



EXPERIENCE **MATTERS**

2016

ANNUAL REPORT

5 FINANCIAL REPORT 2016

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 does not hold any collateral as security.

5.3.15 OTHER FINANCIAL ASSETS

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

	31 December 2016	31 December 2015
Non-current portion of other receivables	60	58
Corporate securities	-	30
Non-current portion of loans to joint ventures and associates	189	233
Total	249	321

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. The Company does not hold any collateral as security.

CORPORATE SECURITIES

The reduction of Corporate securities follows the discontinuation of a pension plan that existed for certain Offshore employees and for which the risks and ownership were transferred to an external party at fair value.

LOANS TO JOINT VENTURES AND ASSOCIATES

	Notes	31 December 2016	31 December 2015
Current portion of loans to joint ventures and associates	5.3.18	25	66
Non-current portion of loans to joint ventures and associates		189	233
Total	5.3.33	215	299

The activity outlook for the Company's investment (30% ownership) in the Joint Venture owning the Paenal construction yard operating in Angola has deteriorated. As a result, the Company's carrying amount for the net investment, including shareholder loans, in this entity has been impaired by US\$ 59 million on the second half of 2016. Because this investment is consolidated using the equity method, this non-cash impairment is recognized in the Company's Consolidated Income Statement on the line item 'Share of profit of equity-accounted investees'.

The impairment recognized in 2016 has been determined based on the net investment position considered as the loans plus the shares in losses into the associates.

The recoverable amount of the net investment is determined based on value-in-use calculations which require the use of assumptions. The key assumptions to calculate the value-in-use are as follows:

- The calculations use cash flow projections approved by the Management Board of the Company for the next 5 years, including expectations of market development and award perspective on brownfield and integration work;
- Terminal value after the 5 years financial projection is based on same assumptions as the 2020-2021 period with no expected growth;
- The discount rate used is pre-tax and reflect specific country and industry risk (10.5%).

The impact of possible changes in key assumptions is as follows:

- If the gross margin used in the value-in-use calculation varies by +/- 5%, the impact on the impairment of the net investment would be in a range of +/- US\$ 5 million;

- If the discount rate applied to the cash flow projections changes by +/- 1%, the impact on the impairment if the net investment would be in a range of +/- US\$ 3 million.

Further information about the financial risk management objectives and policies, the carrying amount measurement and hedge accounting of financial derivatives instruments is included in Note 5.3.29 'Financial Instruments – carrying amounts and risk management'. 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.

5.3.16 DEFERRED TAX ASSETS AND LIABILITIES

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

Deferred tax positions (summary)

	31 December 2016			31 December 2015		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	0	10	(9)	0	3	(3)
Tax losses	14	-	14	23	-	23
R&D credits	-	-	-	4	-	4
Other	15	-	15	32	0	33
Book value at 31 December	29	10	19	59	3	56

Movements in net deferred tax positions

	Note	2016	2015
		Net	Net
Deferred tax at 1 January		56	52
Deferred tax recognised in the income statement	5.3.9	(22)	6
Deferred tax recognised in other comprehensive income		(14)	(1)
Foreign currency variations		0	(1)
Total movements		(37)	4
Deferred tax at 31 December		19	56

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, 2016 amounts to US\$ 4 million. The deferred tax losses are expected to be recovered, based on the anticipated profit in the applicable jurisdiction. The Company has US\$ 36 million (2015: US\$ 23 million) in deferred tax assets unrecognized in 2016 due to current tax losses not valued.

The non-current portion of deferred tax assets amounts to US\$ 25 million (2015: US\$ 35 million).