1 CORPORATE INFORMATION

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 Group's principal activity is the provision of services to the oil and gas production and processing industry. The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 26 August 2016.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with IAS 34 'Interim Financial Reporting' and applicable requirements of Jersey law. The interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2015.

The presentation currency of the interim condensed consolidated financial statements is United States dollars (US$) and all values in the interim condensed consolidated financial statements are rounded to the nearest million (US$m), except where otherwise stated.

Presentation of results

Petrofac presents its results in the income statement to identify separately the contribution of impairments, certain fair value re-measurements, restructuring and redundancy costs and material deferred tax movements arising from foreign exchange differences in jurisdictions where tax is computed based on the functional currency of the country in order to provide readers with a clear and consistent presentation of the underlying operating performance of the Group's ongoing business.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 2016.

No new standards or amendments that apply for the first time in 2016 have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

Going concern

The Company's business activities together with the factors likely to affect its future development, performance and position are set out in the Group's Annual report and accounts for the year ended 31 December 2015 on pages 14 to 23. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the financial review on pages 46 to 49. In addition, note 31 to the financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The Company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis of accounting in preparing the interim financial statements.

3 SEGMENT INFORMATION

As described on page 21 of the 2015 Annual Report and Accounts, the Group was reorganised with effect from 1 January 2016 to deliver its services through three reporting segments: Engineering & Construction, Engineering & Production Services and Integrated Energy Services. As a result the segment information has been realigned to fit the new Group organisational structure which now comprises the following three reporting segments:

- Engineering & Construction (E&C) which provides lump-sum engineering, procurement and construction project execution services to the onshore and offshore oil and gas industry
- Engineering & Production Services (EPS) which includes all reimbursable engineering and production services activities to the oil and gas industry
- Integrated Energy Services (IES) business focussed on delivering value from the existing asset portfolio

Management separately monitors the trading results of its three reporting segments for the purpose of making an assessment of their performance and for making decisions about how resources are allocated. Interest costs and income arising from borrowings and cash balances which are not directly attributable to individual operating segments are allocated to Corporate rather than allocated to individual segments. In addition, certain shareholder services related overheads, intra-group financing and consolidation adjustments are managed at a corporate level and are not allocated to reporting segments.

The presentation of the Group results below also separately identifies the effect of the Laggan-Tormore loss, asset impairments, certain fair value re-measurements, restructuring and redundancy costs and material deferred tax movements arising due to foreign exchange differences in jurisdictions where tax is computed based on the functional currency of the country. Results excluding these non-recurring items are used by management and presented in order to provide readers with a clear and consistent presentation of the underlying operating performance of the business.

The following tables represent revenue and profit/(loss) information relating to the Group's reporting segments for the six months ended 30 June 2016 and the comparative segmental information has been restated to reflect the revised Group organisational structure:

	Engineering & Construction US$m	*Engineering & Production Services US$m*	*Integrated Energy Services US$m*	*Corporate & others US$m*	*Consolidation adjustments & eliminations US$m*	*Business performance US$m*	*Exceptional items and certain re-measurements US$m* ***(note6)***	*Total US$m*
Six months ended 30 June 2016 (unaudited)								
Revenue								
External sales	2,964	769	155	–	–	3,888	–	3,888
Inter-segment sales	17	15	–	–	(32)	–	–	–
Total revenue	**2,981**	**784**	**155**	**–**	**(32)**	**3,888**	**–**	**3,888**
Segment results	291	59	(5)	(1)	–	344	(129)	215
Laggan-Tormore loss[1]	(101)	–	–	–	–	(101)	–	(101)
Unallocated corporate costs	–	–	–	(8)	–	(8)	–	(8)
Profit/(loss) before tax and finance income/(costs)	**190**	**59**	(5)	**(9)**	–	**235**	(129)	**106**
Share of profits of associates/joint ventures	–	1	3	–	–	4	–	4
Finance costs	–	–	(28)	(25)	–	(53)	–	(53)
Finance income	–	–	–	1	–	1	–	1
Profit/(loss) before income tax	190	60	(30)	(33)	–	187	(129)	58
Income tax (expense)/benefit	(50)	(10)	12	4	–	(44)	6	(38)
Non-controlling interests	(8)	–	–	–	–	(8)	–	(8)
Profit/(loss) for the period attributable to Petrofac Limited shareholders	**132**	**50**	**(18)**	**(29)**	**–**	**135**	**(123)**	**12**

	Engineering & Construction US$m	*Engineering & Production Services US$m*	*Integrated Energy Services US$m*	*Corporate & others US$m*	*Consolidation adjustments & eliminations US$m*	*Total US$m*
Other segment information						
Depreciation and amortisation	23	4	61	5	–	93
Exceptional items and certain re-measurements (note 6)	–	3	121	5	–	129
Other long-term employment benefits	14	1	–	–	–	15
Share-based payments	7	1	–	1	–	9

[1] The Laggan Tormore loss for the period principally comprises a provision for the partial application of liquidated damages agreed as part of the final commercial settlement with our client in respect of the project.

3 SEGMENT INFORMATION (continued)

	Engineering & Construction US$m	*Engineering & Production Services US$m*	*Integrated Energy Services US$m*	*Corporate & others US$m*	*Consolidation adjustments & eliminations US$m*	*Business performance US$m*	*Exceptional items and certain re-measurements US$m* **(note6)**	*Total US$m*
Six months ended 30 June 2015 (unaudited) (Restated)								
Revenue								
External sales	2,292	710	178	–	–	3,180	–	3,180
Inter-segment sales	12	53	2	–	(67)	–	–	–
Total revenue	**2,304**	**763**	**180**	**–**	**(67)**	**3,180**	**–**	**3,180**
Segment results	177	20	16	–	–	213	(50)	163
Laggan-Tormore loss	(296)	–	–	–	–	(296)	–	(296)
Unallocated corporate costs	–	–	–	(5)	–	(5)	–	(5)
(Loss)/profit before tax and finance income/(costs)	**(119)**	**20**	**16**	**(5)**	–	**(88)**	(50)	**(138)**
Share of profits of associates/joint ventures	–	1	4	–	–	5	–	5
Finance costs	–	–	(29)	(24)	–	(53)	–	(53)
Finance income	–	–	3	–	–	3	–	3
(Loss)/profit before income tax	(119)	21	(6)	(29)	–	(133)	(50)	(183)
Income tax (expense)/benefit	(25)	(13)	2	3	–	(33)	1	(32)
Laggan-Tormore tax relief	33	–	–	–	–	33	–	33
Non-controlling interests	(1)	1	–	–	–	–	–	–
(Loss)/profit for the period attributable to Petrofac Limited shareholders	**(112)**	**9**	**(4)**	**(26)**	**–**	**(133)**	**(49)**	**(182)**

	Engineering & Construction US$m	*Engineering & Production Services US$m*	*Integrated Energy Services US$m*	*Corporate & others US$m*	*Consolidation adjustments & eliminations US$m*	*Total US$m*
Other segment information						
Depreciation and amortisation	21	14	52	5	–	92
Exceptional items and certain re-measurements (note 6)	–	5	45	–	–	50
Other long-term employment benefits	15	1	–	–	–	16
Share-based payments	7	2	–	1	–	10

4 REVENUES

	Six months ended 30 June 2016 Unaudited US$m	*Six months ended 30 June 2015 Unaudited US$m*
Rendering of services	**3,834**	3,109
Sale of crude oil and gas	**54**	71
	3,888	3,180

Included in revenues from rendering of services are Engineering & Production Services revenues of a “pass-through” nature with zero or low margins amounting to US$191m (six months ended 30 June 2015: US$116m).

5 SELLING GENERAL AND ADMINISTRATION EXPENSES

The decrease of US$54m in selling, general and administration costs compared with the equivalent prior year period is principally due to a reduction in staff costs of US$31m as a result of redundancies and lower other overheads of US$18m arising from the Group re-organisation and centralisation of back office functions.

6 EXCEPTIONAL ITEMS AND CERTAIN RE-MEASUREMENTS

	Six months ended 30 June 2016 Unaudited US$m	*Six months ended 30 June 2015 Unaudited US$m*
Impairment of assets including goodwill	**15**	33
Fair value re-measurements	**95**	6
Onerous contract and leasehold property provisions	**7**	5
Other exceptional items	**12**	6
	129	50
Foreign exchange translation gains on deferred tax balances	**(4)**	–
Tax relief on exceptional items and certain re-measurements	**(2)**	(1)
Income statement charge for the period	**123**	49

Impairment of assets including goodwill

During the period the Group reviewed the carrying value of its assets and as a result of this review a further impairment charge of US$15m (post-tax US$15m) has been recognised in the IES segment on the FPSO Opportunity reflecting the estimated realisable value of the vessel (six months ended 30 June 2015: the Group recognised an impairment charge of US$33m (post-tax US$33m) in respect of IES goodwill).

In relation to impairment testing performed for the Mexican PEC assets which have a combined carrying value of US$662m at 30 June 2016 (31 December 2015: US$642m), assumptions were made in determining the expected outcome of ongoing contractual negotiations in respect of the planned migration to PSC type arrangements. These include the expected working interest in the PSC and financial and fiscal terms achieved. The situation remains uncertain and the assets are exposed to impairment if the assumptions are not realised. No impairment was recorded at 30 June 2016 (six months ended 30 June 2015: US$nil).

Fair value re-measurements

As announced on 11 July 2016, IES has reached mutual agreement with Petronas for the cessation of the Berantai Risk Service Contract (RSC) with effect from 30 September 2016. Under the terms of the Mutual Settlement and Handover Agreement the project remuneration fees were reduced by US$27m (post-tax US$26m) net of the unwinding of discount on the long-term receivable from Petronas. Under the terms of the Agreement, the outstanding amount due from Petronas will be recovered by 30 June 2017, and is subject to final agreement being reached on the mechanism for transfer of the ownership of the Berantai FPSO to Petronas.

As a result of a reassessment of oil and gas forward prices, capital expenditure changes and commercial settlement adjustments, the Group revalued its loan receivable from Ithaca Energy in respect of the Greater Stella Area in the UK. The revaluation exercise was carried out on a fair value basis using risk adjusted cash flow projections (a level 3 measurement) discounted at a post-tax rate of 9% which resulted in a US$1m pre-tax impairment charge (post-tax US$1m) in the IES segment (six months ended 30 June 2015: pre-tax US$6m, post-tax US$6m). Management has used forward curve oil prices of US$52 per barrel for the period July 2016 to June 2017, US$55 per barrel for the period July 2017 to June 2018, US$65 per barrel for the period July 2018 to Dec 2018, US$70 per barrel for 2019 and US$75 per barrel for 2020 and beyond.

During the period the Group reviewed the carrying value of its available-for-sale investment in Seven Energy and as a result of this review management considers the significant decline in its fair value to be an indicator for impairment and has recognised US$51m as an exceptional item to reflect the pricing of a recent equity fund raising by Seven Energy. Any future equity raise may not be at a similar price and the Group will continue to monitor its investment. Also management has reclassified the cumulative unrealised losses that had been recognised previously through the reserve for unrealised gains/(losses) on available-for-sale investment of US$16m to the consolidated income statement as an exceptional item in the IES segment.

6 EXCEPTIONAL ITEMS AND CERTAIN RE-MEASUREMENTS (continued)

Fair value less costs of disposal are determined by discounting the post-tax cash flows expected to be generated from oil and gas production net of selling costs taking into account assumptions that market participants would typically use in estimating fair values. Post-tax cash flows are derived from projected production profiles for each asset taking into account forward market commodity prices over the relevant period and, where external forward prices are not available, the Group's Board-approved five year business planning assumptions are used. As each field has different reservoir characteristics and contractual terms the post-tax cash flows for each asset are calculated using individual economic models which include assumptions around the amount of recoverable reserves, production costs, life of the field/licence period and the selling price of the commodities produced.

Onerous contract and leasehold property provisions

A further onerous contract provision of US$7m was recognised in the IES segment principally to reflect the final commercial settlement in respect of the exit from the Ticleni Production Enhancement Contract in Romania (six months ended 30 June 2015: US$5m of onerous leasehold property provision relating to the vacant leasehold office building at Quattro House in Aberdeen, UK for which the lease expires in 2024 in the EPS segment).

Other exceptional items

Others includes US$5m of legal and professional costs incurred on the independent investigation into the historical provision of services by Unaoil (six months ended 30 June 2015: US$nil) with the balance of US$7m pre-tax (US$6m post-tax) consisting of Group restructuring costs and Mexican migration costs (six months ended 30 June 2015: pre-tax US$6m, post-tax US$6m).

Taxation

US$4m of foreign exchange gains on the retranslation of deferred tax balances denominated in Malaysia Ringgits have been recorded during the period in respect of IES's oil and gas activities in Malaysia due to an approximate 8% strengthening in the Malaysian local currency versus the US dollar.

7 OTHER OPERATING EXPENSES

Other operating expenses have increased by US$8m compared with the equivalent prior period largely due to foreign exchange losses of US$6m (six months ended 30 June 2015: US$nil) and a US$2m expense relating to early settlement of hedges in the E&C segment (six months ended 30 June 2015: US$nil).

8 INCOME TAX

Income tax expense/(credit) is recognised based on management's best estimate of the income tax rate applicable to the pre-tax income of the interim period.

The major components of the income tax expense/(credit) are as follows:

	***Business performance US$m**	***Exceptional items and certain re-measurements US$m***	***Six months ended 30 June 2016 Unaudited US$m***	**Business performance US$m*	*Exceptional items and certain re-measurements US$m*	*Six months ended 30 June 2015 Unaudited US$m*
Current income tax						
Current income tax charge	**101**	**(1)**	**100**	43	(1)	42
Adjustments in respect of current income tax of previous periods	–	–	–	2	–	2
Deferred tax						
Relating to origination and reversal of temporary differences	**(61)**	**(5)**	**(66)**	(46)	–	(46)
Adjustments in respect of deferred tax of previous periods	**4**	**–**	**4**	1	–	1
	44	**(6)**	**38**	–	(1)	(1)

The Group's effective tax rate for the six months before exceptional items and certain re-measurements is 23.5% (six months ended 30 June 2015: 0.0%) and post exceptional items and certain re-measurements is 65.5% (six months ended 30 June 2015: 0.5% credit).

The Group's effective tax rate is dependent upon a number of factors including the timing of profit recognition between the first and second halves of the year on contracts held as well as the mix of jurisdictions in which contract income is generated within the Engineering & Construction and the Integrated Energy Services segments.

The higher effective tax rate in the current period is largely driven by the impact of losses which have not been recognised for tax purposes.

9 EARNINGS PER SHARE

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

Diluted earnings per share amounts are calculated by dividing the net profit/(loss) attributable to ordinary shareholders, after adjusting for any dilutive effect, by the weighted average number of ordinary shares outstanding during the period, 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:

	Six months ended 30 June 2016 Unaudited US$m	*Six months ended 30 June 2015 Unaudited US$m*
Profit/(loss) attributable to ordinary shareholders for basic and diluted earnings per share excluding impairments and certain re-measurements	**135**	**(133)**
Profit/(loss) attributable to ordinary shareholders for basic and diluted earnings per share including impairments and certain re-measurements	**12**	**(182)**

	At 30 June 2016 Unaudited Number'm	*At 30 June 2015 Unaudited Number'm*
Weighted average number of ordinary shares for basic earnings per share	**340**	340
Effect of dilutive potential ordinary shares granted under share-based payment schemes	**3**	–
Adjusted weighted average number of ordinary shares for diluted earnings per share	**343**	340

10 DIVIDENDS PAID AND PROPOSED

	Six months ended 30 June 2016 Unaudited US$m	*Six months ended 30 June 2015 Unaudited US$m*
Declared and paid during the period		
Equity dividends on ordinary shares:		
Final dividend for 2014: 43.80 cents per share	**–**	149
Final dividend for 2015: 43.80 cents per share	**149**	–
	149	149

The Company proposes an interim dividend of 22.00 cents per share which was approved by the Board on 26 August 2016 for payment on 21 October 2016.

11 PROPERTY, PLANT AND EQUIPMENT

The decrease in property, plant and equipment during the period mainly comprises a revision to decommissioning cost estimates on the Production Enhancement contracts in Mexico of US$97m (note 21), depreciation charged during the period of US$93m and an impairment charge relating to oil and gas facilities of US$15m (note 6). This decrease is partly offset by capital expenditure of US$54m incurred on the construction of the Petrofac JSD6000 installation vessel, expenditure of US$10m in respect of oil and gas assets on the Mexico Production Enhancement Contracts, additions to project camps, temporary facilities and vehicles in Engineering & Construction of US$33m and a transfer from intangible oil and gas assets of US$3m of field development costs on Block PM304 in Malaysia. Property, plant and equipment having a net book value of US$2m relating to camps and temporary facilities on an Engineering & Construction project was disposed of during the period and a gain of US$28m was recognised through cost of sales in the consolidated income statement.

12 GOODWILL

A summary of the movement in goodwill is presented below:

	30 June 2016 Unaudited US$m	*31 December 2015 Audited US$m*
Opening balance	**80**	115
Impairment (note 6)	**–**	(33)
Exchange difference	**(5)**	(2)
	75	80

Goodwill of US$33m relating to the Integrated Energy Services cash-generating unit was impaired during 2015.

The carrying amount of goodwill allocated to each group of cash-generating units post the 1 January 2016 Group re-organisation is shown below:

	30 June 2016 Unaudited US$m	*31 December 2015 Audited US$m (Restated)*
Engineering & Construction unit	**32**	33
Engineering & Production Services unit	**43**	47
	75	80

13 INVESTMENTS IN ASSOCIATES / JOINT VENTURES

	Associates US$m	*Joint ventures US$m*	*Total US$m*
As at 1 January 2015 (audited)	66	5	71
Additions	–	1	1
Loan made to Petrofac FPF1 Limited	1	–	1
Share of profits	7	2	9
Fair valuation gain on initial recognition of investment in associate	1	–	1
Dividends received	(6)	(3)	(9)
As at 1 January 2016 (audited)	69	5	74
Share of profits	3	1	4
Dividends received	(2)	(1)	(3)
Balance at 30 June 2016 (unaudited)	**70**	**5**	**75**

14 AVAILABLE-FOR-SALE INVESTMENT

	30 June 2016 Unaudited US$m	*31 December 2015 Audited US$m*
Opening balance	**169**	185
Additions	**12**	–
Changes in fair value (note 6)	**(51)**	(16)
	130	169

During the period an additional investment of US$12m was made in Seven Energy to meet its funding requirements, which also included contributions from new and existing shareholders. Additional funding raised by Seven Energy diluted the Group's shareholding in the Company from 15.0% at 31 December 2015 to 14.7% at 30 June 2016.

During the period the fair value of the investment in Seven Energy has been reduced by US$51m to reflect the pricing of a recent Seven Energy equity fund raising which together with the US$16m reduction previously recognised through the reserve for unrealised gains/(losses) on available-for-sale investment which has been reclassified to the consolidated income statement, amounts to a total exceptional charge of US$67m (note 6).

15 FINANCIAL INSTRUMENTS

	Classification	***30 June 2016 Unaudited US$m***	*31 December 2015 Audited US$m*
OTHER FINANCIAL ASSETS			
Non-Current			
Receivable under the Berantai RSC	Fair value through profit and loss	**–**	303
Receivable from joint venture partners	Loans and receivables	**283**	330
Forward currency contracts designated as hedges	Designated as cash flow hedges	**35**	78
Restricted cash	Loans and receivables	**41**	41
		359	752
Current			
Receivable in respect of the development of the Greater Stella Area	Fair value through profit and loss	**190**	160
Receivable from joint venture partners	Loans and receivables	**168**	155
Receivable under the Berantai RSC	Fair value through profit and loss	**331**	54
Forward currency contracts designated as hedges	Designated as cash flow hedges	**4**	26
Forward currency contracts undesignated	Fair value through profit and loss	**31**	12
Oil derivative	Designated as cash flow hedges	**1**	12
Restricted cash	Loans and receivables	**7**	36
		732	455
OTHER FINANCIAL LIABILITIES			
Non-Current			
Finance lease creditors	Loans and borrowings	**557**	631
Forward currency contracts designated as hedges	Designated as cash flow hedges	**26**	28
		583	659
Current			
Finance lease creditors	Loans and borrowings	**258**	239
Forward currency contracts designated as hedges	Designated as cash flow hedges	**68**	66
Forward currency contracts undesignated	Fair value through profit and loss	**2**	1
Interest payable	Loans and borrowings	**15**	30
		343	336

Due to the cessation of the Berantai RSC agreed with Petronas, the entire Berantai RSC receivable is classified as a short-term receivable at 30 June 2016. The short-term receivable under the Berantai RSC now represents the amounts agreed to be recovered over a period of one year from the reporting date in line with the Mutual Settlement and Handover Agreement with the customer (note 6). As part of this arrangement the Berantai FPSO, which is held as an asset under finance lease, is expected to be transferred to Petronas by 30 September 2016. The mechanism for transfer of title of the Berantai FPSO from its current owner to Petronas is subject to final agreement between the respective parties.

The short-term receivable in respect of the development of the Greater Stella Area represents a loan made to the consortium partners to fund Petrofac's share of the development costs of the field.

The short-term and long-term receivable from joint venture partners represents the 70% gross up on finance lease liabilities in respect of oil and gas facilities relating to Block PM304 in Malaysia that are included 100% in the Group's consolidated statement of financial position. The Group's 30% share of this finance lease liability is US$193m (31 December 2015: US$208m).

Restricted cash comprises deposits with financial institutions and clients securing various guarantees and performance bonds associated with the Group's trading activities. This cash will be released on the maturity of these guarantees and performance bonds.

15 FINANCIAL INSTRUMENTS (continued)

Fair value measurement

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

Level 1: Unadjusted quoted prices in active markets for identical financial assets or liabilities
Level 2: Other valuation techniques where the inputs are based on significant observable factors
Level 3: Other valuation techniques where the inputs are based on significant unobservable market data

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at:

	Level	*Carrying amount*		*Fair value*	
		30 June 2016 Unaudited US$m	*31 December 2015 Audited US$m*	***30 June 2016 Unaudited US$m***	*31 December 2015 Audited US$m*
Financial assets					
Cash and short-term deposits	Level 2	**1,328**	1,104	**1,328**	1,104
Restricted cash	Level 2	**48**	77	**48**	77
Seven Energy available-for-sale investment	Level 3	**130**	169	**130**	169
Receivable under Berantai RSC	Level 3	**331**	357	**331**	357
Receivable in respect of the development of the Greater Stella Area	Level 3	**190**	160	**190**	160
Oil derivative	Level 2	**1**	12	**1**	12
Euro forward currency contracts – designated as cash flow hedge	Level 2	**32**	99	**32**	99
Japanese Yen forward currency contracts – designated as cash flow hedge	Level 2	**4**	–	**4**	–
Sterling forward currency contracts – designated as cash flow hedge	Level 2	**3**	2	**3**	2
Kuwaiti dinar forward currency contracts – designated as cash flow hedge	Level 2	–	3	–	3
Sterling forward currency contracts – undesignated	Level 2	**31**	12	**31**	12
Financial liabilities					
Interest-bearing loans and borrowings					
Senior notes	Level 2	**673**	745	**677**	750
Term loan	Level 2	**499**	499	**500**	500
Revolving credit facility	Level 2	**977**	530	**985**	540
Export credit agency funding	Level 2	**13**	13	**18**	17
Bank overdrafts	Level 2	**43**	3	**43**	3
Finance lease creditors	Level 2	**815**	870	**815**	870
Euro forward currency contracts – designated as cash flow hedge	Level 2	**38**	72	**38**	72
Malaysian ringgit forward currency contracts – designated as cash flow hedge	Level 2	**7**	18	**7**	18
Kuwaiti dinar forward currency contracts – designated as cash flow hedge	Level 2	**40**	1	**40**	1
Sterling forward currency contracts – designated as cash flow hedge	Level 2	**9**	3	**9**	3
Kuwaiti dinar forward currency contracts – undesignated	Level 2	**2**	–	**2**	–
Sterling forward currency contracts – undesignated	Level 2	–	1	–	1

The Group considers that the carrying amounts of trade and other receivables, work-in-progress, trade and other payables, other current and non-current financial assets and liabilities approximate their fair values and are therefore excluded from the above table.

15 FINANCIAL INSTRUMENTS (continued)

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair values of financial assets and liabilities

The following methods and assumptions were used to estimate the fair values:

- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly foreign exchange forward contracts and oil derivatives. Externally provided sources of quoted market prices have been used to determine the fair values of forward currency contracts and oil derivatives.
- The fair values of long-term interest-bearing loans and borrowings and finance lease creditors are equivalent to their amortised costs determined as the present value of discounted future cash flows using the effective interest rate.
- The fair value of the receivable under the Berantai RSC (page 27) represents the amounts agreed to be recovered over a period of twelve months from the reporting date in line with the Mutual Settlement and Handover Agreement with the customer. The fair valuation of the receivable is based on unobservable inputs agreed with the customer:

	30 June 2016 Unaudited	*31 December 2015 Audited*
Internal rate of return	**9.7%**	11.5%

Since, a final contract cessation agreement with the customer has been reached in relation to the unobservable inputs, no sensitivity analysis for 30 June 2016 has been presented below (note 6):

	30 June 2016 Unaudited US$m	*31 December 2015 Audited US$m*
100 basis points decrease in the internal rate of return	**–**	(19)
100 basis points decrease in the discount rate	**–**	2
100 basis points increase in the discount rate	**–**	(2)

Reconciliation of fair value measurement of the receivable under the Berantai RSC:

	30 June 2016 Unaudited US$m	*31 December 2015 Audited US$m*
Opening balance	**357**	381
Billings during the year	**25**	55
Fair value (loss)/gain (note 6)	**(26)**	4
Receipts during the year	**(25)**	(83)
Closing balance	**331**	357

15 FINANCIAL INSTRUMENTS (continued)

- The fair value of the available-for-sale investment in Seven Energy (page 27) has been calculated using the share price at which the additional equity capital was raised by Seven Energy during 2016 (note 14). In 2015, the fair value was calculated using the income method based on a discounted cash flow analysis.

At 30 June 2016, the impact on the fair value of the available-for-sale investment as a result of changes to its share price has been presented below:

	30 June 2016 Unaudited US$m	*31 December 2015 Audited US$m*
10% decrease in the oil price (per barrel)	**–**	(3)
10% increase in the oil price (per barrel)	**–**	5
100 basis points decrease in the discount rate	**–**	12
100 basis points increase in the discount rate	**–**	(9)
5% decrease in share price	**(7)**	–

- The fair value of the amounts receivable in respect of the development of the Greater Stella Area (page 27) has been calculated using a discounted cash flow model that represents the value which management expects would be converted to oil and gas assets upon transfer of legal title of the licence on achieving first oil. The oil price assumptions used are the same as disclosed in note 6 and the risk adjusted cash flow projections are discounted at a post-tax rate of 9.0%.

The table below explains the impact on the fair value of the amounts receivable in respect of the development of the Greater Stella Area as a result of changes to these inputs:

	30 June 2016 Unaudited US$m	*31 December 2015 Audited US$m*
10% decrease in the oil price (per barrel)	**(24)**	(22)
10% increase in the oil price (per barrel)	**24**	22
10% decrease in the gas price (per mcf)	**(24)**	(26)
10% increase in the gas price (per mcf)	**24**	27
6 month delay in production	**(3)**	(45)
100 basis points decrease in the discount rate	**13**	16
100 basis points increase in the discount rate	**(13)**	(15)

Reconciliation of fair value measurement of the amounts receivable in respect of the development of the Greater Stella Area:

	30 June 2016 Unaudited US$m	*31 December 2015 Audited US$m*
Opening balance	**160**	192
Advances during the period to the partners	**31**	182
Fair value loss (note 6)	**(1)**	(214)
Closing balance	**190**	160

16 WORK IN PROGRESS

The increase in work in progress during the period of US$602m is mainly due to an Engineering & Construction project achieving its initial physical progress based revenue and margin recognition threshold amounting to US$354m and short-term timing differences between physical contract progress and milestone based billing on another Engineering & Construction project amounting to US$269m.

17 CASH AND CASH EQUIVALENTS

For the purposes of the interim condensed consolidated statement of cash flows, cash and cash equivalents comprise:

	30 June 2016 Unaudited US$m	*31 December 2015 Audited US$m*
Cash at bank and in hand	**1,153**	1,102
Short-term deposits	**175**	2
Cash and short-term deposits	**1,328**	1,104
Bank overdrafts (note 20)	**(43)**	(3)
	1,285	1,101

18 TREASURY SHARES AND SHARE-BASED PAYMENTS

During the period, the Company acquired 2,673,796 (31 December 2015: 2,800,000) of its own shares at a cost of US$36m (31 December 2015: US$39m) for the purpose of making awards under the Group's employee share schemes and these shares have been classified in the balance sheet as treasury shares within equity. In addition, during the period 2,532,415 shares (including 167,547 accrued dividend shares) with a cost of US$38m were transferred out of the Employee Benefit Trust on vesting of various employee share scheme awards.

The Group has recognised an expense in the income statement for the period to 30 June 2016 relating to employee share-based incentives of US$9m (six months ended 30 June 2015: US$10m; year ended 31 December 2015:US$23m) which has been transferred to the reserve for share-based payments. This charge covers shares granted in relation to the existing Deferred Bonus, Performance and Restricted Share Plans. In addition US$17m of the remaining bonus liability accrued for the year ended 31 December 2015 (2014 bonus of US$23m) which has been voluntarily elected or mandatorily obliged to be settled in shares granted during the period has been transferred to the reserve for share-based payments.

19 OTHER RESERVES

	Net unrealised gains/(losses) on derivatives US$m	*Net unrealised gains/(losses) on available-for-sale investment US$m*	*Foreign currency translation US$m*	*Reserve for share-based payments US$m*	*Total US$m*
Balance at 1 January 2015 (audited)	(7)	–	(51)	76	18
Net gains on maturity of cash flow hedges recycled in the year	(11)	–	–	–	(11)
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	(47)	–	–	–	(47)
Changes in fair value of available-for-sale financial assets	–	(16)	–	–	(16)
Share-based payments charge (note 18)	–	–	–	23	23
Transfer during the year (note 18)	–	–	–	23	23
Shares vested during the year	–	–	–	(27)	(27)
Balance at 31 December 2015 (audited)	(65)	(16)	(51)	95	(37)
Attributable to:					
Petrofac Limited shareholders	(44)	(16)	(51)	95	(16)
Non-controlling interests	(21)	–	–	–	(21)
Balance at 31 December 2015 (audited)	(65)	(16)	(51)	95	(37)
Balance at 1 January 2016 (audited)	(65)	(16)	(51)	95	(37)
Foreign currency translation gains	–	–	21	–	21
Net gains on maturity of cash flow hedges recycled in the period	(1)	–	–	–	(1)
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	25	–	–	–	25
Unrealised loss on the fair value of available-for-sale investment reclassified during the period (note 14)	–	16	–	–	16
Share-based payments charge (note 18)	–	–	–	9	9
Transfer during the period (note 18)	–	–	–	17	17
Shares vested during the period	–	–	–	(35)	(35)
Deferred tax on share-based payments reserve	–	–	–	(1)	(1)
Balance at 30 June 2016 (unaudited)	**(41)**	**–**	**(30)**	**85**	**14**
Attributable to:					
Petrofac Limited shareholders	(29)	–	(30)	85	26
Non-controlling interests	(12)	–	–	–	(12)
Balance at 30 June 2016 (unaudited)	**(41)**	**–**	**(30)**	**85**	**14**

20 INTEREST-BEARING LOANS AND BORROWINGS

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

		30 June 2016 Actual interest rate %	31 December 2015 Actual interest rate %	Effective interest rate %	Maturity[1]	*30 June 2016 Unaudited US$m*	*31 December 2015 Audited US$m*
Current							
Bank overdrafts	(i)	US/UK LIBOR + 1.50%	US/UK LIBOR + 1.50%	US/UK LIBOR + 1.50%	on demand	**43**	3
Term loans	(iii)	US LIBOR + 0.85%	US LIBOR + 0.85%	US LIBOR + 0.85%	August 2016	**500**	500
Export Credit Agency Funding	(v)	US LIBOR + 1.50%	–	US LIBOR + 1.50%	Refer note (v) below	**18**	17
Total current interest-bearing loans and borrowings						**561**	520
Non-current							
Senior notes	(ii)	3.40%	3.40%	3.70%	2 years	**677**	750
Revolving credit facility	(iv)	US LIBOR + 1.00%	US LIBOR + 0.95%	US LIBOR + 1.00%	4 years	**985**	540
						1,662	1,290
Less: Debt acquisition costs net of accumulated amortisation and effective interest rate adjustments						**(18)**	(20)
Total non-current interest-bearing loans and borrowings						**1,644**	1,270
Total interest-bearing loans and borrowings						**2,205**	1,790

[1] As at 30 June 2016

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

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

(ii) Senior notes
Petrofac has an outstanding aggregate principal amount of US$677m Senior Notes due in 2018 (Notes). During the period the Company redeemed US$73m of its Notes and recognised a gain thereon of US$1m (six months ended 30 June 2015: US$nil). The Group pays interest on the Notes at an annual rate equal to 3.40% of the outstanding principal amount. Interest on the Notes is payable semi-annually in arrears in April and October each year. The Notes are senior unsecured obligations of the Company and will rank equally in right of payment with the Company's other existing and future unsecured and unsubordinated indebtedness. Petrofac International Ltd and Petrofac International (UAE) LLC irrevocably and unconditionally guarantee, jointly and severally, the due and prompt payment of all amounts at any time becoming due and payable in respect of the Notes. The Guarantees are senior unsecured obligations of each Guarantor and will rank equally in right of payment with all existing and future senior unsecured and unsubordinated obligations of each Guarantor.

(iii) Term loan
On 31 August 2014, Petrofac entered into a US$500m 2 year term loan facility with a syndicate of 5 international banks. The facility, which matures on 31 August 2016, is unsecured and is subject to two financial covenants relating to leverage and interest cover. Petrofac was in compliance with these covenants for the period ending 30 June 2016. The loan was fully drawn as of 30 June 2016 (31 December 2015: US$500m).

Interest is payable on the facility at LIBOR + 0.85%.

The US$500m term loan due to mature on 31 August 2016 was repaid in full on 15 August 2016. The repayment was partly financed with the proceeds of two new term loans of US$200m and US$100m respectively. These two new facilities will mature in August 2017.

(iv) Revolving credit facility
Petrofac has a US$1,200m 5 year committed revolving credit facility with a syndicate of international banks, which is available for general corporate purposes. The facility, which was signed on 11 September 2012, was amended and extended in June 2015 and will now mature on 2 June 2020. The facility is unsecured and is subject to two financial covenants relating to leverage and interest cover. Petrofac was in compliance with these covenants for the period ending 30 June 2016. As at 30 June 2016, US$985m was drawn under this facility (31 December 2015: US$540m).

Interest is payable on the drawn balance of the facility at LIBOR + 1.00% and in addition utilisation fees are payable depending on the level of utilisation.

20 INTEREST-BEARING LOANS AND BORROWINGS (continued)

(v) Export credit agency funding

On 26 February 2015, Petrofac entered into a US$58m, 14 year term loan facility guaranteed by the Italian Export Credit Agency SACE. On 30 July 2015, Petrofac entered into a US$108m term loan facility guaranteed by the UK Export Credit Agency UKEF, on substantially the same terms as the SACE facility. The two facilities are linked to the procurement of certain goods and services from Italian and UK exporters, respectively, in connection with the construction of the Petrofac JSD6000 vessel. Repayment of the loans was intended to commence from the date of delivery of the vessel. Following the termination of the vessel construction contract, the facilities are not currently available for drawing and Petrofac is in discussions with the two Export Credit Agencies to amend the facilities and agree a revised date for the commencement of repayments. As at 30 June 2016, US$17m (31 December 2015: US$17m) was drawn under the SACE facility and interest of US$1m was capitalised during the period (31 December 2015: US$nil). No drawings have been made under the UKEF facility.

21 PROVISIONS

The decrease in provisions during the period is mainly due to a revision of decommissioning cost estimates on the Santuario, Magallanes and Arenque Production Enhancement Contracts in Mexico of US$97m (note 11).

22 ACCRUED CONTRACT EXPENSES

The increase in accrued contract expenses of US$352m during the period is due largely to an Engineering & Construction project achieving its initial physical progress based revenue and margin recognition threshold (US$308m).

23 CAPITAL COMMITMENTS

At 30 June 2016 the Group had capital commitments of US$295m (31 December 2015: US$500m).

Included in the US$295m of commitments are:

	30 June 2016 Unaudited US$m	*31 December 2015 Audited US$m*
Building of the Petrofac JSD6000 installation vessel	**60**	93
Production Enhancement Contracts in Mexico	**18**	3
Further appraisal and development of wells as part of Block PM304 in Malaysia	**39**	240
Costs in respect of Ithaca Greater Stella Field development in the UK North Sea	**178**	164