

Petrofac International Ltd

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

27 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	2016 US\$'000	2015 US\$'000
<i>Companies under common control of the parent company:</i>		
Revenue	10,672	33,547
Finance cost (note 5)	9,519	-
Interest income (note 4)	21,895	23,385
Corporate overhead expense	25,694	31,545
Cost of sales	68,202	85,859

Compensation of key management personnel of the Group

	2016 US\$'000	2015 US\$'000
Short-term employee benefits	5,523	3,666
End-of-service benefits	180	134
Share based payments	478	506
	6,181	4,306

28 COMMITMENTS AND CONTINGENCIES

Commitments

In the normal course of business, the Group will obtain surety bonds, letters of credit and guarantees, which are contractually required to secure performance, advance payment or in lieu of retentions being withheld. Some of these facilities are secured by issue of corporate guarantees by the Company and the parent company in favour of the issuing banks.

At 31 December 2016, the Group had letters of credit of US\$ nil (2015: US\$ 7,041 thousand) and outstanding letters of guarantee, including performance of US\$ 4,862,054 thousand (2015: US\$ 4,973,564 thousand), against which the Group had pledged or restricted cash balances of, in aggregate, US\$ 8,261 thousand (2015: US\$ 35,945 thousand).

At 31 December 2016, the Group had outstanding forward exchange contracts amounting to US\$ 3,188,175 thousand (2015: US\$ 2,288,116 thousand). These commitments consist of future obligations to either acquire or sell designated amounts of foreign currency at agreed rates and value dates (note 29).

As at 31 December 2016, the parent company has an outstanding aggregate principal amount of US\$ 677,676 thousand of Senior Notes due in 2018. The parent company pays interest on the Senior Notes at an annual rate equal to 3.40% of the outstanding principal amount. Interest on the Senior Notes is payable semi-annually in arrears in April and October each year. The Notes are senior unsecured obligations of the parent company and will rank equally in right of payment with the company's other existing and future unsecured and unsubordinated indebtedness. The company and its subsidiary, Petrofac International (UAE) LLC, irrevocably and unconditionally guarantee, jointly and severally, the due and prompt payment of all amounts at any time becoming due and payable in respect of the Senior Notes. The guarantees are senior unsecured obligations of each guarantor and will rank equally in right of payment with all existing and future senior unsecured and unsubordinated obligations of each guarantor.

On 26 February 2015, the Parent Company entered into a US\$ 57,950 thousand, term loan facility guaranteed by the Italian Export Credit Agency SACE. On 30 July 2015, the Parent Company entered into a US\$ 108,000 thousand term loan facility guaranteed by the UK Export Credit Agency UKEF, on substantially the same terms as the SACE facility. The two facilities were linked to the procurement of certain goods and services from Italian and UK exporters, respectively, in connection with the construction of the Petrofac JSD6000 vessel. Both facilities were amended in 2016 to remove references to the JSD6000 vessel.