

2017

ANNUAL REPORT



EXPERIENCE MATTERS

4.3.19 CONSTRUCTION WORK-IN-PROGRESS

	<i>Note</i>	31 December 2017	31 December 2016
Cost incurred		947	856
Instalments invoiced		(833)	(855)
Total construction work-in-progress		114	1
of which debtor WIP (cost incurred exceeding instalments)		134	15
of which creditor WIP (instalments exceeding cost incurred)	4.3.27	(21)	(14)

The cost incurred includes the amount of recognized profits and losses to date. The instalments exceeding cost incurred comprise the amounts of those individual contracts for which the total instalments exceed the total cost incurred. The instalments exceeding cost incurred are reclassified to other current liabilities. Advances received from customers are included in other current liabilities. For both afore-mentioned details, reference is made to note 4.3.27 'Trade and other payables'.

The increased construction work-in-progress mainly reflects the amount of construction activities related to FPSO Liza completed during the period.

4.3.20 DERIVATIVE FINANCIAL INSTRUMENTS

Further information about the financial risk management objectives and policies, the fair value measurement and hedge accounting of financial derivative instruments is included in note 4.3.29 'Financial Instruments – fair values and risk management'.

In the ordinary course of business and in accordance with its hedging policies as of December 31, 2017, the Company held multiple forward exchange contracts designated as hedges of expected future transactions for which the Company has firm commitments or forecasts. Furthermore, the Company held several interest rate swap contracts designated as hedges of interest rate financing exposure. The most important floating rate is the US\$ 3-month LIBOR. Details of interest percentages of the long-term debt are included in note 4.3.24 'Loans and borrowings'.

The fair value of the derivative financial instruments included in the statement of financial position is summarized as follows:

Derivative financial instruments

	31 December 2017			31 December 2016		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Interest rate swaps cash flow hedge	-	109	(109)	6	170	(164)
Forward currency contracts cash flow hedge	69	5	64	7	54	(47)
Forward currency contracts fair value through profit and loss	23	39	(16)	26	12	14
Total	92	154	(61)	38	236	(198)
Non-current portion	8	80	(72)	8	122	(113)
Current portion	85	73	11	30	114	(84)

The ineffective portion recognized in the income statement (please refer to note 4.3.7 'Net financing costs') arises from cash flow hedges totaling a US\$ (17) million loss (2016: US\$ 2 million loss). The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the statement of financial position.