



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2018

4.3.19 TRADE AND OTHER RECEIVABLES

Trade and other receivables (summary)

	Note	31 December 2018	31 December 2017
Trade debtors		175	216
Other accrued income		121	153
Prepayments		87	38
Accrued income in respect of delivered orders		13	34
Other receivables		81	142
Taxes and social security		18	19
Current portion of loan to joint ventures and associates	4.3.16	101	33
Total		596	635

The increase in 'Prepayments' of US\$ 49 million is mainly the result of advance payments in relation to higher turnkey activities, including prepayments for the construction of Multi Purpose Floater ('MPF') hulls.

'Other receivables' decreased by US\$ 61 million during the period due to various payments received from clients and investees in 2018.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables as mentioned above. The Company does not hold any collateral as security.

The carrying amounts of the Company's trade debtors are distributed in the following countries:

Trade debtors (countries where Company's trade debtors are distributed)

	31 December 2018	31 December 2017
Angola	64	101
Brazil	31	27
China	14	0
Equatorial Guinea	12	14
The United States of America	10	43
Malaysia	9	4
Australia	6	3
Guyana	2	2
Other	26	22
Total	175	216

The trade debtors balance is the nominal value less an allowance for estimated impairment losses as follows:

Trade debtors (trade debtors balance)

	31 December 2018	31 December 2017
Nominal amount	188	224
Impairment allowance	(12)	(7)
Total	175	216

The allowance for impairment represents the Company's estimate of losses in respect of trade debtors, please refer to note 4.3.29 Financial Instruments – Fair Values and Risk Management. The allowance related to credit risk for significant trade debtors is built on specific expected loss components that relate to individual exposures. Furthermore, the Company uses historical credit loss experience to determine a 1% expected credit loss rate on individually insignificant trade receivable balances. The creation and release for impaired trade

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debtors due to credit risk are reported in the line item 'Net impairment losses on financial and contract assets' of the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

The ageing of the nominal amounts of the trade debtors are:

Trade debtors (ageing of the nominal amounts of the trade debtors)

	31 December 2018		31 December 2017	
	Nominal	Impairment	Nominal	Impairment
Not past due	108	(1)	119	-
Past due 0-30 days	23	(2)	41	-
Past due 31-120 days	23	(1)	15	-
Past due 121- 365 days	21	(4)	35	(3)
More than one year	12	(4)	13	(4)
Total	188	(12)	224	(7)

Not past due are those receivables for which either the contractual or 'normal' payment date has not yet elapsed. Past due are those amounts for which either the contractual or the 'normal' payment date has passed. Amounts that are past due but not impaired relate to a number of Company joint ventures and independent customers for whom there is no recent history of default, or the receivable amount can be offset by amounts included in current liabilities.

For the closing balance and movements during the year of allowances on trade receivables, please refer to note 4.3.29 Financial Instruments – Fair Values and Risk Management.

4.3.20 CONSTRUCTION WORK-IN-PROGRESS

The details regarding construction work-in-progress are included in the following table:

	Note	31 December 2018	31 December 2017
Recognized revenue		1,733	947
Instalments invoiced		(1,181)	(833)
Reclassification to contract liability	4.3.27	143	21
Total construction work-in-progress		695	134

The significant portion of the outstanding balance of construction work-in-progress as of December 31, 2018 relates to the FPSO *Liza Destiny* finance lease project, since the Company will receive most of the payments for the construction only during the lease period through bare boat payments.

In 2018, the Company incurred costs amounting to US\$ 13 million related to fulfilling the contract of the FPSO *Liza Unity* project. These costs are recognized as an asset within 'Construction work-in-progress' as per December 31, 2018. The Company has not recognized any amortization or impairment related to this asset during 2018. The assets are recoverable since the client is obliged to reimburse the costs incurred by the Company.

Contract liabilities of US\$ 143 million comprises the amounts of those individual contracts, mainly Turret Mooring System EPC projects, for which the total instalments invoiced exceed the total revenue recognized. Contract liabilities are reclassified to other current liabilities (see note 4.3.27 Trade and Other Payables).

Regarding information about expected credit losses recognized for construction work-in-progress, refer to note 4.3.29 Financial Instruments – Fair Values and Risk Management.