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ANNUAL REPORT 2021

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, 2021 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 near breakeven result. If the client would have exercised the purchase option for *Liza Destiny* (FPSO) as of December 31, 2021 this would have resulted in a near 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-significant loss for the Company as of December 31, 2021.

The finance lease contracts of *Liza Unity* (FPSO), *Prosperity* (FPSO) (all under construction as per December 31, 2021) 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 2021	31 December 2020
Non-current portion of other receivables	38	80
Sublease receivables	2	2
Non-current portion of loans to joint ventures and associates	42	32
Total	**82**	**114**

The decrease in the Non-current portion of other receivables mainly related to the reclassification as current other receivables of the receivable associated with the demobilization of *FPSO Capixaba* expected in 2022.

The current portion of (i) other receivables and sublease receivables and (ii) 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 4.3.28 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 2021	31 December 2020
Current portion of loans to joint ventures and associates	*4.3.19*	9	14
Non-current portion of loans to joint ventures and associates		42	32
Total	*4.3.32*	**51**	**46**

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 net positions are summarized as follows:

Deferred tax positions (summary)

	31 December 2021			31 December 2020		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	-	-	-	28	-	28
Tax losses	6	-	6	9	-	9
Other	7	18	(11)	9	37	(28)
Book value at 31 December	**13**	**18**	**(5)**	**46**	**37**	**9**

Movements in net deferred tax positions

		2021	2020
	Note	Net	Net
Deferred tax at 1 January		**9**	**(1)**
Deferred tax recognized in the income statement	4.3.10	(14)	10
Foreign currency variations		(1)	0
Total movements		**(15)**	**10**
Deferred tax at 31 December		**(5)**	**9**

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, 2021 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$18 million (2020: US$39 million) of deferred tax assets unrecognized in 2021 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$10 million (2020: US$14 million). On a cumulative basis a total amount of US$257 million at the end of 2021 (2020: US$216 million) corresponds to deferred tax assets basis unrecognized on temporary differences, unused tax losses and tax credits.

In 2021, the Company fully released deferred tax positions related to the Deep Panuke MOPU which was located in Canada (deferred tax asset of US$28 million, deferred tax liability of US$24 million) due to the final cash settlement of lease agreement by the client (see below the table 'Deferred tax positions per location', specifically Canada).

Deferred tax in connection with unused tax losses carried forward, temporary differences and tax credits:

	31 December 2021	31 December 2020
Unused tax losses carried forward, temporary differences and tax credits not recognised as a deferred tax asset	257	216
Unused tax losses carried forward, temporary differences and tax credits recognised as a deferred tax asset	13	46
Total	**270**	**262**

Expiry date on deferred tax assets unrecognized on temporary differences, unused tax losses and tax credits:

	31 December 2021	31 December 2020
Within one year	21	15
More than a year but less than 5 years	12	15
More than 5 years but less than 10 years	3	1
More than 10 years but less than 20 years	60	82
Unlimited period of time	161	103
Total	**257**	**216**