

**ENI ULX LIMITED**

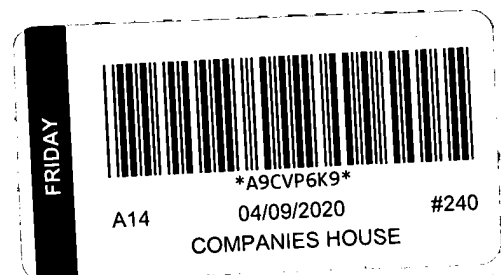
**ANNUAL REPORT  
AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED**

**31 DECEMBER 2019**

**REGISTERED OFFICE**

**Eni House  
10 Ebury Bridge Road  
London SW1W 8PZ**

**Registered Number: 00936223**



## **ENI ULX LIMITED**

### **DIRECTORS AND REGISTERED OFFICE**

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#### **BOARD OF DIRECTORS**

G L Ferrara  
M Giusto  
A Tonna

#### **SECRETARY AND REGISTERED OFFICE**

R D'Abreo  
Eni House  
10 Ebury Bridge Road  
London SW1W 8PZ

#### **INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
The Capitol  
431 Union Street  
Aberdeen  
AB11 6DA

**REGISTERED NUMBER: 00936223**

# ENI ULX LIMITED

## STRATEGIC REPORT

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The directors present their strategic report for the year ended 31 December 2019.

### Review of the business

#### Principal activities

The company is a limited liability company, by shares, incorporated in England and Wales and is domiciled in England. The company is a private company.

The company is engaged in the exploration for, and the production of, oil and gas in the United Kingdom Continental Shelf and Indonesia. The company's key participating interests (either directly or as beneficial owner) are in the licenses set out below:

<u>Licence / Field</u>	<u>Share of the company</u>
<b>INDONESIA</b>	
Bukat Production Sharing Contract (PSC) (Exploration stage)	66.25%
Ambalat PSC (Exploration stage)	66.25%
East Sepinggan PSC (Development stage)	65%
Krueng Mane PSC (Pre-development stage)	85%
West Timor PSC (Exploration stage)	100%
Arguni I PSC (Exploration stage)	80%
OTS 1 PSC (Exploration stage)	100%
North Ganai PSC (Exploration stage)	50.22%
Rapak PSC (Production stage)	20%
Ganai PSC (Pre-development stage)	20%
East Ganai PSC (Exploration stage)	70%
West Ganai PSC (Exploration stage)	40%
<b>UK</b>	
Liverpool Bay (Production)	91.1%

In 2019, total production was 4,471 kboe (2018: 4,872 kboe). The decrease of 401 kboe in production was a result of natural reservoir decline.

During 2019, the company sold a 20% participating interest in East Sepinggan block to Neptune Energy East Sepinggan BV. During 2019, the company farmed out a 30% participating interest in East Ganai block to Neptune Energy East Ganai BV for a pro-quota participation of the past costs related to the signature bonus and the associated costs incurred up to the completion date. Both farm outs completed in December 2019. A gain on disposal of intangible asset amounting to \$138,059,000 and \$211,000 was recognised in the income statement respectively.

West Ganai Block was awarded to Eni Indonesia Ltd in August 2019 as a result of the second Indonesia Conventional Block Bid Round. The company holds 40% participating interest in West Ganai Block.

On 20 Dec 2019, a farm in agreement in respect of a participating interest in the North Ganai Production Sharing Contract with Equinor Indonesia North Ganai AS completed. Merakes production related to East Sepinggan PSC is anticipated to start in September 2020.

In the absence of better market/fiscal conditions the possibilities of developing Krueng Mane, Ranggas, Gehem and Arguni exploration assets have become difficult hence at the end of the year management decided to write off these assets, for an amount of \$27 million in total.

#### Results for the year

The company's Income Statement is set out on page 10. The company's profit for the financial year was \$195.3 million (2018: \$27.2 million).

## STRATEGIC REPORT (continued)

**Key performance indicators and future developments**

Key performance indicators of the company are set out below:

	2019 \$ million	2018 \$ million	Variance \$ million
Total revenue	237.3	271.1	(33.8)
Operating profit	87.3	43.1	44.2
Profit after tax	195.3	27.2	168.1
Shareholders' equity	962.7	767.4	195.3

	2019	2018
UK		
Quantities sold – Gas	131,720,682 Therms	158,308,388 Therms
Quantities sold - Oil	1,674,378 Bbls	1,110,352 Bbls
Indonesia		
Quantities sold – Gas	3,089,245 Therms	3,933,016 Therms
Quantities sold - Oil	82,500 Bbls	130,300 Bbls

Total revenue reduced due to reduction in both production and prices. The increase in the operating profit in 2019 is driven by the sale of a 20% participating interest in East Sepinggan and the farm out of a 30% participating interest in East Ganai as well as reduction in the depreciation of assets in the UK and Indonesia.

The operational performance of the fields during the year was satisfactory and management anticipate that this will continue to be the situation in the coming year.

**Principal risks and uncertainties**

The company, like other companies in the oil and gas sector, operates in an environment subject to inherent risks. The company aims to mitigate risks and manage and control the exposure where possible. The principal risks and uncertainties to the company are:

*Financial risk management*

**Commodity price:** The company is exposed to oil price fluctuations, which are subject to international supply and demand as well as numerous other political factors. The guidelines of the Eni Group for the management of commodity risk contain limits to the price risk deriving from trading activities. Coordination in this area is carried out by a commodity risk assessment team operating at the Eni Group level.

**Credit risk:** The potential exposure of the company and its subsidiaries to loss in the event of non-performance by a counterparty. The company follows guidelines of the Eni S.p.A. treasury department on the choice of highly credit-rated counterparties in their use of financial and commodity instruments, including derivatives.

**Liquidity risk:** The risk that suitable sources of funding for the company's business activities may not be available. The company has access to a wide range of funding at competitive rates through the capital markets and banks, and also has support from the ultimate parent company, Eni S.p.A. if required. The company believes it has access to sufficient funding to meet currently foreseeable borrowing requirements.

**Financial risk:** The company is not exposed to significant interest rate risks. The company is exposed to foreign exchange fluctuations relating to non-USD (mainly GBP) expenditures and receipts. Effective management of exchange rate risk is performed at the Eni Group level, within the central finance department which matches opposite positions of the group operating subsidiaries and hedges net positions using derivatives (such as currency swaps, forwards and options).

*Business risk management*

**Operational risk:** The company's operations present industrial and environmental risks and are therefore subject to extensive government regulations concerning environmental protection and industrial security. The broad scope of these activities involves a wide range of operational risks such as those of explosion, fire or leakage of toxic products, and production of non-biodegradable waste. Since exploration and production activities may take place on sites that are ecologically sensitive, each site requires a specific approach to minimise the impact on the related ecosystem, biodiversity and human health.

## STRATEGIC REPORT (continued)

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### Principal risks and uncertainties (continued)

#### *Impact on the United Kingdom's exit from the European Union*

Having formally left the European Union on 31 January 2020, the UK is now in a transition period scheduled to last until 31 December 2020, pending further negotiations with the EU over the future trading relationship and security co-operation. During the transition period, EU law will (for the most part) continue to apply in the UK as before. Eni has set up a task force to monitor developments and consider further how best to minimise the impact of Brexit on its business going forward, as further information becomes available.

#### *Impact of coronavirus (COVID-19)*

The emergence and spread of the virus Covid-19 in early 2020 has affected business and economic activities in China and elsewhere. The subsequent rapid spread to a growing number of countries around the world triggered a profound correction in the prices of oil and other energy commodities due to the sudden drop in consumption because of increasingly stringent measures adopted by governments to contain the pandemic with serious repercussions on production.

The short-term trend in oil and gas prices will depend predominantly on the timing of containment of the spread of the pandemic and the ways in which the crisis will be managed. In the worst-case scenario, the pandemic could cause a global recession with significant negative consequences on hydrocarbon demand and commodity prices. This development would have significant effects on the Company's results, cash flow, liquidity and business prospects, including the returns for the shareholder.

Eni group and the Company maintained a high degree of financial flexibility in order to deal unforeseen events and significant reductions of the scenarios capable to mitigate the impact of a price downturn, even of considerable proportions. Eni continue to assess the potential impact of coronavirus on our staff and operations and have implemented appropriate mitigation plans.

### Section 172(1) UK Companies Act 2016 ("Act") Statement

#### **Directors**

As part of their induction a director of the company is informed of their directors' duties with specific reference to section 172(1) (a-f) and if necessary can seek additional support and advice from an independent adviser to ensure that they are aware and know the likely consequences of any decision the company makes in the long term.

#### **Stakeholders**

The directors of the company believe it is fundamentally important that the values and principles which guide the company are clearly defined, both internally and externally, in order to ensure that all company activities are implemented in compliance with the relevant laws and in a context of fair competition, honesty, integrity, fairness and good faith which would promote the success of the company for the benefit of its members as a whole having regard the interests of all its stakeholders: shareholders, workforce, suppliers, customers, lenders, government/tax authorities, pension schemes/trustees, community and environment. These values are embedded in the Eni Code of Ethics, approved by the Board of Directors of its ultimate parent company, Eni S.p.A., on 18 March 2020 and by the Directors of the company on 3 June 2020. The Eni Code of Ethics sets out the challenges of sustainable development and the need to take into consideration the interests of all stakeholders to clearly define the values that the company will accept, acknowledge and share as well the responsibilities it assumes, contributing to a better future. The Eni Code of Ethics is brought to the attention of every person or body having business relations with the company.

## STRATEGIC REPORT (continued)

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### Employee Interests

The Directors of the company maintain a regulatory system that includes procedures to facilitate the professional development of its staff and the continued growth of the organisation.

Initiatives include:

- a personal development and training procedure which aims to apply valid and reliable controls to ensure that people are competent to discharge their responsibilities safely and effectively;
- a performance management procedure that aims to improve business, safety environmental, sustainability & human capital performance by planning, allocating and evaluating work carried out by individuals on the basis of personal targets derived from company objectives; and
- participation in the internationalisation programme of the group that aims to provide wider personal experience and employment opportunities through supporting inward and outward work assignments, short term placements and increased dialogue across professional disciplines.

The company is an equal opportunities employer and maintains Company procedures that guarantee all employees with equal access to employment opportunities.

During the year employees are provided with information about the company through various media including meetings, publications, notices, electronic mail and the company intranet. The company has been involved in a wide range of external communication and community relations activities in support of UN Sustainable Development Goals.

The company ensures that its internal regulatory system is aligned with Eni by ensuring that all Management System Guidelines and Annexes are adopted by Board resolutions or by adoption letter during the period.

### Community and the Environment

In line with Sustainable Development Goal 8 adopted by Eni S.p.A., the ultimate parent company, one of the company's aim is to incentivise lasting, inclusive and sustainable economic growth, along with full, productive employment and dignified work for all.

### Business Conduct

The directors of the company believe that business has the responsibility to respect and support the fundamental human rights, as expressed in the Universal Declaration for Human Rights and the United Nations Guiding Principles on Business and Human Rights. The company is committed to maintaining and improving its practices to combat slavery and human trafficking violations in its operations and supply chain. These values are embedded in the Eni Modern Slavery Act Statement, approved by the Board of Directors of its ultimate parent company, Eni S.p.A., on 23 April 2020 and by the Directors of the company on 3 June 2020. Moreover, as an indirect subsidiary of Eni S.p.A the Board of Directors have adopted the Eni internal Regulatory System including Management System Guidelines which sets out internal policies to achieve a high standard of business conduct. All Board of Directors decisions are taken with regard to section 172 of the Act.

### Shareholders

The Board of Directors consider and only approve items of business that would promote the success of the company and in the best interests of the company, the company's immediate shareholders, the ultimate parent Eni S.p.A and its stakeholders.

On behalf of the Board



Manfredi Giusto (Jul 3, 2020 10:15 GMT+1)

**M Giusto**  
Director  
3 July 2020

## DIRECTORS' REPORT

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The directors present their report and audited financial statements for the year ended 31 December 2019.

### Directors

The present directors of the company are listed on page 1 and have held office throughout the year with the following exceptions:

- M Giusto was appointed as a director on 18 November 2019
- F Rinaldi resigned as a director on 18 November 2019

Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

### Future developments

Future developments of the company and its activities are discussed in the strategic report on pages 2 till 4.

### Dividends

The company did not pay any dividend (2018- \$nil) throughout the year.

### Branches outside the UK

The company has a branch office registered in Jakarta, Indonesia.

### Post balance sheet events

The emergence and spread of the virus Covid-19 in early 2020 has affected business and economic activities in China and around the world, including UK. The subsequent rapid spread to a growing number of countries around the world triggered a profound correction in the prices of oil and other energy commodities due to the sudden drop in consumption because of increasingly stringent measures adopted by governments to contain the epidemic with serious repercussions on production. In early April, the members of the OPEC + cartel reached an agreement on production cuts required by some of them to react to the effects of Covid-19, however, oil and gas prices continue to be under significant pressure of over-supply and other factors.

The short-term trend in oil and gas prices will depend predominantly on the timing of containment of the spread of the pandemic and as well as the ways in which the crisis will be managed. In a possible worst-case scenario, the pandemic could cause a global recession with significant negative consequences on hydrocarbon demand and commodity prices. This development would have significant effects on the company's results, cash flow, liquidity and business prospects, including the returns for the shareholder. However, Eni group and the company maintain a high degree of financial flexibility in order to deal with unforeseen events and significant reductions in oil and gas prices and demand, which the directors consider to be sufficient to mitigate the impact of such a worst-case scenario.

Eni group and the company are continually monitoring developments in the Oil & Gas sector related to Covid-19 and market conditions.

The company has implemented a number of actions to ensure its ability to continue production in the North Sea and overseas. The company is working to contain its general and administration costs, cut or delay investments in activities, which were not critical or mandatory and also suspend or defer expenditures for projects that became presently uneconomical. The company is taking actions to reduce operating costs including tariffs.

### Going concern

The directors are satisfied that the company has adequate financial resources, including access to Eni group financial resources, to continue to operate for the foreseeable future and meet its obligations as they fall due.

The company's forecasts and projections demonstrate that its assets are expected to generate free cash flow over the 12 months from the date of this report. If there is a sustained lower oil price, that is not offset by operating cost or capital expenditure savings, the cash flow or liquidity shortages will be balanced by the company's participation in the group cash pooling arrangements and the availability of funds and lines of credit to Eni Spa.

As a consequence, the directors have a reasonable expectation that the company is well placed to manage its business risks and generate sufficient funds to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

## DIRECTORS' REPORT (continued)

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### Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

### Prompt payment policy

The company aims to observe the highest standard of business practice as both a buyer and seller of products and services.

### Principal risks and uncertainties and financial risks

The principal risks and uncertainties and financial risks sections are disclosed in the Strategic report.

### Provision of information to auditors

The directors, as at the date of this report, have confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the company's auditor in connection with preparing their report) of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Independent Auditors

Due to the Eni Group policy of rotating auditors every nine years, Ernst & Young LLP were not re-appointed by the Company. Following a formal tender process by the Eni Group, PricewaterhouseCoopers Italy were selected as their replacement in Italy and as group auditors. PricewaterhouseCoopers LLP indicated their willingness to act as auditors of the Company for the year ended 31 December 2019 and their appointment was approved at a directors' meeting and general meeting. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

By order of the Board

*Riordan D'Abreo*  
Riordan D'Abreo (Jul 3, 2020 09:22 GMT+1)

R D'Abreo  
Secretary  
3 July 2020



# ***Independent auditors' report to the members of Eni ULX Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Eni ULX Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the income statement, the statement of comprehensive income, and the statement of changes in shareholders' equity for the year then ended; the statement of accounting policies; and the notes to the financial statements.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

## *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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## **Responsibilities for the financial statements and the audit**

### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Kevin Reynard (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Aberdeen  
3 July 2020

ENI ULX LIMITED

INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2019

		<i>Notes</i>	
		<b>2019</b> <b>\$ 000</b>	<b>2018</b> <b>\$ 000</b>
Revenue	2	<b>197,093</b>	225,416
Other income	3	<b>40,178</b>	45,645
<b>Total revenue</b>		<b>237,271</b>	271,061
Other service costs and expenses	4	<b>(222,887)</b>	(164,543)
Depreciation, amortisation and impairments	14,15,16	<b>(38,033)</b>	(46,790)
Exploration costs written off	15	<b>(27,371)</b>	(16,600)
Gain on disposal of intangible assets		<b>138,270</b>	-
<b>Operating profit</b>	5	<b>87,250</b>	43,128
Interest payable and similar expenses	7	<b>(33,873)</b>	(17,261)
Interest receivable and similar income	8	<b>35,792</b>	15,327
Dividend income from group undertakings	9	<b>52,000</b>	30,000
<b>Profit before taxation</b>		<b>141,169</b>	71,194
Taxation	10	<b>54,161</b>	(43,953)
<b>Profit for the financial year</b>		<b>195,330</b>	27,241

ENI ULX LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

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	<u>2019</u> <u>\$ 000</u>	<u>2018</u> <u>\$ 000</u>
Profit for the financial year	195,330	27,241
Total comprehensive income for the year	<u>195,330</u>	<u>27,241</u>

Total comprehensive income for the year is attributable to the equity holders.

ENI ULX LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019

	<b>Share Capital \$ 000</b>	<b>Share Premium \$ 000</b>	<b>Retained Earnings \$ 000</b>	<b>Shareholders' Equity \$ 000</b>
Balance at 1 January 2018	310,488	321,894	107,783	740,165
Profit for the financial year	-	-	27,241	27,241
<i>Total comprehensive income for the year</i>	-	-	27,241	27,241
At 31 December 2018	310,488	321,894	135,024	767,406
Profit for the financial year	-	-	195,330	195,330
<i>Total comprehensive income for the year</i>	-	-	195,330	195,330
<b>At 31 December 2019</b>	<b>310,488</b>	<b>321,894</b>	<b>330,354</b>	<b>962,736</b>

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2019**

	Notes	2019 \$ 000	2018 \$ 000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	621,486	545,350
Trade and other receivables	12	61,991	81,713
Inventories	13	51,633	35,646
Current tax assets		1,357	-
		<u>736,467</u>	<u>662,709</u>
<b>Non-current assets</b>			
Property, plant and equipment	14	490,536	57,376
Intangible assets	15	79,284	325,119
Right of use assets	16	851	-
Investments	17	75,573	75,573
Goodwill	23	48,925	48,925
Deferred tax assets	18	189,582	162,503
Trade and other receivables	12	15,790	15,671
		<u>900,541</u>	<u>685,167</u>
<b>Total assets</b>		<u>1,637,008</u>	<u>1,347,876</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	169,572	131,339
Lease liabilities short term	16	570	-
Current tax liabilities		-	12,914
		<u>170,142</u>	<u>144,253</u>
<b>Non-current liabilities</b>			
Provisions	20	475,697	409,298
Other non-current liabilities		5,220	3,936
Lease liabilities long term	16	274	-
Deferred tax liabilities	18	22,939	22,983
		<u>504,130</u>	<u>436,217</u>
<b>Total liabilities</b>		<u>674,272</u>	<u>580,470</u>
<b>Shareholders' equity</b>			
Share capital	21	310,488	310,488
Share premium		321,894	321,894
Retained earnings		<u>330,354</u>	<u>135,024</u>
<b>Total shareholders' equity</b>		<u>962,736</u>	<u>767,406</u>
<b>Total liabilities and shareholders' equity</b>		<u>1,637,008</u>	<u>1,347,876</u>

The financial statements from page 9 to 35 were approved by the Board on 3 March 2020 and were signed by an authorised director on behalf of the Board, at a later date.

On behalf of the Board

gian luigi ferrara  
gian luigi ferrara (Jul 3, 2020 13:47 GMT+1)

**G L Ferrara**  
**Director**  
3 July 2020

## STATEMENT OF ACCOUNTING POLICIES

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The principal accounting policies adopted in the preparation of the financial statements are set out below:

### General information

The company is a limited liability company, by shares, incorporated in England and Wales and is domiciled in England.

The company is engaged in the exploration for, and the production of, oil and gas in the United Kingdom Continental Shelf and Indonesia.

### Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with The Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (b) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 11 and 134-136 of IAS 1 Presentation of Financial Statements;
- (c) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
  - (iii) paragraph 118(e) of IAS 38 Intangible Assets.
- (d) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135c-135e of IAS 36, Impairment of Assets;
- (e) the requirements of IAS 7 Statement of Cash Flows;
- (f) the requirements of paragraph 91 – 99 of IFRS 13 Fair Value Measurement;
- (g) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- (h) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to standards not yet effective;
- (i) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures; and
- (j) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Where required, equivalent disclosures are given in the group financial statements of Eni S.p.A. The group financial statements of Eni S.p.A are available to the public and can be obtained as set out in note 1.

The accounting policies have been applied consistently, other than where new policies have been adopted.

### Changes in accounting policies and disclosures

#### *New and amended standards and interpretations*

The company applied IFRS 16 for the first time.

The company had to change its accounting policies, as a result of adopting IFRS 16. The group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. It has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

STATEMENT OF ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective right of use (ROU) is included in the balance sheet based on its nature. The company had no contracts determined as lease under IFRIC 4 on adoption of IFRS 16.

	<b>\$,000</b>
IFRS16 Operating lease commitments disclosed as at 31 December 2018	1,192
Discounted using the lessee's incremental borrowing rate of at the date of initial application	1,125
Lease liability recognised as at 1 January 2019	<b>1,125</b>
<i>Of which are:</i>	
Current lease liabilities	263
Non-current lease liabilities	862
	<b>1,125</b>

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application is in the range of 4.85%-5.06%. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the company. The company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Going concern

The directors are satisfied that the company has adequate financial resources, including access to Eni group financial resources, to continue to operate for the foreseeable future and meet its obligations as they fall due.

The company's forecasts and projections demonstrate that its assets are expected to generate free cash flow over the 12 months from the date of this report. If there is a sustained lower oil price, that is not offset by operating cost or capital expenditure savings, the cash flow or liquidity shortages will be balanced by the company's participation in the group cash pooling arrangements and the availability of funds and lines of credit to Eni Spa.

As a consequence, the directors have a reasonable expectation that the company is well placed to manage its business risks and generate sufficient funds to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Consolidation

Consolidated financial statements have not been prepared for the company as it is a wholly owned subsidiary of Eni S.p.A., a company incorporated in Italy, which will prepare consolidated financial statements as stated in Note 1. The company has taken advantage of the exemption available under International Financial Reporting Standards to present separate financial statements in accordance with paragraph 10 IAS 27 (e). In addition, under section 400 of the Companies Act 2006 the company is exempt from the general requirement to prepare consolidated financial statements. This can be applied as the immediate parent is established under the laws of an EEA state (European Economic Area).

Goodwill

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act 2006. The company is not able to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability, nor can the pattern in which goodwill diminishes be known.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the fair value of the identifiable net assets acquired and liabilities assumed. If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred (bargain purchase), before recognising a gain, the company reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the statement of comprehensive income.



**STATEMENT OF ACCOUNTING POLICIES (continued)**

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**Goodwill (continued)**

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the company's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

**Pooling of interest method**

Business combinations between common control entities are accounted for using the pooling of interest method. The method adopted results in the transferring of assets and liabilities between common control entities at net book value.

**Property, plant and equipment**

Property, plant and equipment includes oil and gas properties representing the company's share of expenditure in respect of exploration, appraisal and development costs of fields where a decision to exploit their reserves has been made, field development programme approval has been granted and capital expenditure incurred when the fields are in production. Interest costs incurred during the development stage of fields are capitalised from the date at which field development programme approval is granted until production commences. Property, plant and equipment are depreciated using the unit of production method based on proved developed oil and gas reserves for each field in production at the balance sheet date. When there is a change in the estimated total recoverable proved developed reserves of a field, the undepreciated cost is written off over the revised remaining reserves.

Proven mineral interests are depreciated using the unit of production method based on proved developed and undeveloped oil and gas reserves for each field in production at the balance sheet date. When there is a change in the estimated total recoverable proved developed reserves of a field, the undepreciated cost is written off over the revised remaining reserves.

**Intangible assets – exploration rights**

Exploration rights paid in connection with a right to explore (or their extension) in an exploration area are capitalised as intangible assets pending determination of whether the exploration and appraisal activities in the reference areas are successful or not.

Unproved exploration rights are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine that the discovery is economically viable based on a range of technical and commercial considerations and that sufficient progress is being made on establishing development plans and timing. If no future activity is planned or the exploration rights have expired, the carrying value is written off through the income statement.

In the event of a discovery of proved reserves (i.e. upon recognition of proved reserves and internal approval for development), the entire balance of the related exploration rights, initially recognised as unproved, is transferred to "proved exploration rights" in intangible assets. From the commencement of production, proved exploration rights are amortised according to the unit of production method (UoP) over total proved reserves.

**Intangible assets – exploration and appraisal costs**

Exploration costs represent the company's share of expenditure by consortia on the exploration of the sea bed for oil and natural gas up to the date of any decision to exploit various finds. Where no decision has been made by the balance sheet date to exploit a find, the costs are accounted for in accordance with the successful efforts method. The cost of drilling exploratory wells is carried forward as an intangible asset if in the opinion of the directors there is a reasonable prospect of development of the related fields commencing within three years of commencement of drilling. Costs of exploratory dry holes are written off at the time that the wells are determined to be dry and all licence fees, geological and geophysical expenses are written off as incurred. Where a decision has been made to exploit a find, the exploration costs are carried forward. In the period after a decision has been made to exploit a find but before commercial viability has been demonstrated, any pre-development costs that are incurred are also capitalised and carried forward. When commercial viability is determined, the exploration and pre-development costs of that field are reclassified as property, plant and equipment. Exploration wells that are being drilled at the year end are included in intangible assets as exploration and appraisal costs until the results of the drilling are determined.

## STATEMENT OF ACCOUNTING POLICIES (continued)

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### Leases

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the company under residual value guarantees;
- the exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

### Investments

Investments in subsidiaries are shown at cost less any provision for impairment.

### Interests in joint arrangements

IFRS 11 defines a joint arrangement as an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

## STATEMENT OF ACCOUNTING POLICIES (continued)

### Interests in joint arrangements (continued)

IFRS 11 classifies joint arrangements into two types i.e. joint operations and joint ventures. A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The company participates in several joint operations which involve the joint control of assets used in the company's oil and gas exploration and producing activities. Interests in joint operations are recognised by including the company's share of assets, liabilities, income and expenses on a line-by-line basis. Liabilities and expenses incurred directly in respect of interests in joint operations are accounted for on an accrual basis. Income from the sale or use of the company's share of the output of jointly operations, and its share of joint operation expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the company and their amount can be measured reliably.

### Impairment of non-financial assets

At the end of each reporting period, the company reviews the carrying amounts of its property, plant and equipment, intangible assets and investments in subsidiaries measured at cost, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of fair value less costs of disposal and value in use. Management has assessed its cash generating unit (CGUs) as being an individual field, which is the lowest level for which cash inflows are largely independent of those of other assets. In assessing value in use, future net cash flows for each field are calculated by utilising the company's estimate of proved reserves at year end, together with the company's estimates of future oil prices, future capital and operating costs and future decommissioning costs, required for recovering these remaining proved reserves. These estimated future cash flows are then discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

At the end of each reporting period, an assessment is made to determine whether there is any indication that an impairment loss recognised in prior periods may no longer exist or has decreased. Where such an indication exists, an impairment loss is reversed to the extent that the asset's carrying value does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### Inventories

Inventories consist of petroleum, condensate, liquid petroleum gas and materials and represent the company's share of inventories belonging to the consortia of which it is a member. Inventories are valued at the lower of cost and net realisable value. Cost of materials is determined by the weighted average method and comprises direct purchase costs, cost of production, transportation and manufacturing expenses. The cost of crude oil is its manufacturing cost, including appropriate proportion of depreciation, depletion and overhead based on normal operation capacity. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, the Company's current bank accounts and short-term deposits originally due, generally, within 90 days, readily convertible to known amount of cash and subject to an insignificant risk of changes in value.

Cash deposited in some bank accounts held with Banque Eni SA (BESA)<sup>1</sup> may be subject to cash pooling arrangements with the ultimate parent company Eni SpA<sup>2</sup>. The Company has the full availability of these bank accounts without any restrictions; neither BESA nor the ultimate parent company can block withdrawals. Cash pooling accounts are balanced on a daily basis and the true intent of these accounts is to ensure settlements of payments to vendors and/or cash collections from customers.

<sup>1</sup> BESA is a Belgian regulated bank subject to the banking regulatory requirements.

<sup>2</sup> Although Eni SpA is not a financial institution, it performs its financial activities within specific Board approved limits.

STATEMENT OF ACCOUNTING POLICIES (continued)

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**Cash and cash equivalents (continued)**

Deposits held with Eni Finance International S.A. (EFI)<sup>3</sup> are classified as cash equivalents considering that: (i) they are highly liquid, available on demand or in the short term and have terms that are similar to those which would be expected if the deposits had been made with an independent third party financial institution; (ii) EFI maintains sufficient cash and liquid resources, along with access to credit lines, to meet all inter-company obligations simultaneously. The Company has full availability of the deposits held with EFI (i.e. no restriction to modify maturity date); if the Company needs to anticipate or terminate earlier a deposit, there is no penalty on the change of period requested.

**Foreign currencies**

The company's functional and presentation currency is US Dollar. All financial information has been rounded to the nearest thousand (\$'000), unless otherwise indicated. Transactions denominated in a foreign currency are converted to US Dollar at rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated at the rates ruling at the balance sheet date. The resulting exchange gains or losses are recognised in the income statement.

**Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

**Revenue recognition**

The company is principally engaged in oil and gas exploration and production. Revenue from contracts with customers is recognised when or as the company satisfies a performance obligation by transferring control of a promised good or service to the customer. The company has generally concluded that it is the principal in its revenue contracts because it typically controls the products before transferring them to the customer. The transfer of control generally coincides with title passing to the customer and products having reached the processing terminal or when the products are lifted. The company principally satisfies its performance obligations at a point in time. When, or as, a performance obligation is satisfied, the group recognises as revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the company expects to be entitled in exchange for those products. Contracts from the sale of commodities are typically priced by reference to quoted prices.

Interest income is recognised on a time proportion basis

**Over/underlift balances**

Lifting or offtake arrangements for oil and gas produced in certain of the company's oil and gas properties are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative volume sold less stock is 'underlift' or 'overlift'.

The company applies the sales method for the measurement and presentation of the over/underlift balances with underlift valued at cost and overlift valued at market price. The movements of the year are presented within the Other service costs and expenses

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<sup>3</sup> EFI is the company responsible for the centralised funding of some foreign Eni Group companies and for collecting their financial surpluses.

## STATEMENT OF ACCOUNTING POLICIES (continued)

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### Provisions

Provisions are recognised when: (i) there is a present obligation (legal or constructive), as a result of a past event; (ii) it is probable that the settlement of that obligation will result in an outflow of resources embodying economic benefits; and (iii) the amount of the obligation can be reliably estimated.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date or to transfer it to third parties at that time.

### Decommissioning provision

The estimated cost of dismantling the production and related facilities and site restoration at the end of the economic life of each field is recognised in full as a decommissioning provision when the asset is installed or the ground/environment is disturbed at the field location. The amount recognised is the present value of the estimated future restoration cost, and an offsetting entry to property, plant and equipment is also recognised. The increase in the provision with the passage of time (unwinding of discount) is recognised as interest expense. The asset is depreciated on a unit of production basis. Changes to the present value of the estimated future decommissioning cost are accounted for as adjustments to the provision and property, plant and equipment.

### Dividend distribution

Dividends are recognised at the date of the general Shareholders' Meeting in which they were declared, or in the case of an interim dividend declared by the Board when it is paid.

### Financial instruments

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. Trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient are measured at the transaction price determined under IFRS 15 'Revenue from customers'.

#### *Financial assets*

##### *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The company's financial assets held at amortised cost includes trade and other receivables.

#### *Impairment of financial assets*

The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate.

The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the company applies a simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## STATEMENT OF ACCOUNTING POLICIES (continued)

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### Financial instruments (continued)

#### *Financial liabilities*

##### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial recognition date and only if the conditions in IFRS 9 are satisfied.

Other financial liabilities are classified in the balance sheet as Trade and other payables.

### Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### Use of accounting estimates, judgements and assumptions

The company's financial statements are prepared in accordance with FRS 101. This requires the use of estimates and assumptions that affect the assets, liabilities, revenues and expenses reported in the financial statements, as well as amounts included in the notes thereto, including discussion and disclosure of contingent liabilities. Estimates made are based on complex or subjective judgements, past experience and other assumptions deemed reasonable in consideration of the information available at the time. The accounting policies and areas that require the most significant judgements and estimates to be used in the preparation of the financial statements are in relation to the accounting for oil and gas activities, specifically in the determination of proved and proved developed reserves, impairment of property, plant and equipment, intangible assets and investments in subsidiaries, decommissioning provisions, other provisions and recoverability of deferred tax assets. Although the company uses its best estimates and judgements, actual results could differ from the estimates and assumptions used.

STATEMENT OF ACCOUNTING POLICIES (continued)

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**Use of accounting estimates, judgements and assumptions (continued)**

A summary of significant judgments and estimates is as follows:

**a) Oil and gas activities**

Engineering estimates of the company's oil and gas reserves are inherently uncertain. Although there are authoritative guidelines regarding the engineering criteria that must be met before estimated oil and gas reserves can be designated as "proved", the accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgement.

Oil and gas reserves have a direct impact on certain amounts reported in the financial statements such as depreciation and depletion, impairment considerations and estimated timing of decommissioning activities. Estimated proved reserves are used in determining depreciation and depletion expenses. Depreciation rates on oil and gas assets using the units of production basis are determined from the ratio between the amount of hydrocarbons extracted in the quarter and proved developed reserves existing at the end of the quarter increased by the amounts extracted during the quarter. Estimates of oil and gas reserves are also used within impairment testing and timing of the decommissioning.

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, that is, prices and costs as at the date that the estimate is made.

(i) Reservoirs are considered proved if reserves that can be economically produced are supported by either actual production or conclusive formation tests. The area of a reservoir considered proved includes: (a) that portion delineated by drilling and defined by gas-oil or oil-water contacts, if any, or both, and; (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.

(ii) Reserves that can be produced economically through the application of improved recovery techniques (such as fluid injection) are generally only included in the proved classification if successful testing by a pilot project, or the operation of an installed programme in the reservoir, provides support for the engineering analysis on which the project or programme was based.

(iii) Estimates of proved reserves do not include the following: (a) crude oil, natural gas and natural gas liquids that may become available from known reservoirs but are classified separately as indicated additional reserves; (b) crude oil, natural gas and natural gas liquids, the recovery of which is subject to reasonable doubt because of uncertainty as to geology, reservoir characteristics, or economic factors; and (c) crude oil, natural gas and natural gas liquids that may be recovered from oil shales, coal and other such sources.

**b) Impairment of non-financial assets**

The company assesses its property, plant and equipment, intangible assets and those investments in subsidiaries measured at cost, for possible impairment if there are events or changes in circumstances that indicate the carrying values of the assets are not recoverable. Such indicators include changes in the company's business plans, changes in commodity prices leading to unprofitable performance and, for oil and gas properties, significant downward revisions of estimated proved reserve quantities.

Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation and technology improvements on operating expenses, production profiles and the outlook for global or regional market supply and demand conditions for crude oil, natural gas, commodity chemicals and refined products, and the discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

STATEMENT OF ACCOUNTING POLICIES (continued)

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**Use of accounting estimates, judgements and assumptions (continued)**

*c) Decommissioning provision*

Obligations to remove property, plant and equipment and restore land or seabed require significant estimates in calculating the amount of the obligation and determining the amount required to be recorded at present value in the financial statements. Estimating future decommissioning obligations is complex. It requires management to make estimates and judgements with respect to decommissioning obligations that will come to term many years into the future and contracts and regulations are often unclear as to what constitutes removal.

In addition, the ultimate financial impact of environmental laws and regulations is not always clearly known as decommissioning technologies and costs constantly evolve, as well as political, environmental, safety and public expectations.

The subjectivity of these estimates is also increased by the accounting method used that requires entities to record the value of a liability for decommissioning obligations in the period when it is incurred (typically, at the time, the asset is installed at the production location).

The recognised decommissioning obligations are based on future decommissioning cost estimates and incorporate many assumptions such as: expected recoverable quantities of crude oil and natural gas, decommissioning time, future inflation rates and the discount rate.

*d) Other provisions*

The company records a provision where the liability is probable and a reliable estimate of the amount can be determined. This provision is related to tax issues in Indonesia. Determining appropriate amounts for accrual is a complex estimation process that includes subjective judgements.

*e) Recovery of deferred tax assets*

Judgement is required to determine which arrangements are considered to be a tax on income as opposed to an operating cost. Judgement is also required to determine whether deferred tax assets are recognised in the balance sheet. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the company will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows.

These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, oil and natural gas prices, reserves, operating costs, decommissioning costs, capital expenditure, dividends and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction, as well as the availability of future profits against which tax deductions represented by the deferred tax assets can be offset. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws in the jurisdictions in which the company operates could limit the ability of the company to obtain tax deductions in future periods. Estimating deferred tax assets therefore requires significant judgement.



NOTES TO THE FINANCIAL STATEMENTS

**1 Parent undertakings**

The company is a wholly owned subsidiary of Eni ULT Limited.

The company's ultimate parent undertaking, Eni S.p.A., a company incorporated in Italy with registered office at Piazzale Enrico Mattei, 1 00144 Rome, will produce consolidated financial statements for the year ended 31 December 2019, which will be available from its website ([www.eni.com](http://www.eni.com)) or on request to Eni S.p.A., Via Emilia 1, 20097 San Donato Milanese, Italy.

The parent company of the largest and smallest group into which the company is consolidated is Eni S.p.A.

**2 Revenue**

	<b>2019</b>	<b>2018</b>
	<b>\$ 000</b>	<b>\$ 000</b>
Group undertaking	<b>160,125</b>	198,051
Third parties	<b>36,968</b>	27,365
	<b>197,093</b>	225,416

All activities of the company are undertaken in Indonesia and the UK. The revenue split between Indonesia and UK is \$25.6m (2018: \$35.6m) and \$171.5m (2018: \$189.8m) respectively.

**3 Other income**

	<b>2019</b>	<b>2018</b>
	<b>\$ 000</b>	<b>\$ 000</b>
Group undertaking	<b>1,561</b>	430
Third party	<b>38,617</b>	45,215
	<b>40,178</b>	45,645

Third party other income includes \$35 million relating to tariff income (2018 – \$36 million).

**4 Other service costs and expenses**

	<b>2019</b>	<b>2018</b>
	<b>\$ 000</b>	<b>\$ 000</b>
Parent company	<b>17,667</b>	17,717
Group undertakings	<b>139,308</b>	138,452
Third parties	<b>65,912</b>	11,374
	<b>222,887</b>	164,543

Other services costs and expenses from third parties, include \$nil (2018: \$2.6 million underlift) in respect of 'over/underlift' representing the remaining of the company's production entitlement in the current year.

There were no social security costs borne by the employer during the year (2018 - \$nil) and pension costs were \$nil (2018 - \$nil).

During the year, the average number of employees was 1 (2018 – 1).

NOTES TO THE FINANCIAL STATEMENTS (continued)

**5 Operating profit**

Operating profit is stated after charging/ (crediting) the following:

	<b>2019</b> <b>\$ 000</b>	<b>2018</b> <b>\$ 000</b>
Depreciation, amortisation and impairments (note 14 ,15 and 16)	<b>38,033</b>	46,790
Exploration costs written off (note 15)	<b>27,371</b>	16,600
VAT receivables write off (note 12)	<b>313</b>	10,500
Gain on disposal (note 15)	<b>(138,270)</b>	-

In 2019 the audit fees of the head office were borne by Eni Investments Plc. For the purpose of disclosure, a fair allocation of the audit fee to the head office would be £9,915 equivalent to \$12,646 (2018 - £7,834 equivalent to \$10,588). Auditors' remuneration for the branch for 2019 was \$49,998 (2018 - \$17,581).

**6 Directors' remuneration**

The directors of the company are also the directors of other affiliate companies and/or the parent undertaking. The emoluments paid to the directors for the services provided to this company have been paid by the parent undertaking and a fair allocation to the company would be approximately \$274,096 (2018: \$261,116).

**7 Interest payable and similar charges**

	<b>2019</b> <b>\$ 000</b>	<b>2018</b> <b>\$ 000</b>
Third parties	<b>207</b>	564
Unwinding of discount on decommissioning provision (note 20)	<b>19,196</b>	12,310
Foreign exchange loss	<b>14,423</b>	4,387
Finance charges paid/payable for lease liabilities	<b>47</b>	-
	<b>33,873</b>	17,261

**8 Interest receivable and similar income**

	<b>2019</b> <b>\$ 000</b>	<b>2018</b> <b>\$ 000</b>
Interest receivable		
Group undertaking	<b>12,432</b>	11,254
Third parties	<b>5,882</b>	101
Foreign exchange gain	<b>17,478</b>	3,972
	<b>35,792</b>	15,327

**9 Dividend income from group undertakings**

	<b>2019</b> <b>\$ 000</b>	<b>2018</b> <b>\$ 000</b>
Group undertakings	<b>52,000</b>	30,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 Taxation

	2019 \$ 000	2018 \$ 000
Current tax at 40% (2018 – 40%)		
UK corporation tax on profit for the period	5,747	28,089
Adjustments in respect of prior periods	(34,118)	(533)
<b>Total current tax</b>	<b>(28,371)</b>	<b>27,556</b>
Deferred taxation (note 18)	(27,124)	14,600
<b>Total deferred tax</b>	<b>(27,124)</b>	<b>14,600</b>
Foreign tax		
Current tax	1,334	1,797
<b>Total foreign tax</b>	<b>1,334</b>	<b>1,797</b>
<b>Total taxation charge</b>	<b>(54,161)</b>	<b>43,953</b>

Factors affecting tax charge for period

The tax assessed for the period is higher (2018 – higher) than the standard rate of corporation tax applicable for oil and gas exploration and production companies in the UK of 40% (2018 – 40%). The differences are explained below:

	2019 \$ 000	2018 \$ 000
<b>Profit before taxation</b>	<b>141,169</b>	<b>71,194</b>
Taxation on profit before tax @ 40% (2018 – 40%)	56,468	28,478
Effects of:		
Income not taxable	(47,797)	(12,600)
Expenditure not allowable for tax	3,141	-
Group relief (claimed) / surrendered	60,712	(59)
Impact of different tax rates	(15,874)	6,212
Movement in deferred tax not recognised	(51,944)	8,151
Tax allowances	(1,848)	(1,382)
Foreign tax	1,334	1,797
Foreign deferred taxes	(24,235)	16,361
Utilisation of unrecognised deferred tax asset brought forward	-	(2,471)
Adjustments to current tax in respect of prior periods	196	53
Payment for group relief – prior period	(34,314)	(587)
<b>Total tax charge</b>	<b>(54,161)</b>	<b>43,953</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Cash and cash equivalents

	2019 \$ 000	2018 \$ 000
Cash at bank and in hand		
Group undertaking	1,797	525
Third parties	38,389	29,525
Short term bank deposits - Affiliate company	581,300	515,300
	<b>621,486</b>	<b>545,350</b>

The effective interest rate on short-term deposits was between 1.527% and 3.064% during 2019 (2018: 1.50% - 3.06%). \$451.3 million of these deposits have a short maturity of less than three months from date of acquisition (2018: \$449.3 million), with \$130 million of deposits maturing within twelve months from acquisition (2018: \$66 million). These deposits are held with Eni Finance International S.A., which is a subsidiary of Eni S.p.A. and has a credit rating of Baa1 as issued by Moodys. The company believes that the carrying amounts are a reasonable approximation to the fair value.

12 Trade and other receivables

	2019 \$ 000	2018 \$ 000
Trade receivables		
Third party	17,601	960
Other receivables	41,335	24,314
Affiliate companies	3,055	56,439
VAT receivable, net	15,790	15,671
	<b>77,781</b>	<b>97,384</b>
VAT receivable, gross	59,950	55,150
Provision for VAT	(44,160)	(39,479)
<b>Non-current portion of Trade and other receivables</b>	<b>15,790</b>	<b>15,671</b>
<b>Current portion of Trade and other receivables</b>	<b>61,991</b>	<b>81,713</b>
	<b>77,781</b>	<b>97,384</b>

VAT receivable of \$0.3 million (2018: \$10.5 million) related to Krueng Mane was written off.

13 Inventories

	2019 \$ 000	2018 \$ 000
Crude oil	794	1,896
Consumable stocks	50,839	33,750
	<b>51,633</b>	<b>35,646</b>

Consumable stock is presented net of write off \$nil (2018: provision of \$1.2 million), for which movement is included in the Other service costs and expenses.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 Property, plant and equipment

	<i>UK Oil and gas properties \$ 000</i>	<i>Indonesia Oil and gas properties \$ 000</i>	<i>Total Oil and gas properties \$ 000</i>
<b>Cost</b>			
At 1 January 2019	1,934,783	161,353	2,096,136
Additions	25,618	(763)	24,855
Transfer from intangible assets	-	395,478	395,478
Change in decommissioning cost provision (note 20)	50,980	(423)	50,557
<b>At 31 December 2019</b>	<b>2,011,381</b>	<b>555,645</b>	<b>2,567,026</b>
<b>Accumulated depreciation</b>			
At 1 January 2019	1,916,573	122,187	2,038,760
Charge for the year (note 5)	15,873	21,857	37,730
<b>At 31 December 2019</b>	<b>1,932,446</b>	<b>144,044</b>	<b>2,076,490</b>
<b>Net book value</b>			
<b>At 31 December 2019</b>	<b>78,935</b>	<b>411,601</b>	<b>490,536</b>
At 31 December 2018	18,210	39,166	57,376

In 2019 Merakes costs were transferred from intangible assets to properties, plant and equipment when the commercial viability was determined. The total transferred amount of \$395 million is deemed to be work in progress and hence it is not depreciated. Merakes production is anticipated to commence in September 2020.

15 Intangible assets

<b>Exploration and appraisal costs</b>	<i>Indonesia \$ 000</i>	<i>Total \$ 000</i>
<b>Cost</b>		
At 1 January 2019	411,931	411,931
Additions	283,255	283,255
Exploration costs written off (note 5)	(27,371)	(27,371)
Disposal	(106,212)	(106,212)
Transfer to property, plant and equipment	(395,478)	(395,478)
<b>At 31 December 2019</b>	<b>166,125</b>	<b>166,125</b>
<b>Accumulated amortisation and impairments</b>		
At 1 January 2019	86,812	86,812
Amortisation charge for the year (note 5)	29	29
<b>As at 31 December 2019</b>	<b>86,841</b>	<b>86,841</b>
<b>Net book value</b>		
<b>At 31 December 2019</b>	<b>79,284</b>	<b>79,284</b>
At 31 December 2018	325,119	325,119

Since the possibilities to develop some projects have become difficult in absence of better market/fiscal conditions, with a conservative approach at the year end the management decided to write off the Krueng Mane, Ranggas/Gehem and Arguni assets amounting \$27 million.

During 2019, the company sold a 20% participating interest in East Sepinggan block to Neptune Energy East Sepinggan BV. During 2019, the company farmed out a 30% participating interest in East Ganai block to Neptune Energy East Ganai BV for a pro-quota participation of the past costs related to the signature bonus and the associated costs incurred up to the completion date. Both farm outs completed in December 2019. A gain on disposal of intangible asset amounting to \$138 million and \$0.2 million was recognised in the income statement respectively.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 Leases

The balance sheet shows the following amounts relating to leases:

**Right of Use:**

	2019 \$ 000
<b>Cost</b>	
Building	
At 1 January 2019	1,125
At 31 December 2019	1,125
<b>Depreciation charge of right of use assets</b>	
Building	
At 1 January 2019	-
Charge for the year	274
At 31 December 2019	274
<b>Net book value</b>	
Building	
At 31 December 2019	851
At 31 January 2019	1,125

**Lease liabilities:**

	2019 \$ 000
Current	570
Non-Current	274
Total	844

The company leases Unit 12 Granary Court Business Park and Northop office in Llaneurgain House. Extension and termination options are included in the contract. These are used to maximise operational flexibility in terms of managing the asset used in the company operations.

The interest expense are included in the finance costs and amount to \$46,781.

There were no additions to the right-of-use assets during 2019 financial year.

**Leasing arrangement:**

The properties are leased to tenant with rentals payable quarterly. Lease payment do not includes other variable lease payments that depend on an index or rate. Payments on lease of the building is as follows:

	Years	\$ 000
Within 1 year	2020	272
Between 2 and 4 years	2023	416
Between 5 and 7 years	2026	156
Total		844

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 Investments

The company has a 100% interest in the ordinary share capital of the following subsidiaries with results material to its activities:

Name of company and country of incorporation	Description of shares held	Principal activity	Ownership as at 31 December 2019 and 2018	Functional Currency	Registered address
Liverpool Bay Limited (registered in England and Wales)	Ordinary \$1 shares	Oil company	100%	USD	B
Eni Oil Holdings B.V. (incorporated in the Netherlands)	Ordinary EUR 450 shares	Holding company	100%	USD	A
Eni Pakistan Limited (registered in England and Wales)	Ordinary £1 shares	Oil company	100%	USD	B
Eni Indonesia Limited (registered in England and Wales)	Ordinary £1 shares	Holding company	100%	USD	B

A. Strawinskyalaan 1727, 1077XX Amsterdam

B. Eni House, 10 Ebury Bridge Road, London SW1W 8PZ

The company owns a further (indirect) 100% interest in subsidiaries of Eni Indonesia Limited, which are classified as dormant. Pursuant to agency agreements between the company and these subsidiaries, the company is the beneficial owner for these subsidiaries' legal titles in overseas oil and gas assets. These are set out in note 24.

In the opinion of the directors, the value of the company's investments in subsidiaries (including amounts owed by them to the company) is not less than the amount at which they are included in the financial statements.

	2019 \$ 000	2018 \$ 000
<b>Cost</b>		
At 1 January and 31 December	104,273	104,273
<b>Impairment</b>		
At 1 January	(28,700)	(28,700)
Charge for the year	-	-
<b>At 31 December</b>	(28,700)	(28,700)
<b>Net book value</b>	75,573	75,573

There other investments in which the company has a significant interest of 20% or more are set out in note 24.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 18 Deferred tax

Deferred tax is calculated in full on temporary differences using a tax rate of 40% (2018 – 40%) in respect of ring fence activity and 17% (2018 – 17%) in respect of non-ring fence activity. The rate for assets subject to Indonesian taxes is 44% (2018 – 44%). The movement on the deferred tax account is as shown below:

	2019 \$ 000	2018 \$ 000
At 1 January	(139,520)	(154,120)
(Charged)/ credited to income statement	(27,124)	14,600
<b>At 31 December</b>	<b>(166,644)</b>	<b>(139,520)</b>

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net. The movements in deferred tax assets and liabilities during the period are shown below.

<b>Deferred tax liabilities</b>	<b>Accelerated capital allowances</b>	<b>Valuation Allowances</b>	<b>Over/ underlifting</b>	<b>Total</b>
	\$ 000	\$ 000	\$ 000	\$ 000
At 1 January 2018	34,017	-	3,083	37,100
(Credited)/charged to income statement	22,439	65,949	474	88,862
<b>At 1 January 2019</b>	<b>56,456</b>	<b>65,949</b>	<b>3,557</b>	<b>125,962</b>
(Credited)/charged to income statement	32,855	816	(2,624)	34,047
<b>At 31 December 2019</b>	<b>92,311</b>	<b>66,765</b>	<b>933</b>	<b>160,009</b>

**Deferred tax assets**

	<b>Decommissioning \$ 000</b>	<b>Fiscal Losses \$ 000</b>	<b>Total \$ 000</b>
At 1 January 2018	183,770	7,450	191,220
Charged /(credited) to income statement	(21,267)	95,529	74,262
<b>At 1 January 2019</b>	<b>162,503</b>	<b>102,979</b>	<b>265,482</b>
charged to income statement	27,079	34,092	61,171
<b>At 31 December 2019</b>	<b>189,582</b>	<b>137,071</b>	<b>326,653</b>

All deferred tax assets are available for offset against the deferred tax liabilities above with the exception of the deferred tax asset on the decommissioning provision. The net deferred tax liability to be disclosed as a non-current liability is \$22.9 million (2018: \$23 million).

**Unrecognised deferred taxes**

Changes to the UK corporation tax rate were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. In November 2019, the Prime Minister announced that he intended to cancel the future reduction in corporate tax rate from 19% to 17%. This announcement does not constitute substantive enactment and therefore deferred taxes at the balance sheet date continue to be measured at the enacted tax rate of 17%. However, it is possible that the corporation tax rate remains at 19% after 1 April 2020.



NOTES TO THE FINANCIAL STATEMENTS (continued)

18 Deferred tax (continued)

The deferred tax asset relating to decommissioning is \$189.6 million (2018: \$162.5 million) and is disclosed as a non-current asset. The deferred tax asset calculated at the rate of 17% (2018 - 17%) which was not recognised in the financial statements amounted to:

	2019 Unprovided amount \$ 000	2018 Unprovided amount \$ 000
Unrecognised tax losses carried forward	27,484	27,928
Other unrecognised deductible temporary differences	148,041	156,228
	<b>175,525</b>	<b>184,156</b>

The directors consider it unlikely that there will be suitable taxable profits from which the future reversal of the underlying timing differences could be deducted; therefore the deferred tax asset has not been recognised.

19 Trade and other payables

	2019 \$ 000	2018 \$ 000
Trade payables	27,467	27,137
Amounts owed to related parties:		
Group undertakings	60,455	25,857
Accruals		
Group undertakings	25,617	22,838
Third party	56,033	55,507
	<b>169,572</b>	<b>131,339</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 Provisions

	<i>Decommissioning Provision</i>	<i>Other Provisions</i>	<i>Total</i>
	<i>\$ 000</i>	<i>\$ 000</i>	<i>\$ 000</i>
At 1 January 2019	405,810	3,488	409,298
Unwinding of discount (note 7)	19,196	-	19,196
Utilised during the year	(1,892)	(1,517)	(3,409)
Revision of cost estimate (note 14)	50,557	55	50,612
<b>At 31 December 2019</b>	<b>473,671</b>	<b>2,026</b>	<b>475,697</b>

**Decommissioning provision**

A provision of \$471.1 million (2018 - \$401.7 million) has been recognised for decommissioning costs of UK producing fields. The estimated cost of decommissioning at the end of the producing lives of North Sea fields is based upon engineering estimates and expert reports. The provision has been estimated using existing technology, existing life of field estimates, current decommissioning cost estimates and discounted using the directors' assessment of an appropriate risk adjusted discount rate ranging from 1.187% to 1.934% (2018: 1.798% to 3.339%). The estimated life of field interests is between 2020 and 2030 (2018: 2019 and 2030).

At Indonesian branch level, a provision of \$2.5 million (2018 - \$4.1 million) has been recognised for decommissioning costs relating to Bangka IDD producing wells and facilities.

**Other provisions**

The charge for the year mainly relates to disputed taxes in Indonesia.

21 Share capital

	<i>2019 \$ 000</i>	<i>2018 \$ 000</i>
Issued and fully paid at 31 December: 200,010,000 ordinary shares of £1 each	<b>310,488</b>	310,488

Under the Companies Act 2006, there is no requirement for the company to have an authorised share capital and the company's Articles of Association do not set a maximum amount of shares that the company may allot.

22 Commitments

The company has interests in various consortia engaged in exploration, development and production of oil and gas. As a member of these consortia, the company is committed to pay its share of the costs of development. Capital expenditure is considered to be committed when agreed with JV partners and approved by internal management. It is anticipated that capital expenditure in 2020 will be approximately \$26.6 million (2019 - \$19.9 million).

23 Goodwill

	<i>2019 \$ 000</i>	<i>2018 \$ 000</i>
At 1 January and 31 December	<b>48,925</b>	48,925

# ENI ULX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 24 Other investments

Name of company	Country of incorporation	Ownership	Registered address
(subsidiaries under Eni Indonesia Limited)			
Eni Ambalat Limited	UK	100%	A
Eni Arguni Limited	UK	100%	A
Eni Bukat Limited	UK	100%	A
Eni East Sepinggan Limited	UK	100%	A
Eni Ganai Limited	UK	100%	A
Eni Indonesia OTS 1 Limited	Cayman Islands	100%	B
Eni Krueng Mane Limited	UK	100%	A
Eni North Ganai Limited	UK	100%	A
Eni Rapak Limited	UK	100%	A
Eni West Timor Limited	UK	100%	A
Eni East Ganai Limited	UK	100%	A
Eni West Ganai Limited	UK	100%	A
(subsidiaries under Eni Holdings BV)			
Eni Algeria Ltd Sarl	Luxembourg	100%	D
Eni Pakistan M Ltd Sarl	Luxembourg	100%	D
(subsidiaries under Eni Algeria Ltd Sarl)			
EUROL/Eni Algérie	Algeria	100%	C

A. Eni House, 10 Ebury Bridge Road, London SW1W 8PZ

B. Quorum Services Limited, c/o Nelson & Company, Maricorp Services Ltd, PO Box 2075, #31 the Strand, 46 Canal Point Road, West Bay Road, Grand Cayman, KY1-1105, Cayman Islands

C. N. 13 Centre des affaires 'Business Center', Pins Maritimes – Mohammadia, Algeria

D. 2-8 Avenue Charles De Gaulle L-1653 Luxembourg

### 25 Joint operations

Name of license	Place of operation	Interest held
Bukat Production Sharing Contract (PSC) (Exploration stage)	Indonesia	66.25%
Ambalat PSC (Exploration stage)	Indonesia	66.25%
East Sepinggan Gross split (Exploration stage)	Indonesia	65%
Krueng Mane PSC (Pre-development stage)	Indonesia	85%
West Timor PSC (Exploration stage)	Indonesia	100%
Arguni I PSC (Exploration stage)	Indonesia	80%
OTS 1 PSC (Exploration stage)	Indonesia	100%
North Ganai PSC (Exploration stage)	Indonesia	50.22%
Rapak PSC (Production stage)	Indonesia	20%
Ganai PSC (Pre-development stage)	Indonesia	20%
East Ganai PSC (Exploration stage)	Indonesia	70%
West Ganai PSC (Exploration stage)	Indonesia	40%
Liverpool Bay (Production)	United Kingdom	91.1%

During the year, the company's interest in East Sepinggan PSC and East Ganai PSC was reduced from 85% to 65% and 100% to 70% respectively. The government of Indonesia approved both farm outs to Neptune Energy in December 2019.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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**25 Joint operations (continued)**

West Ganai Block was awarded to Eni Indonesia Ltd in August 2019 as the result of the 2<sup>nd</sup> Indonesia Conventional Block Bid Round. The company's interest is 40%. In December 2019 the company's interest in North Ganai PSC increased from 24.5% to 50.22%.

Main activity in 2019 was focused on the evaluation of all exploration prospectively and preparation to conduct the Environment Base Line Assessment (EBLA).

**26 Post balance sheet events**

The emergence and spread of the virus Covid-19 in early 2020 has affected business and economic activities in China and around the world, including UK. The subsequent rapid spread to a growing number of countries around the world triggered a profound correction in the prices of oil and other energy commodities due to the sudden drop in consumption because of increasingly stringent measures adopted by governments to contain the epidemic with serious repercussions on production. In early April, the members of the OPEC + cartel reached an agreement on production cuts required by some of them to react to the effects of Covid-19, however, oil and gas prices continue to be under significant pressure of over-supply and other factors.

The short-term trend in oil and gas prices will depend predominantly on the timing of containment of the spread of the pandemic and as well as the ways in which the crisis will be managed. In a possible worst-case scenario, the pandemic could cause a global recession with significant negative consequences on hydrocarbon demand and commodity prices. This development would have significant effects on the company's results, cash flow, liquidity and business prospects, including the returns for the shareholder. However, Eni group and the company maintain a high degree of financial flexibility in order to deal with unforeseen events and significant reductions in oil and gas prices and demand, which the directors consider to be sufficient to mitigate the impact of such a worst-case scenario.

Eni group, and the company, are continually monitoring developments in the Oil & Gas sector related to Covid-19 and market and market conditions.

The company has implemented a number of actions to ensure its ability to continue production in the North Sea and overseas. The company is working to contain its general and administration costs, cut or delay investments in activities, which were not critical or mandatory and also suspend or defer expenditures for projects that became presently uneconomical. The company is taking actions to reduce operating costs including tariffs.