

ENI ULX LIMITED

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

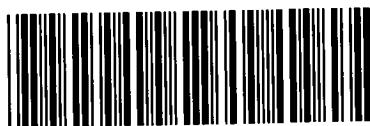
31 DECEMBER 2018

REGISTERED OFFICE

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

Registered Number: 00936223

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COMPANIES HOUSE

ENI ULX LIMITED

DIRECTORS AND REGISTERED OFFICE

BOARD OF DIRECTORS

G L Ferrara
F Rinaldi
A Tonna

SECRETARY AND REGISTERED OFFICE

M Trezza
Eni House
10 Ebury Bridge Road
London SW1W 8PZ

STATUTORY AUDITOR

Ernst & Young LLP
1 More London Place
London
SE1 2AF

REGISTERED NUMBER: 00936223

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2018.

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 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:

Licence / Field	Share of the company
INDONESIA	
Bukat Production Sharing Contract (PSC) (Exploration stage)	66.25%
Ambalat PSC (Exploration stage)	66.25%
East Sepinggan PSC (Development stage)	85%
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 Ganal PSC (Exploration stage)	24.5%
Rapak PSC (Production stage)	20%
Ganal PSC (Pre-development stage)	20%
East Ganal PSC (Exploration stage)	100%
UK	
Liverpool Bay (Production)	91.1%

In 2018, total production was 4,872 kboe (2017: 5,917 kboe). The decrease of 1,045 kboe in production was a result of natural reservoir decline and field shutdowns due to extraordinary maintenance. The overall decrease was offset by the earlier than expected start-up of optimisation projects which are now expected to contribute to production through 2019 and beyond.

In July 2018 the company was awarded the East Ganal PSC. The country of incorporation is UK with 100% interest held in the field and the place of operation is Indonesia. Main activity in 2018 was focused on the evaluation of all exploration prospectively and preparation to conduct the Environment Base Line Assessment (EBLA).

The Krueng Mane exploration asset of \$16.6 million and related VAT receivable of \$10.5 million were written off as a result of difficulties in developing the project in absence of better market/fiscal conditions.

Results for the year

The company's Income Statement is set out on page 8. The company's profit for the financial year was \$27.2 million (2017: \$69.9 million).

Key performance indicators and future developments

Key performance indicators of the company are set out below:

	2018 \$ million	2017 \$ million	Variance \$ million
Total revenue	271.1	205.8	65.3
Operating profit / (loss)	43.1	(14.7)	57.8
Profit after tax	27.2	69.9	(42.7)
Shareholders' equity	767.4	740.2	27.2

STRATEGIC REPORT

Key performance indicators and future developments (continued)

UK		
Quantities sold – Gas	158,308,388 Therms	254,064,739 Therms
Quantities sold - Oil	1,110,352 Bbls	1,795,801 Bbls
Indonesia		
Quantities sold – Gas	3,933,016 Therms	5,425,658 Therms
Quantities sold - Oil	130,300 Bbls	273,260 Bbls

Total revenue increased during the year mainly due to increase in the sale price as well as \$37 million increase in other income due to higher tariff income. The increase in the operating profit in 2018 is driven by the increase in revenue 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:

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.

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.

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).

On behalf of the Board



F Rinaldi
Director

25 March 2019

ENI ULX LIMITED

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 December 2018.

Directors

The present directors of the company are listed on page 1 and have held office throughout the year.

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 and 3.

Dividends

The company did not pay any dividend (2017- \$250m) throughout the year.

Going concern

The directors are satisfied that the company has adequate internal resources and also has support from the ultimate parent company, Eni S.p.A., if required, to continue to operate for the foreseeable future. As a consequence, the directors have a reasonable expectation that the company is well placed to manage its business risks and to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Post balance sheet events

There are no post balance sheet events.

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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. They 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.

ENI ULX LIMITED

DIRECTORS' REPORT (continued)

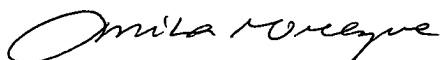
Provision of information to auditor

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 auditor is 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 auditor is aware of that information.

Auditor

Due to the Eni Group policy of rotating auditors every nine years, Ernst & Young LLP will not be re-appointed. Following a formal tender process by the Eni Group, PricewaterhouseCoopers (PwC) were selected as their replacement. PwC indicated their willingness to act and their appointment was approved at a directors' Meeting/General Meeting.

By order of the Board



M Trezza
Secretary

25 March 2019

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of Eni ULX Limited

Opinion

We have audited the financial statements of Eni ULX Limited (the 'company') for the year ended 31 December 2018 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity, the Balance Sheet, the Statement of Accounting Policies and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Jacqueline Ann Geary (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

29 March 2019

ENI ULX LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

Notes

		<u>2018</u> \$ 000	<u>2017</u> \$ 000
Revenue	2	225,416	197,587
Other income	3	45,645	8,241
Total revenue		271,061	205,828
Other service costs and expenses	4	(164,419)	(123,159)
Labour costs	5	(124)	(136)
Depreciation, amortisation and impairments	15,16	(46,790)	(92,641)
Exploration costs written off	16	(16,600)	(4,600)
Operating profit / (loss)	6	43,128	(14,708)
Interest payable and similar charges	8	(17,261)	(11,315)
Interest receivable and similar income	9	15,327	8,893
Impairment of investments	17	-	(28,700)
Dividend income from group undertakings	10	30,000	148,598
Profit before taxation		71,194	102,768
Taxation	11	(43,953)	(32,917)
Profit for the year		27,241	69,851

ENI ULX LIMITED**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018**

	<u>2018</u> <u>\$ 000</u>	<u>2017</u> <u>\$ 000</u>
Profit for the year	27,241	69,851
Total comprehensive income for the year	<u>27,241</u>	<u>69,851</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 2018**

	Share Capital \$ 000	Share Premium \$ 000	Retained Earnings \$ 000	Shareholders' Equity \$ 000
Balance at 1 January 2017	310,488	321,894	287,932	920,314
Total comprehensive income for the year	-	-	69,851	69,851
Dividend paid to the equity shareholder (\$1.25 per share)	-	-	(250,000)	(250,000)
At 31 December 2017	310,488	321,894	107,783	740,165
Total comprehensive income for the year	-	-	27,241	27,241
At 31 December 2018	310,488	321,894	135,024	767,406

**BALANCE SHEET
AS AT 31 DECEMBER 2018**

	Notes	2018 \$ 000	2017 \$ 000
Assets			
Current assets			
Cash and cash equivalents	12	545,350	513,980
Trade and other receivables	13	81,713	93,732
Inventories	14	35,646	29,242
		<u>662,709</u>	<u>636,954</u>
Non-current assets			
Property, plant and equipment	15	57,376	144,507
Intangible assets	16	325,119	224,200
Investments	17	75,573	75,573
Goodwill	23	48,925	48,925
Deferred tax assets	18	162,503	183,770
Trade and other receivables	13	15,671	34,431
		<u>685,167</u>	<u>711,406</u>
Total assets		<u>1,347,876</u>	<u>1,348,360</u>
Liabilities			
Current liabilities			
Trade and other payables	19	131,339	103,533
Current tax liabilities		12,914	7,700
		<u>144,253</u>	<u>111,233</u>
Non-current liabilities			
Provisions	20	409,298	465,112
Other non-current liabilities		3,936	2,200
Deferred tax liabilities	18	22,983	29,650
		<u>436,217</u>	<u>496,962</u>
Total liabilities		<u>580,470</u>	<u>608,195</u>
Shareholders' equity			
Share capital	21	310,488	310,488
Share premium		321,894	321,894
Retained earnings		135,024	107,783
Total shareholders' equity		<u>767,406</u>	<u>740,165</u>
Total liabilities and shareholders' equity		<u>1,347,876</u>	<u>1,348,360</u>

The financial statements from page 8 to 30 were approved by the Board on 7 March 2019 and were signed by an authorised director on behalf of the Board, at a later date.

On behalf of the Board


G. L. Ferrara
Director
25 March 2019

STATEMENT OF ACCOUNTING POLICIES

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

These financial statements were prepared in accordance with UK GAAP, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention.

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.

Changes in accounting policies and disclosures

New and amended standards and interpretations

The company applied IFRS 15 and IFRS 9 for the first time.

The adoption of IFRS 9 and IFRS 15 did not have a material impact on the opening balances. Therefore, the impact of the adoption of the new accounting standards is reflected in the income statement of the current year.

Several other amendments and interpretations apply for the first time in 2018, 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.

STATEMENT OF ACCOUNTING POLICIES

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.

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.

Going concern

The directors are satisfied that the company has adequate internal resources and also has support from the ultimate parent company, Eni S.p.A., if required, to continue to operate for the foreseeable future. As a consequence, the directors have a reasonable expectation that the company is well placed to manage its business risks and 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).

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.

STATEMENT OF ACCOUNTING POLICIES

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.

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.

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.

STATEMENT OF ACCOUNTING POLICIES

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 the company's current bank accounts and short-term deposits with an original maturity of three months or less. Deposits held with Eni Finance International S.A. are included in this classification.

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.

STATEMENT OF ACCOUNTING POLICIES

Taxation (continued)

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 substantially 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 the oil and gas exploration and production. Revenue from contracts with customers is recognised when control of the products is transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those products. 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 happens when the products have reached the processing terminal or when the products are lifted.

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

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.

STATEMENT OF ACCOUNTING POLICIES

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.

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.

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

The company measures financial instruments, such as embedded derivatives at fair value at each reporting date. 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.

STATEMENT OF ACCOUNTING POLICIES

Fair value measurement (continued)

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.

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.

STATEMENT OF ACCOUNTING POLICIES

Use of accounting estimates, judgements and assumptions (continued)

(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.

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.

STATEMENT OF ACCOUNTING POLICIES

Use of accounting estimates, judgements and assumptions (continued)

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 2018, which will be available from its website (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

	2018 \$ 000	2017 \$ 000
Group undertaking	198,051	166,825
Third parties	27,365	30,762
	225,416	197,587

All activities of the company are undertaken in Indonesia and the UK. The revenue split between Indonesia and UK is \$35.6m (2017: \$44.1m) and \$189.8m (2017: \$153.5m) respectively.

3 Other income

	2018 \$ 000	2017 \$ 000
Group undertaking	430	152
Third party	45,215	8,089
	45,645	8,241

Third party other income includes \$36 million relating to tariff income (2017 – \$4.2 million).

4 Other service costs and expenses

	2018 \$ 000	2017 \$ 000
Parent company	17,717	13,526
Group undertakings	138,328	115,034
Third parties	11,374	(5,401)
	164,419	123,159

Other services costs and expenses from third parties, include \$2.6 million (2017: \$2.6 million overlift) in respect of 'underlift' representing the remaining of the company's production entitlement in the current year.

NOTES TO THE FINANCIAL STATEMENTS

5 Labour costs and employee information

	2018 \$ 000	2017 \$ 000
Wages and salaries	124	136

The labour costs shown above are net amounts (after re-allocation to other Indonesian affiliates), not recoverable from any third parties.

The gross labour costs include charges from an affiliate party, Eni International Resources Limited, of \$0.6 million (gross before allocation to other Indonesian affiliates) (2017 - \$0.7 million).

There were no social security costs borne by the employer during the year (2017 - \$nil) and pension costs were \$nil (2017 - \$nil).

During the year, the average number of employees was 1 (2017 - 1).

6 Operating profit / (loss)

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

	2018 \$ 000	2017 \$ 000
Depreciation (note 15 and 16)	46,790	99,685
Impairment reversals (note 16)	-	(7,044)
Exploration costs written off (note 16)	16,600	4,600
Impairment of investments (note 17)	-	28,700
VAT receivables write off (note 13)	10,500	-

In 2018 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 £7,834 equivalent to \$10,588 (2017 - £7,834 equivalent to \$11,522). Auditor's remuneration for the branch for 2018 was \$17,581 (2017 - \$18,353).

7 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 \$261,116 (2017: \$233,933).

8 Interest payable and similar charges

	2018 \$ 000	2017 \$ 000
Third parties	564	540
Unwinding of discount on decommissioning provision (note 20)	12,310	8,497
Foreign exchange loss	4,387	2,278
	17,261	11,315

9 Interest receivable and similar income

	2018 \$ 000	2017 \$ 000
Interest receivable		
Group undertaking	11,254	7,570
Third parties	101	359
Foreign exchange gain	3,972	964
	15,327	8,893

ENI ULX LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10 Dividend income from group undertakings

	2018 \$ 000	2017 \$ 000
Group undertakings	30,000	148,598

11 Taxation

	2018 \$ 000	2017 \$ 000
Current tax at 40% (2017 – 40%)		
UK corporation tax on profit for the period	28,089	10,202
Adjustments in respect of prior periods	(533)	4,046
Total current tax	27,556	14,248
Deferred taxation (note 19)	14,600	18,669
Total deferred tax	14,600	18,669
Foreign tax		
Current tax	1,797	-
Total foreign tax	1,797	-
Total taxation charge	43,953	32,917

Factors affecting tax charge for period

The tax assessed for the period is higher (2017 – lower) than the standard rate of corporation tax applicable for oil and gas exploration and production companies in the UK of 40% (2017 – 40%). The differences are explained below:

	2018 \$ 000	2017 \$ 000
Profit before taxation	71,194	102,768
Taxation on profit before tax @ 40% (2017– 40%)	28,478	41,107
Effects of:		
Income not taxable	(12,600)	(48,490)
Group relief (claimed) / surrendered	(59)	-
Impact of different tax rates	6,212	3,511
Movement in deferred tax not recognised	8,151	4,903
Tax allowances	(1,382)	(835)
Foreign tax	1,797	-
Foreign deferred taxes	16,361	30,315
Adjustments to deferred tax on acquisition	-	5
Utilisation of unrecognised deferred tax asset brought forward	(2,471)	(1,645)
Adjustments to current tax in respect of prior periods	53	4,046
Payment for group relief – prior period	(587)	-
Total tax charge	43,953	32,917

NOTES TO THE FINANCIAL STATEMENTS

12 Cash and cash equivalents

	2018 \$ 000	2017 \$ 000
Cash at bank and in hand		
Group undertaking	525	880
Third parties	29,525	2,400
Short term bank deposits - Affiliate company	515,300	510,700
	545,350	513,980

The effective interest rate on short-term deposits was between 1.50% and 3.06% during 2018 (2017 - 0.74% - 1.54%). \$449,300,000 of these deposits have a short maturity of less than three months from date of acquisition (2017: \$510,700,000), with \$66,000,000 of deposits maturing within twelve months from acquisition (2017: \$nil). 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.

13 Trade and other receivables

	2018 \$ 000	2017 \$ 000
Trade receivables		
Third party	960	1,400
Other receivables	24,314	27,806
Affiliate companies	56,439	64,526
VAT receivable	15,671	34,431
	97,384	128,163
VAT receivable	55,150	61,588
Provision for VAT	(39,479)	(27,157)
Non-current portion of Trade and other receivables	15,671	34,431
Current portion of Trade and other receivables	81,713	93,732
	97,384	128,163

VAT receivable of \$10.5 million for Krueng Mane was written off as a result of the write off of the related exploration asset of \$16.6 million.

14 Inventories

	2018 \$ 000	2017 \$ 000
Crude oil	1,896	-
Consumable stocks	33,750	29,242
	35,646	29,242

Consumable stock is presented net of write off of \$1.2 million (2017: provision of \$12.6 million), for which movement is included in the Other service costs and expenses.

NOTES TO THE FINANCIAL STATEMENTS

15 Property, plant and equipment

	<i>UK</i> <i>\$ 000</i>	<i>Indonesia</i> <i>\$ 000</i>	<i>Total</i> <i>\$ 000</i>
Cost			
At 1 January 2018	1,975,483	161,050	2,136,533
Additions	22,107	101	22,208
Change in decommissioning cost provision (note 20)	(62,807)	202	(62,605)
At 31 December 2018	1,934,783	161,353	2,096,136
Accumulated depreciation			
At 1 January 2018	1,896,076	95,950	1,992,026
Charge for the year (note 6)	20,497	26,237	46,734
At 31 December 2018	1,916,573	122,187	2,038,760
Net book value			
At 31 December 2018	18,210	39,166	57,376
At 31 December 2017	79,407	65,100	144,507

16 Intangible assets

	<i>Indonesia</i> <i>\$ 000</i>	<i>Total</i> <i>\$ 000</i>
Exploration and appraisal costs		
Cost		
At 1 January 2018	310,956	310,956
Additions	117,575	117,575
Exploration costs written off (note 6)	(16,600)	(16,600)
At 31 December 2018	411,931	411,931
Accumulated depreciation and impairments		
At 1 January 2018	86,756	86,756
Depreciation charge for the year (note 6)	56	56
As at 31 December 2018	86,812	86,812
Net book value		
At 31 December 2018	325,119	325,119
At 31 December 2017	224,200	224,200

Since the possibilities to develop the project 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 asset amounting \$16 million.

NOTES TO THE FINANCIAL STATEMENTS

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 2018 and 2017	Functional Currency	Registered address
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. Strawinskylaan 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 25.

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.

	2018 \$ 000	2017 \$ 000
Cost		
At 1 January	104,273	164,273
Capital refund	-	(60,000)
At 31 December	104,273	104,273
Impairment		
At 1 January	(28,700)	-
Charge for the year	-	(28,700)
At 31 December	(28,700)	(28,700)
Net book value	75,573	75,573

There is no other investment in which the company has a significant interest of 20%.

18 Deferred tax

Deferred tax is calculated in full on temporary differences using a tax rate of 40% (2017 – 40%) in respect of ring fence activity and 17% (2017 – 17%) in respect of non-ring fence activity. The rate for assets subject to Indonesian taxes is 44% (2017 – 44%). The movement on the deferred tax account is as shown below:

NOTES TO THE FINANCIAL STATEMENTS

18 Deferred tax (continued)

	2018 \$ 000	2017 \$ 000
At 1 January	(154,120)	(109,488)
Charge to income statement	14,600	18,669
Transfer	-	(63,301)
At 31 December	(139,520)	(154,120)

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.

<i>Deferred tax liabilities</i>	<i>Accelerated capital allowances</i>	<i>Valuation Allowances</i>	<i>Over/ Underlifting</i>	<i>Total</i>
	\$ 000	\$ 000	\$ 000	\$ 000
At 1 January 2017	18,113	-	-	18,113
(Credited)/charged to income statement	(6,907)	-	3,083	(3,824)
Transfer	22,811	-	-	22,811
At 1 January 2018	34,017	-	3,083	37,100
(Credited)/charged to income statement	22,439	65,949	474	88,862
At 31 December 2018	56,456	65,949	3,557	125,962

Deferred tax assets

	<i>Decommissioning \$ 000</i>	<i>Fiscal Losses \$ 000</i>	<i>Total \$ 000</i>
At 1 January 2017	80,925	46,676	127,601
Charged /(credited) to income statement	16,733	(39,226)	(22,493)
Transfer	86,112	-	86,112
At 1 January 2018	183,770	7,450	191,220
(Credited) /charged to income statement	(21,267)	95,529	74,262
At 31 December 2018	162,503	102,979	265,482

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 \$23 million (2017: \$29.6 million).

The deferred tax asset relating to decommissioning is \$162.5 million (2017: \$183.8 million) and is disclosed as a non-current asset. The deferred tax asset calculated at the rate of 17% (2017 - 17%) which was not recognised in the financial statements amounted to:

	2018 Unprovided amount \$ 000	2017 Unprovided amount \$ 000
Unrecognised tax losses carried forward	27,928	27,938
Other unrecognised deductible temporary differences	156,228	139,406
	184,156	167,344

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.

NOTES TO THE FINANCIAL STATEMENTS

19 Trade and other payables

	2018 \$ 000	2017 \$ 000
Trade payables	27,137	40,440
Amounts owed to related parties:		
Group undertakings	25,857	36,822
Accruals		
Group undertakings	22,838	22,673
Third party	55,507	3,598
	<u>131,339</u>	<u>103,533</u>

20 Provisions

	<i>Decommissioning Provision</i> \$ 000	<i>Other Provisions</i> \$ 000	<i>Total</i> \$ 000
At 1 January 2018	458,885	6,227	465,112
Unwinding of discount (note 8)	12,310	-	12,310
Utilised during the year	(2,780)	(2,739)	(5,519)
Revision of cost estimate (note 15)	(62,605)	-	(62,605)
At 31 December 2018	<u>405,810</u>	<u>3,488</u>	<u>409,298</u>

Decommissioning provision

A provision of \$401.7 million (2017 - \$453.8 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 1.798% to 3.339% (2017: 0.959% to 2.749%). The estimated life of field interests is between 2019 and 2030 (2017: 2018 and 2030).

At Indonesian branch level, a provision of \$4.1 million (2017 - \$5.1 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

	2018 \$ 000	2017 \$ 000
Issued and fully paid at 31 December:		
200,010,000 ordinary shares of £1 each	<u>310,488</u>	<u>310,488</u>

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 2019 will be approximately \$19.9 million (2018 - \$21.5 million).

ENI ULX LIMITED

NOTES TO THE FINANCIAL STATEMENTS

23 Goodwill

	2018 \$ 000	2017 \$ 000
At 1 January	48,925	-
Transfer	-	48,925
31 December	48,925	48,925

24 Operating lease commitments

Outstanding commitments for future minimum lease payments under non-cancellable operating leases fall due as follows:

	2018 \$ 000	2017 \$ 000
No later than one year	285	381
Later than one year and no later than five years	858	1,281
Later than five years	49	330
Total outstanding commitments	1,192	1,992

25 Other investments

Name of company	Country of incorporation	Ownership	Registered address
Liverpool Bay Limited	UK	100%	A
(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
(subsidiaries under Eni Holdings BV)			
Eni Algeria Ltd Sarl	Luxembourg	100%	D
Eni Pakistan M Ltd Sarl	Luxembourg	100%	D
Eni Deutschland GmbH	Germany	11%	E
(subsidiaries under Eni Algeria Ltd Sarl)			
EURL/Eni Algérie	Algeria	100%	C

NOTES TO THE FINANCIAL STATEMENTS

25 Other investments (continued)

The East Ganai PSC was awarded in July, 2018. The country of incorporation is UK with 100% interest held, the place of operation is Indonesia.

Main activity in 2018 was focused on the evaluation of all exploration prospectively and preparation to conduct the Environment Base Line Assessment (EBLA).

- 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, Algeri
- D. 2-8 Avenue Charles De Gaulle L-1653 Luxembourg
- E. Theresienhöhe 30, Monaco Di Baviera, Germany

26 Joint operations

<i>Name of license</i>	<i>Place of operation</i>	<i>Interest held</i>
Bukat Production Sharing Contract (PSC) (Exploration stage)	Indonesia	66.25%
Ambalat PSC (Exploration stage)	Indonesia	66.25%
East Sepinggan Gross split (Exploration stage)	Indonesia	85%
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	24.5%
Rapak PSC (Production stage)	Indonesia	20%
Ganai PSC (Pre-development stage)	Indonesia	20%
East Ganai PSC (Exploration stage)	Indonesia	100%
Liverpool Bay (Production)	United Kingdom	91.1%