

Petrofac International Ltd

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

7 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:

	2016 US\$'000	2015 US\$'000
Accounting profit before tax	512,840	556,002
At Jersey's domestic tax rate of 0% (2015: 0%)	-	-
Expected tax charge in higher rate jurisdictions	91,188	67,019
Adjustments in respect of previous years	10	(9,348)
Expenditure not allowable for income tax purposes	13,096	2,646
Adjustments in respect of losses not previously recognised/derecognised	203	5,069
Other permanent differences	3,762	-
Unrecognised tax losses	-	956
	108,259	66,342

The Group's effective tax rate for the year ended 31 December 2016 is 21.11% (2015: 11.93%). The Group's effective tax rate, excluding the impact of exceptional items, for the year ended 31 December 2016 is 19.74% (2015: 11.93%).

A number of factors have impacted the effective tax rate, with key drivers being; mix of profits in the jurisdictions in which profits are earned and disallowance of expenditure which is not deductible for tax purposes.

c. Deferred tax

Deferred tax relates to the following:

	Consolidated Statement of Financial Position		Consolidated Income Statement	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Deferred tax liabilities				
Profit recognition	68,414	107,710	(39,297)	51,810
Gross deferred tax liabilities	68,414	107,710		
Deferred tax assets				
Losses available for offset	1,660	4,080	2,420	5,100
Profit/(loss) recognition	16,060	30,574	14,514	(26,592)
Other temporary differences	-	1,149	1,150	(79)
Gross deferred tax assets	17,720	35,803		
Deferred tax (credit) charge			(21,213)	30,239

d. Unrecognised tax losses and tax credits

Deferred tax assets are recognised for tax loss carry forwards and tax credits to the extent that the realisation of the related tax benefit through offset against future taxable profits is probable. The Group did not recognise deferred tax assets of US\$ 123,000 thousand (2015: US\$ 54,849 thousand) which has no expiration date.