1,184,711**	394,216
Granted during the year	**86,432**	811,399
Vested during the year	**(167,053)**	(5,180)
Forfeited during the year	**(21,629)**	(15,724)
Outstanding at 31 December	**1,082,461**	1,184,711

The number of awards still outstanding but not exercisable at 31 December 2009 is made up of 86,432 in respect of 2009 awards (2008: nil), 786,826 in respect of 2008 awards (2008: 795,675), 209,203 in respect of 2007 awards (2008: 234,387) and nil for 2006 awards (2008: 154,649).

During the year the Company recognised a charge of US$2,472,000 (2008: US$1,525,000) in relation to the above.

The group has recognised a total charge of US$13,263,000 (2008: US$9,448,000) in the income statement during the year relating to the above employee share-based schemes (see note 4f) which has been transferred to the reserve for share-based payments along with US$10,942,000 of the bonus liability accrued for the year ended 31 December 2008 which has been settled in shares granted during the year (2008: US$9,602,000).

For further details on the above employee share-based payment schemes refer to pages 70 to 73 of the Directors' Remuneration Report.

23 OTHER RESERVES

	Net unrealised gains/(losses) on available-for-sale-financial assets US$'000	*Net unrealised (losses) / gains on derivatives US$'000*	*Foreign currency translation US$'000*	*Reserve for share-based payments US$'000*	*Total US$'000*
Balance at 1 January 2008 (as restated)*	598	65,857	4,817	16,161	87,433
Foreign currency translation	-	-	(84,232)	-	(84,232)
Net gains on maturity of cash flow hedges recycled in the year	-	(32,103)	-	-	(32,103)
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	-	(25,907)	-	-	(25,907)
Changes in fair value of available-for-sale financial assets	(879)	-	-	-	(879)
Impairment of available-for-sale financial assets	355	-	-	-	355
Share-based payments charge (note 22)	-	-	-	9,448	9,448
Transfer during the year (note 22)	-	-	-	9,602	9,602
Shares vested during the year (note 22)	-	-	-	(3,009)	(3,009)
Balance at 1 January 2009	74	7,847	(79,415)	32,202	(39,292)
Foreign currency translation	-	-	15,087	-	15,087
Net gains on maturity of cash flow hedges recycled in the year	-	(4,303)	-	-	(4,303)
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	-	25,029	-	-	25,.029
Share-based payments charge (note 22)	-	-	-	13,263	13,263
Transfer during the year (note 22)	-	-	-	10,942	10,942
Shares vested during the year (note 22)	-	-	-	(12,617)	(12,617)
Deferred tax on share based payments reserve	-	-	-	13,085	13,085
Balance at 31 December 2009	**74**	**28,573**	**(64,328)**	**56,875**	**21,194**

*During 2008, the Company identified that in prior periods certain gains and losses on cash flow hedges had been reclassified to accrued contract expenses from other reserves (net unrealised (losses)/gains on derivatives) ahead of the contract costs to which they relate impacting the income statement. As a result US$36,966,000 was reclassified from accrued contract expenses to other reserves at 1 January 2008.

Nature and purpose of other reserves

Net unrealised gains / (losses) on available-for-sale financial assets
This reserve records fair value changes on available-for-sale financial assets held by the group net of deferred tax effects. Realised gains and losses on the sale of available-for-sale financial assets are recognised as other income or expenses in the income statement.

23 OTHER RESERVES (continued)

Nature and purpose of other reserves (continued)

Net unrealised gains / (losses) on derivatives
The portion of gains or losses on cash flow hedging instruments that are determined to be effective hedges are included within this reserve net of related deferred tax effects. When the hedged transaction occurs or is no longer forecast to occur the gain or loss is transferred out of equity to the income statement. Realised net gains amounting to US$5,161,000 (2008: US$31,713,000) relating to foreign currency forward contracts and financial assets designated as cash flow hedges have been recognised in cost of sales, realised net losses of US$1,470,000 (2008: US$63,000 gains) relating to interest rate derivatives have been classified as a net interest expense and a realised net gain of US$611,000 (2008: US$327,000) was added to revenues in respect of oil derivatives.

The forward currency points element and ineffective portion of derivative financial instruments relating to forward currency contracts and gains on the maturity of un-designated derivatives amounting to a net gain of US$19,508,000 (2008: US$11,826,000 loss) have been recognised in the cost of sales. The time value portion gain on interest rate derivatives of US$ nil (2008: US$433,000) and loss on oil derivatives of US$ nil (2008: US$145,000) were netted off/ and added to interest payable.

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

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

The transfer during the year reflects the transfer from accrued expenses within trade and other payables of the bonus liability relating to the year ended 2008 of US$10,942,000 (2007 bonus of US$9,602,000) which has been voluntarily elected or mandatorily obliged to be settled in shares during the year (note 22).

24 INTEREST-BEARING LOANS AND BORROWINGS

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

		31 December 2009 Actual interest rate%	*31 December 2008 Actual interest rate%*	*Effective interest rate%*	*Maturity*	***2009***	*2008*
						US$'000	*US$'000*
Current							
Revolving credit facility	(i)	US LIBOR + 1.50%	-	US LIBOR + 0.875%	2010	**20,000**	-
Bank overdrafts	(ii)	UK LIBOR + 2.00%, US LIBOR + 2.00%	UK LIBOR + 0.875%, US LIBOR + 0.875%, KD Discount Rate + 2.00%	UK LIBOR + 0.875%, US LIBOR + 0.875%, KD Discount Rate + 2.00%	on demand	**26,619**	45,256
Other loans:							
Current portion of term loan	(iii)	US/UK LIBOR + 0.875%	US/UK LIBOR + 0.875%	3.14% to 3.71% (2008: 4.18% to 4.88%)		**10,489**	9,156
Current portion of term loan	(iv)	US/UK LIBOR + 0.875%	US/UK LIBOR + 0.875%	2.65% to 3.44% (2008: 3.74% to 5.02%)		**963**	-
						58,071	54,412
Non-current							
Term loan	(iv)	US/UK LIBOR + 0.875%	US/UK LIBOR + 0.875%	2.65% to 3.44% (2008: 3.74% to 5.02%)	2013	**18,291**	18,720
Revolving credit facility	(i)	-	US LIBOR + 0.875%	(2008: 3.11%)	2010	**-**	20,000
Term loan	(iii)	US/UK LIBOR + 0.875%	US/UK LIBOR + 0.875%	3.14% to 3.71% (2008: 4.18% to 4.88%)	2009-2013	**46,694**	54,847
						64,985	93,567
Less:							
Debt acquisition costs net of accumulated amortisation and effective rate adjustments						**(5,790)**	(5,379)
						59,195	88,188

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

(i) Revolving credit facility

This facility, is repayable on 31 December 2010.

(ii) Bank overdrafts

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

(iii) Term loan

This term loan at 31 December 2009 comprised drawings of US$28,877,000 (2008: US$33,998,000) denominated in US$ and US$28,306,000 (2008: US$30,005,000) denominated in Sterling. Both elements of the loan are repayable over a period of four years ending 30 September 2013.

(iv)Term loan

This term loan is to be repaid over a period of three years ending 30 September 2013. The drawings at 31 December 2009 comprised US$13,900,000 (2008: US$13,900,000) denominated in US$ and US$5,354,000 (2008: US$4,820,000) denominated in Sterling.

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

25 PROVISIONS

	Other long- term employment benefits provision US$'000	*Provision for decommissioning US$'000*	*Total US$'000*
At 1 January 2009	26,225	3,438	29,663
Additions during the year	10,438	53,371	63,809
Unused amounts reversed/paid in the year	(2,533)	(278)	(2,811)
Unwinding of discount	-	1,442	1,442
At 31 December 2009	**34,130**	**57,973**	**92,103**

Other long- term employment benefits provision
Labour laws in certain countries in which the group operates require employers to provide for other long- term employment benefits. These benefits are payable to employees at the end of their period of employment. The provision for these long- term benefits is calculated based on the employees' last drawn salary at the balance sheet date and length of service, subject to the completion of a minimum service period in accordance with the local labour laws of the jurisdictions in which the group operates. The amount is payable to the employees on being transferred to another jurisdiction or on cessation of employment.

Provision for decommissioning
The decommissioning provision primarily relates to the Company's obligation for the removal of facilities and restoration of the site at the PM304 field in Malaysia, at Chergui in Tunisia and on the Don assets in the United Kingdom. The liability is discounted at the rate of 3.80% on PM304 (2008: 3.50%), 5.25% on Chergui (2008: 5.25%) and 4.50% (2008: 3.40%) on Don. The unwinding of the discount is classified as a finance cost (note 5). The Company estimates that the cash outflows against these provisions will arise in 2014 on PM304, in 2018 on Chergui and in 2019 on Don assuming no further development of the asset.

26 OTHER FINANCIAL LIABILITIES

	2009 US$'000	*2008 US$'000*
Other financial liabilities - non-current		
Deferred consideration payable	**27,438**	32,147
Fair value of derivative instruments (note 31)	**-**	-
Other	**47**	118
	27,485	32,265
Other financial liabilities – current		
Deferred consideration payable	**1,622**	-
Interest payable	**22**	118
Fair value of derivative instruments (note 31)	**1,813**	6,244
Other	**177**	-
	3,634	6,362

Included in deferred consideration payable above is amount payable of US$4,890,000 (2008: US$ nil) relating to the group's purchase of a floating platform.

27 TRADE AND OTHER PAYABLES

	2009	*2008*
	US$'000	*US$'000*
Trade payables	**266,944**	275,058
Advances received from customers	**379,684**	76,845
Accrued expenses	**285,760**	149,684
Other taxes payable	**14,699**	6,876
Other payables	**20,704**	4,866
	967,791	513,329

Trade payables are non-interest bearing and are normally settled on terms of between 30 and 60 days.

Advances from customers represent payments received for contracts on which the related work had not been performed at the balance sheet date.

Included in other payables are retentions held against subcontractors of US$938,000 (2008: US$911,000).

Certain trade and other payables will be settled in currencies other than the reporting currency of the group, mainly in Sterling, Euros and Kuwaiti Dinars.

28 ACCRUED CONTRACT EXPENSES

	2009	*2008*
	US$'000	*US$'000*
Accrued contract expenses	**832,503**	543,191
Reserve for contract losses	**4,153**	8,670
	836,656	551,861

The reserve for contract losses is to cover costs in excess of revenues on certain contracts.

29 COMMITMENTS AND CONTINGENCIES

Commitments

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

At 31 December 2009, the group had letters of credit of US$91,042,000 (2008: US$24,096,000) and outstanding letters of guarantee, including performance and bid bonds, of US$2,124,134,000 (2008: US$865,120,000) against which the group had pledged or restricted cash balances of, in aggregate, US$2,675,000 (2008: US$1,506,000).

At 31 December 2009, the group had outstanding forward exchange contracts amounting to US$351,803,000 (2008: US$166,412,000). These commitments consist of future obligations to either acquire or sell designated amounts of foreign currency at agreed rates and value dates (note 31).

29 COMMITMENTS AND CONTINGENCIES (continued)

Leases

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

	2009 ***US$'000***	*2008* *US$'000*
Within one year	**35,796**	59,292
After one year but not more than five years	**57,127**	72,729
More than five years	**73,030**	54,787
	165,953	186,808

Included in the above are commitments relating to the lease of an office building extension in Aberdeen, United Kingdom of US$39,735,000 (2008: US$44,573,000) and the lease of a drilling rig for the Don Southwest project of US$10,089,000 (2008: US$35,744,000).

Minimum lease payments recognised as an operating lease expense during the year amounted to US$33,063,000 (2008: US$26,557,000).

Capital commitments

At 31 December 2009, the group had capital commitments of US$18,786,000 (2008: US$44,035,000) excluding the above lease commitments.

Included in the above are commitments relating to the further appraisal and development of wells as part of the Cendor project in Malaysia amounting to US$14,572,000 (2008: US$26,468,000), commitments in respect of IT projects of US$3,300,000 (2008: US$ nil) and the development of the Don assets amounting to US$914,000 (2008: US$8,610,000) and.

30 RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of Petrofac Limited and the subsidiaries listed in note 33. Petrofac Limited is the ultimate parent entity of the group.

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

		Sales to related parties US$'000	*Purchases from related parties US$'000*	*Amounts owed by related parties US$'000*	*Amounts owed to related parties US$'000*
Joint ventures	**2009**	**27,337**	**15,434**	**17,773**	**56,925**
	2008	9,081	1,858	2,907	367
Key management	**2009**	**-**	**1,405**	**487**	**401**
personnel interests	2008	-	1,277	-	192

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

All related party balances will be settled in cash.

Purchases in respect of key management personnel interests comprises of US$1,336,000 (2008: US$1,277,000) reflect the market rate based costs of chartering the services of an aeroplane used for the transport of senior management and Directors of the group on company business, which is owned by an offshore trust of which the Chief Executive of the Company is a beneficiary.

30 RELATED PARTY TRANSACTIONS (continued)

Also included in purchases in respect of key management personnel interests is US$69,000 (2008: US$ nil) relating to client entertainment provided by a business owned by a member of the group's key management.

Amounts owed by key management personnel comprises of a temporary loan of US$487,000 (2008: US$ nil) provided in respect of income tax payable on vesting of Restricted Share Plan shares pending disposal of shares to meet this liability once the close period for trading Petrofac shares ends.

Compensation of key management personnel

The following details remuneration of key management personnel of the group comprising of executive and non-executive Directors of the Company and other senior personnel. Further information relating to the individual Directors is provided in the Directors' Remuneration report on pages 64 to 78.

	2009 US$'000	*2008 US$'000*
Short-term employee benefits	**11,209**	5,542
Other long-term employment benefits	**129**	59
Share-based payments	**3,368**	1,311
Fees paid to non-executive directors	**506**	554
	15,212	7,466

Increase in compensation of key management personnel in 2009 is mainly due to increase in the number of members of the executive management committee as a result of the management reorganisation of the group effective 1 January 2009.

31 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Risk management objectives and policies

The group's principal financial assets and liabilities, other than derivatives, comprise trade and other receivables, cash and short-term deposits, interest-bearing loans and borrowings, trade and other payables and deferred consideration.

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

The Board of Directors of the Company has established an Audit Committee and Risk Committee to help identify, evaluate and manage the significant financial risks faced by the group and their activities are discussed in detail on pages 48 to 63.

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

Interest rate risk

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

The group's exposure to market risk arising from changes in interest rates relates primarily to the group's long-term variable rate debt obligations and its cash and bank balances. The group's policy is to manage its interest cost using a mix of fixed and variable rate debt. At 31 December 2009, after taking into account the effect of interest rate swaps and collars, 0.0% (2008: 65.1%) of the group's term borrowings are at a fixed or capped rate of interest. The group's cash and bank balances are at floating rates of interest.

31 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

Interest rate sensitivity analysis

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

	Pre-tax profit		*Equity*	
	100 basis point increase US$'000	*100 basis point decrease US$'000*	*100 basis point increase US$'000*	*100 basis point decrease US$'000*
31 December 2009	**(1,096)**	**1,096**	**-**	**-**
31 December 2008	(882)	882	(705)	(1,615)

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

Year ended 31 December 2009

	Within 1 year US$'000	*1-2 years US$'000*	*2-3 years US$'000*	*3-4 years US$'000*	*4-5 years US$'000*	*More than 5 years US$'000*	*Total US$'000*
Financial liabilities							
Floating rates							
Revolving credit facilities (note 24)	20,000	-	-	-	-	-	20,000
Bank overdrafts (note 24)	26,619	-	-	-	-	-	26,619
Term loans (note 24)	11,452	18,901	24,221	21,863	-	-	76,437
	58,071	**18,901**	**24,221**	**21,863**	**-**	**-**	**123,056**
Financial assets							
Floating rates							
Cash and short-term deposits (note 19)	1,417,363	-	-	-	-	-	1,417,363
Restricted cash balances (note 15)	7,431	226	-	-	-	2,654	10,311
	1,424,794	**226**	**-**	**-**	**-**	**2,654**	**1,427,674**

Year ended 31 December 2008

	Within 1 year US$'000	*1-2 years US$'000*	*2-3 years US$'000*	*3-4 years US$'000*	*4-5 years US$'000*	*More than 5 years US$'000*	*Total US$'000*
Financial liabilities							
Floating rates							
Revolving credit facilities (note 24)	-	20,000	-	-	-	-	20,000
Bank overdrafts (note 24)	45,256	-	-	-	-	-	45,256
Term loans (note 24)	9,156	12,186	19,837	25,302	16,242	-	82,723
Interest rate collars (note 31)	1,137	-	-	-	-	-	1,137
Interest rate swap (note 31)	37	-	-	-	-	-	37
	55,586	**32,186**	**19,837**	**25,302**	**16,242**	**-**	**149,153**
Financial assets							
Floating rates							
Cash and short-term deposits (note 19)	694,415	-	-	-	-	-	694,415
Restricted cash balances (note 15)	2,736	207	-	-	-	1,692	4,635
	697,151	**207**	**-**	**-**	**-**	**1,692**	**699,050**

Financial liabilities in the above table are disclosed gross of debt acquisition costs and effective rate adjustments of US$5,790,000 (2008: US$5,379,000).

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

31 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

Derivative instruments designated as cash flow hedges

At 31 December 2009, the group held no derivative instruments, designated as cash flow hedges in relation to floating rate interest-bearing loans and borrowings:

				Fair value of asset/(liability)	
Instrument	*Nominal amount (US$ equivalent)*	*Date matured*	*Date commenced*	***2009 US$'000***	*2008 US$'000*
UK LIBOR interest rate swap	US$2,629,000	30 September 2009	31 December 2004	-	(37)
UK LIBOR interest rate collar	US$30,131,000	31 December 2009	31 December 2007	-	(705)
US LIBOR interest rate collar	US$34,138,000	31 December 2009	31 December 2007	-	(432)

During 2009, changes in fair value of US$ nil (2008: US$1,607,000 loss) relating to these derivative instruments were taken to equity and a loss of US$1,470,000 (2008: US$63,000 gain) were recycled from equity into interest expense in the income statement. The time value portion of these derivatives of US$ nil (2008: US$433,000 gain) was netted-off against interest expense.

Foreign currency risk

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

	2009 % of foreign currency denominated items	*2008 % of foreign currency denominated items*
Revenues	**39.5%**	43.8%
Costs	**50.1%**	61.6%
Current financial assets	**35.3%**	57.9%
Non-current financial assets	**1.0%**	0.0%
Current financial liabilities	**42.3%**	64.8%
Non-current financial liabilities	**34.6%**	25.6%

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

Foreign currency sensitivity analysis

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

31 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

Foreign currency sensitivity analysis (continued)

	2009		*2008*	
	Average rate	***Closing rate***	*Average rate*	*Closing rate*
Sterling	**1.56**	**1.62**	1.85	1.46
Kuwaiti Dinar	**3.47**	**3.48**	3.72	3.62
Euro	**1.40**	**1.44**	1.48	1.39

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

	Pre-tax profit		*Equity*	
	+10% US dollar rate increase US$'000	*-5% US dollar rate decrease US$'000*	*+10% US dollar rate increase US$'000*	*-5% US dollar rate decrease US$'000*
31 December 2009	**(10,238)**	**5,119**	**7,964**	**(3,990)**
31 December 2008	(16,355)	8,177	10,597	(6,135)

Derivative instruments designated as cash flow hedges

At 31 December 2009, the group had foreign exchange forward contracts designated as cash flow hedges with a fair value gain of US$32,800,000 (2008: US$10,165,000) in equity as follows:

	Contract value		*Fair value*		*Net unrealised gain/(loss)*	
	2009 US$'000	*2008 US$'000*	***2009 US$'000***	*2008 US$'000*	***2009 US$'000***	*2008 US$'000*
Euro currency purchases (sales)	**101,909**	(41,655)	**29,496**	7,761	**28,430**	9,488
Sterling currency purchases	**38,700**	26,747	**4,703**	(2,585)	**4,966**	(2,956)
Yen currency (sales) purchases	**(160)**	7,465	**(942)**	1,173	**(862)**	-
Kuwaiti Dinars sales	**(211,034)**	(90,545)	**(1,295)**	5,160	**266**	3,633
					32,800	10,165

The above foreign exchange contracts mature and will affect income between January 2010 and July 2013 (2008: between January 2009 and April 2010). Also included in the net unrealised gains of US$32,800,000 (2008: US$10,165,000) is minority share of gains of US$4,200,000 (2008: US$ nil).

31 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

At 31 December 2009, the group had cash and short-term deposits designated as cash flow hedges with a fair value gain of US$1,786,000 (2008: US$2,205,000 loss) as follows:

	Fair value		*Net unrealised gain/(loss)*	
	2009	*2008*	***2009***	*2008*
	US$'000	*US$'000*	***US$'000***	*US$'000*
Euro currency cash and short-term deposits	**91,660**	269,409	**1,163**	2,653
Sterling currency cash and short-term deposits	**5,264**	15,667	**772**	(4,858)
Kuwaiti Dinars cash and short-term deposits	**19,146**	-	**(149)**	-
			1,786	(2,205)

During 2009, changes in fair value of US$28,043,000 (2008: loss US$25,950,000) relating to these derivative instruments and financial assets were taken to equity and US$5,161,000 (2008: US$31,713,000) were recycled from equity into cost of sales in the income statement. The forward points and ineffective portion of the above foreign exchange forward contracts and gains on maturity of un-designated derivatives of US$19,508,000 (2008: US$11,826,000 losses) was recognised in the income statement (note 4b and 4d).

Commodity price risk – oil prices

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

During the year the group entered into various crude oil swaps hedging oil production of 96,000 bbl with maturities ranging from 1 July 2009 to 31 December 2010. Three crude oil collars were also contracted hedging 90,000 bbl of oil production with maturities from 1 January 2010 to 31 December 2010. In addition, six fuel oil swaps were also entered into for hedging gas production of 27,000MT with maturities from 1 October 2009 to 31 December 2010.

The fair value of oil derivatives at 31 December 2009 was US$1,813,000 liability (2008: US$1,349,000 asset) with a loss recognised in equity of US$1,813,000 (2008: US$1,494,000 gain).

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

	Pre-tax profit		*Equity*	
	+10 US$/bbl increase US$'000	*-10 US$/bbl decrease US$'000*	*+10 US$/bbl increase US$'000*	*-10 US$/bbl decrease US$'000*
31 December 2009	**82**	**(82)**	**(861)**	**861**
31 December 2008	**-**	**-**	**251**	**(250)**

31 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Credit risk

The group trades only with recognised, creditworthy third parties. Divisional Risk Review Committees (DRRC) have been set up by the Board of Directors to evaluate the creditworthiness of each individual third party at the time of entering into new contracts. Limits have been placed on the approval authority of the DRRC above which the approval of the Board of Directors of the Company is required. Receivable balances are monitored on an ongoing basis with appropriate follow-up action taken where necessary. At 31 December 2009, the group's five largest customers accounted for 57.5% of outstanding trade receivables and work in progress (2008: 50.7%).

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

Liquidity risk

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, revolving credit facilities, project finance and term loans to reduce its exposure to liquidity risk. The maturity profiles of the group's financial liabilities at 31 December 2009 are as follows:

Year ended 31 December 2009

	6 months or less US$'000	*6-12 months US$'000*	*1-2 years US$'000*	*2-5 years US$'000*	*More than 5 years US$'000*	*Contractual undiscounted cash flows US$'000*	*Carrying amount US$'000*
Financial liabilities							
Interest-bearing loans and borrowings	31,863	26,208	18,901	46,084	-	123,056	117,266
Trade and other payables (excluding advances from customers)	576,264	11,843	-	-	-	588,107	588,107
Due to related parties	44,496	12,830	-	-	-	57,326	57,326
Deferred consideration	1,622	-	20,519	11,356	-	33,497	29,060
Derivative instruments	907	906	-	-	-	1,813	1,813
Interest payable	22	-	-	-	-	22	22
Interest payments	816	1,148	2,094	2,291	-	6,349	-
	655,990	**52,935**	**41,514**	**59,731**	**-**	**810,170**	**793,594**

Year ended 31 December 2008

	6 months or less US$'000	*6-12 months US$'000*	*1-2 years US$'000*	*2-5 years US$'000*	*More than 5 years US$'000*	*Contractual undiscounted cash flows US$'000*	*Carrying amount US$'000*
Financial liabilities							
Interest-bearing loans and borrowings	49,835	4,577	32,186	61,381	-	147,979	142,600
Trade and other payables (excluding advances from customers)	380,145	56,339	-	-	-	436,484	436,484
Due to related parties	469	90	-	-	-	559	559
Deferred consideration	-	-	29,454	8,894	-	38,348	32,147
Derivative instruments	5,436	808	-	-	-	6,244	6,244
Interest payable	118	-	-	-	-	118	118
Interest payments	1,817	1,817	2,799	4,236	-	10,669	-
	437,820	**63,631**	**64,439**	**74,511**	**-**	**640,401**	**618,152**

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

31 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Capital management

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

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

	2009	*2008*
	US$'000	*US$'000*
Cash and short-term deposits	**1,417,363**	694,415
Interest-bearing loans and borrowings (A)	**(117,266)**	(142,600)
Net cash (B)	**1,300,097**	551,815
Equity attributable to Petrofac Limited shareholders (C)	**890,510**	558,822
Profit for the year attributable to Petrofac Limited shareholders (D)	**353,603**	264,989
Gross gearing ratio (A/C)	**13.2%**	25.5%
Net gearing ratio (B/C)	**Net cash position**	Net cash position
Shareholders' return on investment (D/C)	**39.7%**	47.4%

Fair values of financial assets and liabilities

The fair value of the group's financial instruments and their carrying amounts included within the group's balance sheet are set out below:

	Carrying amount		*Fair value*	
	2009	*2008*	***2009***	*2008*
	US$'000	*US$'000*	***US$'000***	*US$'000*
Financial assets				
Cash and short-term deposits	**1,417,363**	694,415	**1,417,363**	694,415
Restricted cash	**10,311**	4,635	**10,311**	4,635
Available-for-sale financial assets	**539**	566	**539**	566
Oil derivative	**-**	1,349	**-**	1,349
Forward currency contracts-designated as cash flow hedge	**26,891**	11,509	**26,891**	11,509
Forward currency contracts-undesignated	**5,070**	-	**5,070**	-
Financial liabilities				
Interest-bearing loans and borrowings	**117,266**	142,600	**117,266**	142,600
Deferred consideration	**30,178**	32,147	**30,178**	32,147
Interest rate collars	**-**	1,137	**-**	1,137
Interest rate swap	**-**	37	**-**	37
Oil derivative	**1,813**	-	**1,813**	-
Forward currency contracts-designated as cash flow hedge	**-**	900	**-**	900
Forward currency contracts-undesignated	**-**	4,170	**-**	4,170

Market values have been used to determine the fair values of available-for-sale financial assets and forward currency contracts. The fair values of interest rate swaps and collars have been calculated by discounting the expected future cash flows at prevailing interest rates. The fair values of long-term interest-bearing loans and borrowings are equivalent to their amortised costs determined as the present value of discounted future cash flows using the effective interest rate. The Company considers that the carrying amounts of trade and other receivables, trade and other payables, other current and non-current financial assets and liabilities approximate their fair values and are therefore excluded from the above table.

31 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

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

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

Assets measured at fair value

Year ended 31 December 2009

	Tier 1	*Tier 2*	***2009***
	US$'000	*US$'000*	***US$'000***
Financial assets			
Available-for-sale financial assets	-	539	**539**
Forward currency contracts-designated as cash flow hedge	-	26,891	**26,891**
Forward currency contracts-undesignated	-	5,070	**5,070**
Financial liabilities			
Interest-bearing loans and borrowings	-	117,266	**117,266**
Oil derivative	-	1,813	**1,813**

Year ended 31 December 2008

	Tier 1	*Tier 2*	*2008*
	US$'000	*US$'000*	*US$'000*
Financial assets			
Available-for-sale financial assets	133	433	566
Oil derivative	-	1,349	1,349
Forward currency contracts	-	11,509	11,509
Financial liabilities			
Interest-bearing loans and borrowings	-	142,600	142,600
Interest rate collars	-	1,137	1,137
Interest rate swap	-	37	37
Forward currency contracts-designated as cash flow hedge	-	900	900
Forward currency contracts-undesignated	-	4,170	4,170

32 EVENTS AFTER THE REPORTING PERIOD

On 14 January 2010 the group acquired 100% of the share capital of Scotvalve Services Limited, a United Kingdom based company providing servicing and repair of oilfield pressure control equipment, for an initial cash consideration of Sterling 3,000,000 with a further Sterling 2,000,000 of consideration payable on achievement of certain agreed performance targets.

On 4 March 2010, the Company announced its intention to de-merge the Don assets in the North Sea held by Energy Developments Limited (PEDL) from the Petrofac Group and transfer them in to a newly established entity which will hold the combined North Sea assets of PEDL and Lundin North Sea BV. This de-merger is planned to be effected via a reorganisation of the Company's ordinary share capital such that existing shareholders in Petrofac receive one additional new share in the newly established merged entity for each share held in Petrofac and the new entity intends to pursue a market listing in the near future.

33 SUBSIDIARIES AND JOINT VENTURES

At 31 December 2009, the group had investments in the following subsidiaries and incorporated joint ventures:

Name of company	*Country of incorporation*	***Proportion of nominal value of issued shares controlled by the group***	
Trading subsidiaries		**2009**	2008
Petrofac Inc.	USA	***100**	*100
Petrofac International Ltd	Jersey	***100**	*100
Petrofac Energy Developments Limited	England	***100**	*100
Petrofac Energy Developments International Limited	Jersey	***100**	*100
Petrofac UK Holdings Limited	England	***100**	*100
Petrofac Facilities Management International Limited	Jersey	***100**	*100
Petrofac Services Limited	England	***100**	*100
Petrofac Services Inc.	USA	***100**	*100
Petrofac Training International Limited	Jersey	***100**	*100
Petroleum Facilities E & C Limited	Jersey	***100**	*100
Petrofac Employee Benefit Trust	Jersey	***100**	*100
Atlantic Resourcing Limited	Scotland	**100**	100
Petrofac Algeria EURL	Algeria	**100**	100
Petrofac Engineering India Private Limited	India	**100**	100
Petrofac Engineering Services India Private Limited	India	**100**	100
Petrofac Engineering Limited	England	**100**	100
Petrofac Offshore Management Limited	Jersey	**100**	100
Petrofac FZE	United Arab Emirates	**100**	100
Petrofac Facilities Management Group Limited	Scotland	**100**	100
Petrofac Facilities Management Limited	Scotland	**100**	100
Petrofac International Nigeria Ltd	Nigeria	**100**	100
Petrofac Pars (PJSC)	Iran	**100**	100
Petrofac Iran (PJSC)	Iran	**100**	100
Plant Asset Management Limited	Scotland	**100**	100
Petrofac Nuigini Limited	Papua New Guinea	**100**	100
PFMAP Sendirian Berhad	Malaysia	**100**	100
Petrofac Caspian Limited	Azerbaijan	**100**	100
Petrofac (Malaysia-PM304) Limited	England	**100**	100
Petrofac Training Group Limited	Scotland	**100**	100
Petrofac Training Holdings Limited	Scotland	**100**	100
Petrofac Training Limited	Scotland	**100**	100
Petrofac Training Inc.	USA	**100**	100
Petrofac Training (Trinidad) Limited	Trinidad	**100**	100
Monsoon Shipmanagement Limited	Jersey	**100**	100
Petrofac E&C International Limited	United Arab Emirates	**100**	100
Petrofac Saudi Arabia Limited	Saudi Arabia	**100**	100
Petrofac Energy Developments (Ohanet) Jersey Limited	Jersey	**100**	100
Petrofac Energy Developments (Ohanet) LLC	USA	**100**	100
PEDL Limited	England	**100**	100
Petrofac (Cyprus) Limited	Cyprus	**100**	100
PKT Technical Services Ltd	Russia	****50**	**50
PKT Training Services Ltd	Russia	**100**	100
Pt PCI Indonesia	Indonesia	**80**	80
Process Control and Instrumentation Services Pte Ltd	Singapore	**100**	100
Process Control and Instrumentation Sendirian Berhad	Malaysia	**100**	100
Sakhalin Technical Training Centre	Russia	**80**	80
Petrofac Norge AS	Norway	**100**	100

** Directly held by Petrofac Limited*
**Companies consolidated as subsidiaries on the basis of control.

33 SUBSIDIARIES AND JOINT VENTURES (continued)

Name of company	***Country of incorporation***	***Proportion of nominal value of issued shares controlled by the group***	
Trading subsidiaries (continued)		**2009**	2008
SPD Group Limited	British Virgin Islands	**51**	51
SPD UK Limited	Scotland	**51**	51
SPD FZCO	United Arab Emirates	**51**	51
SPD LLC	United Arab Emirates	****25**	**25
Petrofac Energy Developments Oceania Limited	Cayman Islands	**100**	100
PT. Petrofac IKPT International	Indonesia	**51**	51
Petrofac Kazakhstan Limited	England	**100**	100
Petrofac International (UAE) LLC	United Arab Emirates	**100**	100
Petrofac E&C Oman LLC	Oman	**100**	100
Petrofac International South Africa (Pty) Limited	South Africa	**100**	100
Eclipse Petroleum Technology Limited	England	**100**	100
Caltec Limited	England	**100**	100
i Perform Limited	Scotland	**100**	100
Petrofac FPF1Limited	Jersey	**100**	-
Joint Ventures			
Costain Petrofac Limited	England	**50**	50
Kyrgyz Petroleum Company	Kyrgyz Republic	**50**	50
MJVI Sendirian Berhad	Brunei	**50**	50
Spie Capag – Petrofac International Limited	Jersey	**50**	50
TTE Petrofac Limited	Jersey	**50**	50
Petrofac Emirates LLC	United Arab Emirates	****49**	**49
Dormant subsidiaries			
ASJV Venezuela SA	Venezuela	**100**	100
Joint Venture International Limited	Scotland	**100**	100
Montrose Park Hotels Limited	Scotland	**100**	100
RGIT Ethos Health & Safety Limited	Scotland	**100**	100
Scota Limited	Scotland	**100**	100
Petrofac Russia Limited	England	**100**	100
Monsoon Shipmanagement Limited	Cyprus	**100**	100
Rubicon Response Limited	Scotland	**100**	100

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

OIL AND GAS RESERVES (UNAUDITED)

	Europe	Africa		South East Asia	Total		
	Oil & NGLs mmbbl	Oil & NGLs mmbbl	Gas bcf	Oil & NGLs mmbbl	Oil & NGLs mmbbl	Gas bcf	Oil equivalent mmboe
Proven reserves							
At 1 January 2009							
Developed	-	2.4	18.7	3.5	5.9	18.7	9.1
Undeveloped	12.2	-	0.1	-	12.2	0.1	12.2
Proven	12.2	2.4	18.8	3.5	18.1	18.8	21.3
Changes during the year:							
Revisions	(4.4)	(0.2)	5.3	1.3	(3.3)	5.3	(2.3)
Additions	6.5	-	-	-	6.5	-	6.5
Acquisitions	-	-	-	-	-	-	-
Production	(1.2)	(0.8)	(4.4)	(1.2)	(3.2)	(4.4)	(3.9)
At 31 December 2009							
Developed	3.4	1.4	19.3	3.6	8.4	19.3	11.8
Undeveloped	9.7	-	0.4	-	9.7	0.4	9.8
Proven	**13.1**	**1.4**	**19.7**	**3.6**	**18.1**	**19.7**	**21.6**
Probable reserves							
At 1 January 2009	10.0	-	5.0	1.7	11.7	5.0	12.6
Changes during the year:							
Revisions	(6.7)	-	1.2	(1.2)	(7.9)	1.2	(7.6)
Additions	3.0	-	-	-	3.0	-	3.0
Acquisitions	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-
At 31 December 2009	**6.3**	**-**	**6.2**	**0.5**	**6.8**	**6.2**	**8.0**
Total proven & probable reserves							
At 1 January 2009	22.2	2.4	23.8	5.2	29.8	23.8	33.9
Changes during the year:							
Revisions	(11.1)	(0.2)	6.5	0.1	(11.2)	6.5	(9.9)
Additions	9.5	-	-	-	9.5	-	9.5
Acquisitions	-	-	-	-	-	-	-
Production	(1.2)	(0.8)	(4.4)	(1.2)	(3.2)	(4.4)	(3.9)
At 31 December 2009	**19.4**	**1.4**	**25.9**	**4.1**	**24.9**	**25.9**	**29.6**

Notes

- These estimates of reserves were prepared by the group's engineers and audited by a competent, independent third party based on the guidelines of the Petroleum Resources Management System (sponsored by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers).
- The reserves presented are the net entitlement volumes attributable to the company, under the terms of relevant production sharing contracts and assuming future oil prices equivalent to US$70 per barrel (Brent).
- For the purpose of calculating oil equivalent total reserves, volumes of natural gas have been converted to oil equivalent volumes at the rate of 5,800 standard cubic feet of gas per barrel of oil.

SHAREHOLDER INFORMATION
At 31 December 2009

Petrofac shares are traded on the London Stock Exchange using code 'PFC.L'.

Registrar

Capita Registrars (Jersey) Limited
12 Castle Street
St Helier
Jersey JE2 3RT

UK Transfer Agent

Capita Registrars
The Registry
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Beckenham
Kent BR3 4TU

Company Secretary and registered office

Ogier Corporate Services (Jersey) Limited
Whiteley Chambers
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As to Jersey Law

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Corporate and Financial PR

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Financial Calendar

13 May 2010	Annual General Meeting
21 May 2010	Final dividend payment
23 August 2010	Interim results announcement
November 2010	Interim dividend payment

Dates correct at time of print, but subject to change

The group's investor relations website can be found through www.petrofac.com