

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

24 PROVISIONS (continued)

2015

	<i>Other long-term employment benefits provision US\$ '000</i>	<i>Provision for decommissioning US\$ '000</i>	<i>Total US\$ '000</i>
At 1 January	74,475	122,687	197,162
Additions during the year	22,575	39,938	62,513
Paid in the year	(8,111)	-	(8,111)
Unwinding of discount	-	1,281	1,281
At 31 December	<u>88,939</u>	<u>163,906</u>	<u>252,845</u>

Other long-term employment benefits provision

Labour laws in the United Arab Emirates require employers to provide for other long-term employment benefits. These benefits are payable to employees on being transferred to another jurisdiction or on cessation of employment based on their final salary and number of years' service. All amounts are unfunded. The long-term employment benefits provision is based on an internally produced end of service benefits valuation model with the key underlying assumptions being as follows:

	<i>Senior employees</i>	<i>Other employees</i>
Average number of years of future service	5	3
Average annual % salary increases	6%	4%
Discount factor	<u>5%</u>	<u>5%</u>

Senior employees are those earning a base of salary of over US\$ 96 thousand per annum.

Discount factor used is the local Dubai five-year Sukuk rate.

Provision for decommissioning

The decommissioning provision primarily relates to the Group's obligation for the removal of facilities and restoration of the sites at the Santuario, Magallanes, Arenque and Pánuco Production Enhancement Contracts in Mexico. Revision to decommissioning cost estimates of US\$97,089 thousands were made during the year in respect of Santuario, Magallanes, Arenque and Pánuco Production Enhancement Contracts in Mexico (2015: additions of US\$39,938 thousand). The liability is discounted at the rate of 6.18% (2015: 6.18%). The unwinding of the discount is classified as a finance cost (note 5). The Group estimates that the cash outflows against these provisions will arise in 2033 on Santuario and Magallanes, 2040 on Arenque and 2039 on Pánuco Production Enhancement Contracts.

25 OTHER FINANCIAL LIABILITIES

	<i>Classification</i>	<i>2016 US\$ '000</i>	<i>2015 US\$ '000</i>
Non-current			
Forward currency contracts-designated as hedges (note 29)	Designated as cash flow hedges	<u>-</u>	<u>27,622</u>
Current			
Forward currency contracts-designated as hedges (note 29)	Designated as cash flow hedges	44,456	53,819
Others – finance lease	Loans and borrowings	4,561	5,479
Interest payable	Fair value through profit and loss	<u>-</u>	<u>389</u>
		<u>49,017</u>	<u>59,687</u>