APPENDIX 1

Employee survey conducted thorough cluster sampling over a period of 2 weeks.

Survey Questionnaire

***NOTE: PLEASE TICK IN THE BOXES PROVIDED

Current Scenario

a. **Which Emirate do you live in:**

☐ Sharjah ☐ Ajman ☐ Dubai

b. **What type of accommodation do you own?**

☐ Studio ☐ 1BR ☐ 2BR ☐ 3 BR ☐ Shared Apartment

c. **Is the trend of house rent increase affecting your family's choice of accommodation adversely, compromising on location and space?**

☐ Yes ☐ No

d. **How do you travel to work:**

☐ Own Car ☐ Taxi ☐ Shuttle ☐ Other (please specify)

e. **How long do you take to travel to work?**

☐ Less than 15 minutes ☐ 15 minutes to 30 minutes ☐ More than 30 minutes

f. **How important is it for you to stay within 5 KM of office?**

☐ Important ☐ Not Important

g. **Your monthly Housing Allowance (including HRA Special) is in the range of:**

☐ $700 - $900

☐ $901 - $1500

☐ $1501 - $2000

☐ Above $2000

h. **With the HRA you are receiving are you able to find satisfactory accommodation?**

☐ Yes ☐ No

i. **Please provide the % break up of (housing allowance + special HR Allowance) on following items:**

i. **House Rent _____________**
ii. **Utilities (Water, Electricity & Gas) ____________**
iii. **Savings ______________**

Change in practice: A hypothetical situation

ii. **Would you avail an option of staying in a company owned apartment in exclusive residential complex with recreational facilities, security and amenities in Ajman with 30 minute commuting time in company bus transport?**

☐ Yes ☐ No

iii. **If not, then why?**

iv. **Do you agree that living in such company provided accommodation with your colleagues as a community would result in better work-life balance?**

☐ Yes ☐ No

v. **In your opinion what should company do in order to address the housing situation?**

Thank you for completing this questionnaire.

APPENDIX 2

Interview with HR Director:

1. How many employees are currently staying in Sharjah / Dubai?

We have 2468 employees currently on Sharjah payroll. Out of this 1565 employees are staying in Sharjah and rest are working at project sites.

2. Please provide the following information about employee strength and HRA for last 5 years.

Year	2004	2005	2006	2007	2008
Employee Strength	1022	1211	1607	2109	2468
Housing Allowance - Million(per year)	8.82	11.25	16.85	25.08	33.5

3. What are the challenges faced by company in relation to accommodation for its employees?

For the last 5 years the house rents have been increasing by 15-20% annually and company has had to revise the housing allowances accordingly to remain competitive and retain employees. Recently, due to shift in the location of company office to its own building, employees do not find suitable accommodation near the office and most of them have to travel 5-8 KM to reach office. This is posing considerable hardship due to non availability of public transport and traffic congestion.

4. Would you consider buying out a residential building in order to contain your employee cost?

Yes

5. What do you think about the success rate of this investment?

In the last 4 years the rentals and consequently the Housing Allowances have grown by approximately 15% - 20% a year. Hence this investment would reduce the company's costs and if market conditions stay conducive for this investment we may hope for an increase in profits from the annual growth of the land. Though, it wouldn't be easy to buy out 4-5 buildings which would be located close to each other.

6. According to you, how would the employees react to this change? I mean, would you make any changes in the HRA?

Currently few employees choose to stay in shared accommodation and save out of housing allowance and they may not prefer company provided accommodation. However, at least 60% of employees would welcome the idea of company provided accommodation.

7. What would be the negative aspects of this investment?

In the event of stagnation or drop in business company may be left with a large investment (Probability less than 10%). In the event of severe recession, house rents may actually decrease and company may be at a disadvantage of having locked in substantial amount in the real estate (Probability less than 10%). Also, as Sharjah is a more developed and prosperous city in comparison to Ajman and Qussais it would be costlier to buy property here and Petrofac wouldn't be able to enjoy much of economies of scale. Another disadvantage could be the leasehold property rule where a person/organization can purchase a piece of land or building but with a lease of 99 years.

8. What do you think about investing in a plot of land to build a complex for 500 families in Ajman?

This may be an option where company could design and build appropriate building deriving the best value, though this may delay the project by 2 years (normal construction period). This option would provide flexibility and cost effective investment by cutting out middlemen and would help Petrofac in enjoying economies of scale from the large scale construction.

9. What do you think about the success rate of this investment?

As long as the property rates and rentals continue increasing, company will be able to freeze the housing cost for its employees and create an asset for itself. The success rate of this would be around 75-80%. Also as Petrofac was one of the foremost companies to have full scale construction equipment and quality skill in UAE. By starting in 1991, Petrofac Sharjah has gained a vast amount of experience in EPC. We have also attained the ISO 9001 standards hence quality and safety in the construction would be top class.

10. According to you, how would the employees react to this change? I mean, would you make any changes in the HRA?

As informed, most employees would welcome the idea of staying in company premises and avoid the annual rental increase. Company accommodation would also enable providing transportation, medical facilities and high quality recreational activities to make a better work life balance for employees.

11. How many employees are currently staying in Sharjah?

We have 2468 employees currently on Sharjah payroll. Out of this 1565 employees are staying in Sharjah and the rest are working at project sites.

12. What would be the negative aspects of this investment?

In the event of stagnation or drop in business company may be left with a large investment (Probability less than 10%). In the event of severe recession, house rents may actually decrease and company may be at a disadvantage of having locked in substantial amount in the real estate (Probability less than 10%). Hence if a serious recession does occur the investment in the complex would be termed as a short term loss but in the long run as the loan is paid back to the bank at a respective interest rate this perceived loss will become a profit for the company.

13. Do you expect any fluctuations in the house rents over the next few years? If so, then by how much percent?

Going by current indications, the increase in house rents is likely to cool off in the coming 3 - 4 years to 10-15% per year. However, even at these levels, it would be an economically viable initiative considering the asset creation and intangible benefits. To be on the safer side and expect for the worst you could expect a 20% increase in the property rates in the coming 5-10 years.

14. Last question, do you think this investment would contribute to employee retention? Is so, how?

Yes. This will considerably improve employee motivation and our ability to shield employees from a major source of cost of living. Living in a community atmosphere would further improve the working relationships and enable harmonious work-life situation. Considering the experience of other organizations like Bahwan group in Muscat, this will be an extremely powerful employee retention tool.

APPENDIX 3

Interview with Finance Manager:

1. What would be the financial costs involved in buying a residential building close to Petrofac office for close to 100 families?

As the property rates in UAE keep fluctuating every year it is hard to get hard data on the financial cost of any building in Sharjah. The costs of building depend on the builder to a great extent therefore it would be wise to explore on the internet and consult different builders.

2. How will Petrofac fund this big investment?

Petrofac has sufficient surplus cash from its operations that could be invested in the building or local banks could fund the project. However we would readily be able to pay 30% of the cost in a single cheque and the rest would be paid by taking a loan of 70% which will be paid over a period of 10 years.

3. What would be the financial costs involved in acquiring a piece of land and building a complex of 5 buildings and capacity of 500 families?

Typically, an interest rate of 7% is assumed as finance cost for a project with repayment period of 10 years. At the present rates the cost of acquiring a sq. foot of land in Ajman would be approximately AED 500 and the areas of each type of the flat (Studio, 1 BR and 2BR) would be 800 sq. feet, 1000 sq. feet and 1200 sq. feet respectively. With this data the total cost would have to be calculated. It would be approximately AED 340-350 million.

4. How will Petrofac fund this massive investment?

Petrofac may obtain bank loans to fund the project in order to avoid locking up its own funds. Of the 350 million the company would be able to pay around 105 million Dirham's in a single bank cheque which is again 30% of the total cost. The rest 245 would be paid by taking a loan which would be paid back to the bank over a period of 10 years.

5. Do you expect any fluctuations in the house rents over the next few years? If so, then by how much percent?

Yes, looking at the present market conditions, this bubble is set to burst anytime. The UAE has seen many economically stable years in the recent past thus the inflation and house rents are bound to rise by 15-20% for the next 5-10 years. Though, my predictions can go wrong too because of the huge wealth UAE has in terms of oil and petroleum. They can surely dominate the market too in the near future. We just need to be patient now.

6. What would be the cost of building extra amenities such as a swimming pool, health care center (gym center) and other sports courts for leisure purpose?

If we go according to our last such construction the cost of building these extra amenities in a hotel was approximately AED 30 million thus the cost of similar amenities today would be around AED 35-40 million if we consider the present market situation of inflation. But if construction of these amenities is done as part of a small scale construction project in the 5 buildings in Sharjah the costs would be higher than the costs incurred by constructing these amenities in a complex by AED 30 million. This is because of the low economies of scale Petrofac will enjoy by constructing in the 5 buildings as the purchase of equipment and materials wouldn't be done in bulk.

Though other than these extra amenities costs, the water and electricity costs would be higher and will creep up to AED 50 million. All these costs are determined on the basis of the previous investments and the present market conditions.

APPENDIX 4

SWOT Analysis

Strengths of the company	*Weaknesses of the company*
• Strong finances and robust growth in sales and profits over the last 5 years. Hence Petrofac Sharjah has the ability to make a huge investment.[20] • First Mover Advantage as one of the first companies to have full scale construction equipment and skill in U.A.E, hence by starting in 1991, Petrofac Sharjah has acquired vast experience in EPC.[21] • ***Source: Financial documents*** The revenues from Petrofac Sharjah compose 58% of the group revenue of Petrofac International. Lot of importance is given to Petrofac Sharjah from abroad providing it with overseas help and support. • Petrofac believes in value for money hence it has a low cost execution model with which it guarantees supreme quality. Petrofac Sharjah has also successfully attained the ISO 9001.[22]	• Highly employee dependent but isn't able to meet its employees growing demand for HRA due to increasing property rates. Though this problem is only faced by the grade 12-16. **(from survey)** • Located in the heart of the city therefore traffic hampers the travel of the employees from their homes. This leads to employees leaving their homes 30 minutes to 1 hour in advance. **(From survey)** • Occurrence of unfavorable relations between different departments which reduces level of productivity and cooperation amongst the employees. This also affects the relationship of different employees who end up staying away from each other. • ***Source: Financial documents*** Huge difference between the HRA of the highest paid person and the HRA of the lowest paid person which makes it difficult for the lowest paid employee to find suitable accommodation.

[20] Page17: Petrofac's profits.
[21] Appendix 2: Interview with HR Director.
[22] Appendix 2: Interview with HR Director.

Opportunities for the company	***Threats for the company***
• Availability of low cost and skilled Asian labor in the market which can further reduce the costs for Petrofac.[23] • Increase in property rates which is creating difficulty for the employees to find suitable accommodations. Petrofac can meet this demand by building a complex or buying buildings to accommodate its employees. Therefore with the low demand for construction workers in the market due to inflation, Petrofac would be able to further negotiate the wages of the skilled construction workers. **(secondary data)**	• Political instability in those countries which bring good business to Petrofac in terms of oil and gas.[24] • Highly dependent on Oil & Gas upstream business. Hence any major volatility in this business can lead to huge losses and fall in revenues. This would handicap Petrofac from paying the demanded HRA's to its employees leading to low employee motivation.[25]

[23] http://emirateseconomist.blogspot.com/2006/05/annual-rate-of-growth-in-expat-labor.html: Low cost labour in UAE, viewed on 13/11/08

[24] http://www.naturalhub.com/slweb/fading_of_the_oil_economy_price_spikes_political_instability_mid_east.htm: Instability in neighbouring countries, viewed on 6/11/08

[25] Appendix 2: Interview with HR Director

APPENDIX 5: ACCOMMODATION REPORT

Revised on	30-06-2008		Assumed Dubai Rents						
Grade	Impact	[redacted]	20	21	22	23	24	25	UC
Bedrooms			3BR Shj / Dubai	3BR Shj / Dubai	3BR Shj / Dubai	3BR Shj / Dubai			
Furniture (Dh)			44040	44040	66060	66060	80740	91750	110100
Annual Rent- AED			120000	140000	180000	200000	225000	250000	300000
Agent Commission-D	1.67%		2000	2333	3000	3333	3750	4167	5000
Municipality-AED	2.00%		2400	2800	3600	4000	4500	5000	6000
Utilities-AED			11000	11000	15000	15000	18000	18000	18000
Furniture Depreciatio	20.00%		8808	8808	13212	13212	16148	18350	22020
Maintenance-AED	5.00%		6000	7000	9000	10000	11250	12500	15000
Parking	3000		3000	3000	3000	3000	3000	3000	3000
Total Exp. Accommodation (AED)			153208	174941	228612	248646	281646	311017	369020
Cost/ month-AED			12767	14578	18901	20712	23471	25918	30752
Existing HRA - AED			9909	10276	13212	13579	16974	17800	18350
HRA Special			1468	1560	2019	2110	2569	2844	3120
Total			11377	11836	15231	15689	19643	20844	21470
Difference-AED			-1390	-2743	-3671	-5023	-3928	-5274	-9282

APPENDIX 6: P/L

Notes to the consolidated nancial statements continued At 31 December 2007

3 Segment information

The group's primary operations are organised on a worldwide basis into three business segments: Engineering & Construction, Operations Services and Energy Developments. The accounting policies of the segments are the same as those described in note 2 above. The group accounts for inter-segment sales as if the sales were to third parties, that is at current market prices. The group evaluates the performance of its segments and allocates resources to them based on this evaluation.

The group's secondary segment reporting format is geographical. Geographical segments are based on the location of the group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

Business segments

The following tables present revenue and prot information and certain asset and liability information relating to the group's business segments for the years ended 31 December 2007 and 2006. Included within the corporate, consolidation and eliminations columns are certain balances, which due to their nature, are not allocated to segment

Year ended 31 December 2007

	Engineering & Construction US$'000	Operations Services US$'000	Energy Developments US$'000	Corporate and others US$'000	Consolidation adjustments and eliminations US$'000	Total US$'000
Revenue						
External sales	1,409,817	897,602	132,832	–	–	2,440,251
Inter-segment sales	5,131	13,372	–	–	(18,503)	–
Total revenue	1,414,948	910,974	132,832	–	(18,503)	2,440,251
Segment results	158,197	44,891	51,637	(236)	51	254,540
Unallocated corporate costs	–	–	–	(6,039)	–	(6,039)
Prot/(loss) before tax and nance income/(costs)	158,197	44,891	51,637	(6,275)	51	248,501
Finance costs	(662)	(4,384)	(205)	(8,572)	5,296	(8,527)
Finance income	18,013	1,247	331	3,857	(5,189)	18,259
Prot/(loss) before income tax	175,548	41,754	51,763	(10,990)	158	258,233
Income tax (expense)/income	(38,454)	(12,857)	(18,375)	169	–	(69,517)
Prot/(loss) for the year	137,094	28,897	33,388	(10,821)	158	188,716

Year ended 31 December 2006

	Engineering & Construction US$'000	Operations Services US$'000	Energy Developments US$'000	Corporate and others US$'000	Consolidation adjustments and eliminations US$'000	Total US$'000
Revenue						
External sales	1,079,236	722,850	62,125	33	(338)	1,863,906
Inter-segment sales	2,043	6,390	–	–	(8,433)	–
Total revenue	1,081,279	729,240	62,125	33	(8,771)	1,863,906
Segment results	117,209	29,100	25,065	(1,577)	707	170,504
Unallocated corporate costs	–	–	–	(962)	–	(962)
Prot/(loss) before tax and nance income/(costs)	117,209	29,100	25,065	(2,539)	707	169,542
Finance costs	(347)	(2,754)	(470)	(8,042)	4,445	(7,168)
Finance income	10,040	438	236	3,029	(4,445)	9,298
Prot/(loss) before income tax	126,902	26,784	24,831	(7,552)	707	171,672
Income tax (expense)/income	(31,522)	(8,681)	(10,466)	(707)	36	(51,340)
Prot/(loss) for the year	95,380	18,103	14,365	(8,259)	743	120,332

APPENDIX 7 (5 YEAR SUMMARY)

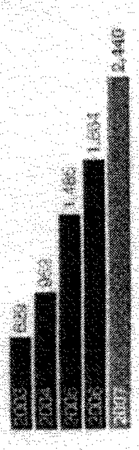
Five year summary[1]

information not subject to audit

	2007	2006 Restated	2005	2004 Restated	2003 Restated
Revenues[2]	2,440,251	1,863,906	1,485,472	951,530	628,702
EBITDA[2]	301,259	198,349	115,634	96,065	48,075
Profit for the year[2,3]	188,716	120,332	75,397	46,083	38,359
Diluted earnings per share (cents)[3]	54.14	34.87	22.41	11.93	8.94
Total assets	1,748,007	1,401,847	986,650	729,357	527,088
Total equity	466,004	324,904	195,127	138,558	109,394
Average number of employees[2]	9,027	7,482	6,598	5,284	3,330
Backlog (US$ millions)	4,441	4,173	3,244	1,740	1,097

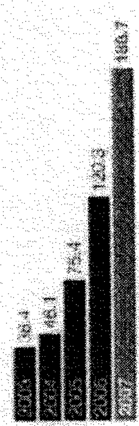
1 In US$'000 unless otherwise stated.
2 On continuing operations.
3 Attributable to Petrofac Limited shareholders.

Revenue
US$ millions

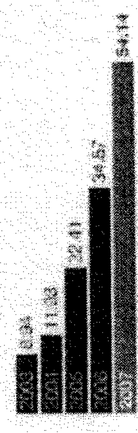


EBITDA
US$ millions

Profit
US$ millions



EPS (diluted)
cents per share



Backlog
US$ millions

APPENDIX 8: CALCULATIONS

Year	2004	2005	2006	2007	2008
Employee Strength	1022	1211	1607	2109	2468
Housing Allowance - Million(per year)	8.82	11.25	16.85	25.08	33.5

Thus, the Housing Allowance for each employee in 2004: $\frac{8820000}{1022} = 8630$

Thus, the Housing Allowance for each employee in 2005: $\frac{11250000}{1022} = 9289$

Thus, the Housing Allowance for each employee in 2006: $\frac{16850000}{1022} = 10485.4$

Thus, the Housing Allowance for each employee in 2007: $\frac{25080000}{1022} = 11891.9$

Thus, the Housing Allowance for each employee in 2008: $\frac{33500000}{1022} = 13573.4$

Hence from this it can be determined that the property rates have been increasing at the rates calculated below.

2004	2005	2006	2007	2008
AED 8630	AED 9289	AED 10485.4	AED 11891.9	AED 13573.4
7.6%	**12.9%**	**13.4%**	**14.14%**	