

1 CORPORATE INFORMATION

The consolidated financial statements of Petrofac International Ltd. (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on 30 March 2017.

Petrofac International Ltd. is a limited liability company registered in Jersey, Channel Islands. The principal office of the Company is Petrofac House, Al Khan Road, Sharjah, United Arab Emirates. The Company is a subsidiary of Petrofac Limited (the "parent company"), which is also incorporated in Jersey, Channel Islands as a limited liability company. The principal activity of the Group is provision of services to the oil and gas production and processing industry.

Information on the Group's subsidiaries, joint ventures and joint operations is contained in note 30 to these consolidated financial statements. Information on other related party relationships of the Group is provided in note 27.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of Jersey Law.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value. The consolidated financial statements are presented in United States Dollars (US\$) and all values are rounded to the nearest thousand (US\$'000), except when otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Petrofac International Ltd. and its subsidiaries as at 31 December 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the Petrofac International Ltd shareholder and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the consolidated income statement. Any investment retained is recognised at fair value.