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ANNUAL REPORT 2020

(2019: US$69 million). Credit losses related to finance lease receivables based on an expected credit loss model are approximately US$1 million for 2020. The 2020 residual value assessment led to a US$14 million impairment on finance lease receivables.

As per the contractual terms, gross receivables should be invoiced to the lessee within the following periods:

Finance lease receivables (gross receivables invoiced to the lessee within the following periods)

	31 December 2020	31 December 2019
Less than 1 year	803	790
Between 1 and 2 years	802	788
Between 2 and 5 years	2,408	2,367
More than 5 years	6,498	7,264
Total Gross receivable	**10,511**	**11,209**

The following part of the net investment in the lease is included as part of the current assets within the statement of financial position:

Finance lease receivables (part of the net investment included as part of the current assets)

	31 December 2020	31 December 2019
Gross receivable	803	790
Less: unearned finance income	(486)	(503)
Current portion of finance lease receivable	**317**	**287**

The maximum exposure to credit risk at the reporting date is the carrying amount of the finance lease receivables taking into account the risk of recoverability. The Company performed an assessment, which concluded that the credit risk for these receivables has not increased significantly since the initial recognition. The Company does not hold any collateral as security.

Purchase and termination options

The finance lease contracts of *FPSO Aseng* and *Liza Destiny* (FPSO), where the Company is the lessor, include call options for the client to purchase the underlying asset or to terminate the contract early. If the client would have exercised the purchase option for *FPSO Aseng* as of December 31, 2020 this would have resulted in a gain for the Company, while the exercise of the early termination option under which the Company would retain the vessel, would have resulted in a breakeven result. If the client would have exercised the purchase option for *Liza Destiny* (FPSO) as of December 31, 2020 this would have resulted in a breakeven result for the Company while the exercise of the early termination option under which the Company would retain the vessel would have resulted in a gain.

The finance lease contract of *FPSO Espirito Santo* includes a call option for the client to terminate the contract early without obtaining the underlying asset. The exercise of the early termination option would have resulted in a non-material loss for the Company as of December 31, 2020.

The finance lease contracts of *Liza Unity* (FPSO) and *Liza Prosperity* (FPSO) (both under construction as per December 31, 2020) contain options for the client to purchase the underlying asset or terminate the contract early. These options are exercisable at any time starting from the delivery date of the vessel.

4.3.16 OTHER FINANCIAL ASSETS

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

	31 December 2020	31 December 2019
Non-current portion of other receivables	80	76
Sublease receivable	2	4
Non-current portion of loans to joint ventures and associates	32	25
Total	**114**	**104**

The current portion of (i) sublease receivables, (ii) other receivables and (iii) loans to joint ventures and associates is included within the 'Trade and other receivables' in the statement of financial position.

In relation to the exposure to credit risk at the reporting date on the carrying amount of the interest-bearing loans, non-current portion of other receivables and sublease receivable, please 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 for the risk of recoverability (i.e. for expected credit losses). The Company does not hold any collateral as security.

The breakdown of loans to joint ventures and associates is presented below.

LOANS TO JOINT VENTURES AND ASSOCIATES

	Notes	31 December 2020	31 December 2019
Current portion of loans to joint ventures and associates	4.3.19	14	30
Non-current portion of loans to joint ventures and associates		32	25
Total	4.3.33	**46**	**55**

The decrease in the loans to joint ventures and associates is driven by the redemptions over the year 2020.

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 2020			31 December 2019		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	28	-	28	-	16	(16)
Tax losses	9	-	9	9	-	9
Other	9	37	(28)	12	7	6
Book value at 31 December	**46**	**37**	**9**	**22**	**23**	**(1)**

Movements in net deferred tax positions

		2020	2019
	Note	Net	Net
Deferred tax at 1 January		**(1)**	**(10)**
Deferred tax recognized in the income statement	4.3.10	10	9
Foreign currency variations		0	(0)
Total movements		**10**	**9**
Deferred tax at 31 December		**9**	**(1)**

Expected realization and settlement of deferred tax positions is within 8 years. The current portion of the net deferred tax position as of December 31, 2020 amounts to US$8 million. The deferred tax losses are expected to be recovered based on the anticipated profit in the applicable jurisdiction. The Company has US$39 million (2019: US$16 million) of deferred tax assets unrecognized in 2020 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 five years to an unlimited period of time.

The non-current portion of deferred tax assets amounts to US$14 million (2019: US$8 million). On a cumulative basis a total amount of US$216 million at the end of 2020 (2019: US$197 million) corresponds to deferred tax assets basis unrecognized on temporary differences, unused tax losses and tax credits.