

Petrofac International Ltd

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

29 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

At 31 December 2016, the Group had foreign exchange contracts designated as cash flow hedges with a fair value loss of US\$ 12,770 thousand (2015: loss of US\$ 74,129 thousand) as follows:

	Contract value		Fair value (designated)		Net unrealised (loss) / gain	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Euro purchases	879,752	551,915	(23,620)	38,522	(288)	(54,316)
Sterling purchases	54,802	88,892	(4,267)	(2,569)	(14,012)	(5,692)
Kuwaiti dinar (sales)	(2,096,531)	(716,804)	(5,530)	1,786	23,784	7,509
Yen purchases/(sales)	64,626	(2,796)	287	6	(4,280)	-
Saudi Riyal (sales)	-	38,375	-	(28)	-	(25)
Malaysian Ringgit purchases	85,488	106,393	(10,543)	(18,013)	(17,816)	(21,605)
Indian Rupee purchases	6,974	-	(135)	-	(158)	-
			(43,808)	19,704	(12,770)	(74,129)

The above foreign exchange contracts will mature and affect income between January 2017 to June 2019 (2015: January 2016 and June 2019). Derivative contracts amounting to US\$ 2,277,972 thousand (2015: US\$ 190,195 thousand) have been entered into with the parent company and these contract will mature between 1 January 2017 to 30 June 2019. The fair value of derivative contracts with the Parent Company as at 31 December 2016 was loss of US\$ 6,482 thousand (2015: loss of US\$ 10,668 thousand) which was included in amount due to/from related parties.

At 31 December 2016, the Company had cash and short-term deposits designated as cash flow hedges with net unrealised loss of US\$ 1,677 thousand (2015: loss of US\$ 2,544 thousand) as follows:

	Fair value		Net unrealised loss	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Euro currency cash and short-term deposits	16,878	15,570	(761)	(2,544)
GBP currency cash and short-term deposits	5,013	-	(916)	-
Total	21,891	15,570	(1,677)	(2,544)

During 2016, changes in fair value gain of US\$ 54,059 thousand (2015: losses of US\$ 59,910 thousand) relating to these derivative instruments and financial assets were taken to equity and US\$ 7,300 thousand of loss (2015: US\$ 13,158 thousand of loss) were recycled from equity into cost of sales in the consolidated income statement. The forward points and ineffective portion of the above foreign exchange forward contracts and losses on un-designated derivatives of US\$ 3,560 thousand (2015: US\$ 3,171 thousand gain) was recognised in the consolidated income statement (note 3a).