28 COMMITMENTS AND CONTINGENCIES (continued)

Leases

The Group has financial commitments in respect of non-cancellable operating leases for office space. These non-cancellable leases have remaining non-cancellable lease terms of between one and five years. The future minimum rental commitments under these non-cancellable leases are as follows:

	2016 *US$'000*	*2015* *US$'000*
Within one year	**10,969**	13,419
After one year but not more than five years	**6,567**	9,648
	17,536	23,067

Minimum lease payments recognised as an operating lease expense during the year amounted to US$ 40,614 thousand (2015: US$ 32,843 thousand).

Capital commitments

At 31 December 2016, the Group had capital commitments of US$ 62,861 thousand (2015: US$ 95,873 thousand) excluding the above lease commitments.

These are in respect of the following:

	2016 *US$'000*	*2015* *US$'000*
Building of Petrofac JSD6000 installation vessel	**49,830**	92,959
Commitments in respect of the construction of a new training centre in Oman	**6,200**	91
Production Enhancements Contracts in Mexico	**6,831**	2,823
	62,861	95,873

Other matter

During spring 2016, Petrofac group was subject to allegations which came to light in the media relating to the historical provision of services to the Group by Unaoil. The parent company board commissioned an immediate independent investigation to thoroughly review the allegations. The investigation was carried out by Freshfields, supported by KPMG. While the Group's investigation did not find evidence confirming the payment of bribes, the consequences of the Company's disclosures to the Serious Fraud Office will be decided by the Regulatory authorities and it is currently unclear if any further investigation involving the Group will be undertaken. Therefore, at the date of this report, no liability has been recorded in relation to this matter.

The existence of a future obligation, and the timing and amount of any future financial effect, are unable to be determined.

29 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Risk management objectives and policies

The Group's principal financial assets and liabilities, other than derivatives, comprise trade and other receivables, due from related parties, loans to related parties, other financial assets, cash and short-term deposits, trade and other payables, dues to related parties, loans from related parties, interest bearing loans and borrowings and other financial liabilities.

The Group's activities expose it to various financial risks particularly foreign currency risk on conducting business in currencies other than reporting currency as well as translation of the assets and liabilities of foreign operations to the reporting currency. These risks are managed from time to time by using a combination of various derivative instruments, principally forward currency contracts in line with the Group's hedging policy. The Group has a policy not to enter into speculative trading of financial derivatives.

The Board of Directors of the parent company has established an audit committee to help identify, evaluate and manage the significant financial risks faced by the Group.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk and the policies relating to these risks are discussed in detail below: