



**OFFSHORE**

ENERGY. COMMITTED.

# ANNUAL REPORT 2018

Please refer to note 4.3.1 Financial Highlights for the impact of Shell exercising the purchase option on the finance lease contract of the *Turritella* (FPSO) in 2017.

#### 4.3.16 OTHER FINANCIAL ASSETS

The breakdown of the non-current portion of other financial assets is as follows:

	31 December 2018	31 December 2017
Non-current portion of other receivables	79	124
Non-current portion of loans to joint ventures and associates	133	77
<b>Total</b>	<b>211</b>	<b>201</b>

The decrease in the non-current portion of other receivables and the increase in the non-current portion of loans to joint ventures and associates are both mainly explained by a new loan between the Company and one of its joint ventures. This loan to the joint venture was used to repay the Company's outstanding non-current other receivables.

The maximum exposure to credit risk at the reporting date is the carrying amount of the interest-bearing loans taking into account the risk of recoverability (for expected credit losses refer to note 4.3.8 Net Impairment Gains/(Losses) on Financial and Contract Assets and note 4.3.29 Financial Instruments – Fair Values and Risk Management ). The Company does not hold any collateral as security.

#### LOANS TO JOINT VENTURES AND ASSOCIATES

	Notes	31 December 2018	31 December 2017
Current portion of loans to joint ventures and associates	4.3.19	101	33
Non-current portion of loans to joint ventures and associates		133	77
<b>Total</b>	<b>4.3.33</b>	<b>234</b>	<b>110</b>

The increase in the current portion of loans to joint ventures and associates addresses the temporary working capital needs of some of joint ventures, mostly located in Angola.

The carrying amount of funding loans is reduced by an amount of US\$ 168 million as of December 31, 2018 (December 31, 2017: US\$ 166 million) due to cumulative losses and impairment charges recognized in two joint ventures.

The maximum exposure to credit risk at the reporting date is the carrying amount of the loans to joint ventures and associates, taking into account the risk of recoverability. The Company does not hold any collateral as security.

#### 4.3.17 DEFERRED TAX ASSETS AND LIABILITIES

The deferred tax assets and liabilities and associated offsets are summarized as follows:

Deferred tax positions (summary)

	31 December 2018			31 December 2017		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	-	26	(26)	-	16	(16)
Tax losses	11	-	11	12	-	12
Other	15	10	5	15	-	15
<b>Book value at 31 December</b>	<b>26</b>	<b>36</b>	<b>(10)</b>	<b>27</b>	<b>16</b>	<b>11</b>

## 4 FINANCIAL STATEMENTS 2018

### Movements in net deferred tax positions

		2018	2017
	Note	Net	Net
<b>Deferred tax at 1 January</b>		<b>11</b>	<b>19</b>
Deferred tax recognized in the income statement	4.3.10	(20)	(10)
Deferred tax recognized in other comprehensive income		-	0
Foreign currency variations		(1)	1
<b>Total movements</b>		<b>(21)</b>	<b>(9)</b>
<b>Deferred tax at 31 December</b>		<b>(10)</b>	<b>11</b>

Expected realization and settlement of deferred tax positions is within 9 years. The current portion at less than one year of the net deferred tax position as of December 31, 2018 amounts to US\$ 3 million. The deferred tax losses are expected to be recovered based on the anticipated profit in the applicable jurisdiction. The Company has US\$ 24 million (2017: US\$ 46 million) of deferred tax assets unrecognized in 2018 due to current tax losses not valued. The term in which these unrecognized deferred tax assets could be settled depends on the respective tax jurisdiction and ranges from seven years to an unlimited period of time.

The non-current portion of deferred tax assets amounts to US\$ 17 million (2017: US\$ 21 million).

Deferred tax assets per location are as follows:

### Deferred tax positions per location

	31 December 2018			31 December 2017		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Canada	14	26	(12)	12	16	(4)
Guyana	-	10	(10)			-
Monaco	5	-	5	6	-	6
Switzerland	3	-	3	3	-	3
the Netherlands	3	-	3	3	-	3
Brazil	1	-	1	2	-	2
Other	-	-	-	1	-	1
<b>Book value at 31 December</b>	<b>26</b>	<b>36</b>	<b>(10)</b>	<b>27</b>	<b>16</b>	<b>11</b>

### 4.3.18 INVENTORIES

	31 December 2018	31 December 2017
Materials and consumables	3	3
Goods for resale	2	-
MPF under construction	96	7
<b>Total</b>	<b>101</b>	<b>10</b>

Multi Purpose Floater ('MPF') under construction relates to the ongoing EPC phase of two Fast4Ward™ new-build multi-purpose hulls. The Company signed contracts with China Shipbuilding Trading Company, Ltd. and the shipyard of Shanghai Waigaoqiao Shipbuilding and Offshore Co., Ltd. in June 2017 and November 2018 for the construction of these two hulls.

The Fast4Ward™ hulls remain in inventory until they are allocated to an award of an FPSO contract.