SBM OFFSHORE

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ANNUAL REPORT 2019

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 2019			31 December 2018		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	-	16	(16)	-	26	(26)
Tax losses	9	-	9	11	-	11
Other	12	7	6	15	10	5
Book value at 31 December	**22**	**23**	**(1)**	**26**	**36**	**(10)**

Movements in net deferred tax positions

		2019	2018
	Note	Net	Net
Deferred tax at 1 January		**(10)**	**11**
Deferred tax recognized in the income statement	*4.3.10*	9	(20)
Foreign currency variations		(0)	(1)
Total movements		**9**	**(21)**
Deferred tax at 31 December		**(1)**	**(10)**

Expected realization and settlement of deferred tax positions is within 9 years. The current portion of the net deferred tax position (liability) as of December 31, 2019 amounts to US$2 million. The deferred tax losses are expected to be recovered based on the anticipated profit in the applicable jurisdiction. The Company has US$16 million (2018: US$24 million) of deferred tax assets unrecognized in 2019 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$8 million (2018: US$17 million). On a cumulative basis a total amount of US$197 million at the end of 2019 (2018: US$193 million) corresponds to deferred tax assets unrecognized on temporary differences, unused tax losses and tax credits.

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

	2019	2018
Within one year	1,657	9,837
More than a year but less than 5 years	18,527	7,768
More than 5 years but less than 10 years	8,555	19,033
More than 10 years but less than 20 years	92,181	91,259
Unlimited period of time	75,883	65,478
Total	**196,803**	**193,375**

Deferred tax assets per location are as follows:

Deferred tax positions per location

	31 December 2019			31 December 2018		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Canada	12	16	(4)	14	26	(12)
Guyana	-	7	(7)	-	10	(10)
Monaco	5	-	5	5	-	5
Switzerland	1	-	1	3	-	3
the Netherlands	3	-	3	3	-	3
Brazil	1	-	1	1	-	1
Other	0	-	0	-	-	-
Book value at 31 December	**22**	**23**	**(1)**	**26**	**36**	**(10)**

4.3.18 INVENTORIES

	31 December 2019	31 December 2018
Materials and consumables	6	3
Goods for resale	2	2
MPF under construction	0	96
Total	**8**	**101**

Multi-purpose hulls under construction relate to the ongoing EPC phase of Fast4Ward® new-build hulls. The Fast4Ward® hulls remain in inventory until they are allocated to a specific FPSO contract. The Company has five multi-purpose hulls as of December 31, 2019 out of which three have been transferred to construction work-in-progress upon the award of the lease and operate contracts for FPSO *Liza Unity* and FPSO *Sepetiba* and the awarded initial limited scope for the FPSO *Prosperity* project. Two multipurpose hulls have not yet been allocated to a project and are therefore accounted for under inventory at December 31, 2019. Following the award of the respective contracts in December 2019 (see note 4.3.1 Financial Highlights), progress on these two hulls has been limited up to December 31, 2019.

4.3.19 TRADE AND OTHER RECEIVABLES

Trade and other receivables (summary)

	Note	31 December 2019	31 December 2018
Trade debtors		128	175
Other accrued income		140	121
Prepayments		115	87
Accrued income in respect of delivered orders		51	13
Other receivables		73	81
Taxes and social security		37	18
Current portion of loan to joint ventures and associates	*4.3.16*	30	101
Total		**573**	**596**

The decrease in 'Trade debtors' of US$47 million is mainly thanks to improved cash collection and an offsetting agreement between the Company and some of the joint ventures signed in 2019.

The increase in 'Prepayments' of US$28 million is a result of advance payments in relation to the construction of a new multi-purpose floater hull which has been allocated to the FPSO *Sepetiba.*

The increase in accrued income in respect of delivered orders of US$38 million is a result of the completion of the FPSO *Liza Destiny* project during the current year.