ENI LNS LIMITED

DIRECTORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2007

Registered Number: 970280

ENI LNS LIMITED

DIRECTORS AND REGISTERED OFFICE

BOARD OF DIRECTORS

L Lusuriello
N Keenan
M Talamonti

SECRETARY AND REGISTERED OFFICE

F Dal Bello
Eni House
10 Ebury Bridge Road
LONDON SW1W 8PZ

AUDITORS

PricewaterhouseCoopers LLP
32 Albyn Place
ABERDEEN AB10 1YL

REGISTERED IN ENGLAND NO 970280

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 2007

Results and dividends

The company's income statement is set out on page 6 The company's loss for the year was £0 5 million (2006 - profit £6 1 million) Certain expenses of the company have been borne by Eni Lasmo plc The directors do not propose the payment of a dividend on the ordinary shares (2006 - £nil)

Principal activities

The company is engaged in the exploration for, and the production of, oil and gas on the United Kingdom Continental Shelf The company's operational and development review is set out below

Business review and company development

The company's oil and gas assets comprise an 12 962 % interest in the Hewett Area fields located in the Southern Gas Basin of the North Sea The operational performance of the fields during the year decreased compared to 2006 due to the aging of the field The production was in line with expectations, totalling 830 Kboe (2006 -1035 Kboe) (total Eni Share)

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks set out in the notes to the financial statements The company has adopted the most stringent standards, in accordance with Eni S p A group requirements, for the evaluation and management of industrial and environmental risks

Key performance indicators

Key Performance Indicators are established each year in a business plan which covers a number of strategic, operational, HSE and finance objectives for the operations of the Eni Group in the United Kingdom The business plan is approved at Eni Group level, and Key Performance Indicators of the Eni Group are disclosed in the Group annual report, which is publicly available

Directors

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

- On 9 November 2007, V Di Lorenzo resigned as a director
- On 9 November 2007, L Lusuriello was appointed as a director
- On 6 July 2007, D Fagan resigned as a director
- On 6 July 2007, N Keenan was appointed as a director

Statement of directors' responsibilities in respect of the Director's Report and the financial statements

The directors are responsible for preparing the Director's 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 International Financial Reporting

Standards (IFRSs) as adopted by the European Union The financial statements are required by law to 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 those financial statements, the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- State that the financial statements comply with IFRSs as adopted by the European Union
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that 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 1985 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

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the company's auditors 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

Elective Regime

An elective resolution to dispense with the obligation to appoint auditors on an annual basis pursuant to Section 386 of the Companies Act 1985 (as amended) was passed on 6 June 2003 and as this election was in force before 1 October 2007, under the Companies Act 2006 PricewaterhouseCoopers LLP is deemed reappointed as the company's auditors for the next financial year

In addition, the company dispensed with the requirement to hold Annual General Meetings or to lay accounts before the company in General Meeting pursuant to Sections 366A and 252 of the Companies Act 1985 (as amended) respectively Although these sections were repealed under the Companies Act 2006 from 1 October 2007, the provisions of the company prior to this date are not affected

On behalf of the Board

N Keenan
Director

11 March 2008

Independent auditors' report to the members of Eni LNS Limited

We have audited the financial statements of Eni LNS Limited for the year ended 31 December 2007 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Shareholder's Equity and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, 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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

INDEPENDENT AUDITORS' REPORT

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2007 and of its loss and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Aberdeen

11 March 2008

ENI LNS LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2006 £ million	2007 £ million
Revenue	3	7 6	**4.2**
Other income	4	2 0	**-**
Total revenue		9 6	**4.2**
Other service costs and expenses	5	(3 0)	**(3.5)**
Amortisation costs	11	(3 2)	**(3.5)**
Operating (loss)/profit		3 4	**(2.8)**
Interest receivable and similar income	8	1 0	**1.5**
Interest payable and similar charges	9	(0 3)	**(0.1)**
(loss)/profit before taxation		4 1	**(1.4)**
Taxation	10	2 0	**0.9**
(loss)/profit for the year		6 1	**(0.5)**

The current and prior year results have been derived wholly from continuing activities

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

	Share Capital £ million	*Share Premium £ million*	*Retained Deficit £ million*	*Shareholder's Equity £ million*
Balance at 1 January 2006	80 4	75 0	(140 1)	15 3
Net profit for 2006	-	-	6 1	6 1
Balance at 31 December 2006	80 4	75 0	(134 0)	21 4
Net loss for 2007	-	-	(0 5)	(0 5)
Balance at 31 December 2007	**80.4**	**75.0**	**(134 5)**	**20 9**

ENI LNS LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2007

	Notes	2006 £ million	**2007 £ million**
Assets			
Current assets			
Cash and cash equivalents	13	26 6	**27.8**
Trade and other receivables	12	1 0	**1.4**
		27 6	**29.2**
Non-current assets			
Property, plant and equipment	11	-	**2.1**
Deferred tax assets	16	6 0	**9.3**
		6 0	**11.3**
		33 6	**40.6**
Liabilities			
Current liabilities			
Trade and other payables	14	2 1	**2.3**
Current tax liabilities		0 1	**0.2**
		2 2	**2.5**
Non-current liabilities			
Provisions	15	10 0	**15.2**
Deferred tax liabilities	16	-	**2.0**
		10 0	**17.2**
Total liabilities		12 2	**19.7**
Shareholder's equity			
Ordinary shares	17	80 4	**80.4**
Share premium	18	75 0	**75 0**
Accumulated deficit	19	(134 0)	**(134 5)**
Total equity shareholder's funds		21 4	**20.9**
Total equity and liabilities		33 6	**40.6**

The financial statements from page 6 to 23 were approved by the Board on 11 March 2008
On behalf of the Board

M Talamonti
Director

ENI LNS LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2006 £ million	**2007 £ million**
Net (loss)/profit		6 1	**(0.5)**
Adjustments for.			
Taxation		(2 0)	**(0.9)**
Depreciation		3 2	**3.5**
Interest income		(1 0)	**(1.5)**
Interest expense		0 3	**-**
Gain on sale/purchase		(1 6)	**-**
Changes in working capital:			
Decrease in inventories		0 3	**-**
Increase/(Decrease) in trade and other receivables		(0 2)	**(0.4)**
Increase in payables		0 2	**0 2**
Decrease in provisions		(0 2)	**(0 1)**
Cash generated from operations		5 1	**0.3**
Interest received		1 0	**1.5**
Taxes Paid		-	**(0.2)**
Net cash flow from operating activities		6 1	**1.6**
Cash flow from investing activities			
Purchase of property, plant and equipment		(1 8)	**(0.4)**
Proceeds from acquisition of production assets		2 0	**-**
Net cash flow from investing activities		0 2	**(0.4)**
Net increase in cash and cash equivalents		6 3	**1.2**
Cash and cash equivalents at 1 January		20 3	**26.6**
Cash and cash equivalents at 31 December	13	26 6	**27.8**

STATEMENT OF ACCOUNTING POLICIES

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

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC Interpretations endorsed by the European Union (EU) and with those parts of the Companies Act, 1985 applicable to companies reporting under IFRS The financial statements have been prepared under the historic cost convention

- **Amendments to published standards effective in 2007**

IFRS 7, 'Financial instrument Disclosures' and the complementary amendment to IAS 1, 'Presentation of financial statements – capital disclosures' was adopted in 2007 IFRS introduces new disclosures relating to financial instruments This standard does not have any impact on the classification and valuation of the financial instruments

- **Standards, amendments and interpretations effective in 2007 but not relevant**

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the company's operations

- IFRS 4, 'Insurance contracts',
- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies' ,and
- IFRIC 9, 'Re-assessment of embedded derivatives'

- **Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company**

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2008 or later periods, but the company has not early adopted them

- IAS 23 (Amendment), ' Borrowing costs',
- IFRIC 14,' IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'

- **Interpretations to existing standards that are not yet effective and not relevant for the company's operations**

The interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2008 or later periods, but they are not relevant for the company's operations

- IFRIC 12, 'Service concession arrangements',
- IFRIC 13, 'Customer Loyalty programmes'
- IFRS 8, 'Operating segments'

STATEMENT OF ACCOUNTING POLICIES

Revenue

Revenue represents the company's share of oil, condensate and gas production sold and is stated exclusive of value added tax and similar levies Revenue is recognised when the amount can be reliably measured, and it is probable the future economic benefits will flow to the company The company recognises revenue on its share of oil, condensates, and gas production sold when the product has reached the processing terminal Revenue is stated exclusive of value added tax and similar levies

Interest income is recognised on a time proportion basis

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax The tax currently payable is based on taxable profit for the year Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised Deferred tax is charged and credited to the income statement, except when it relates to items charged or credited directly to reserves, in which case the deferred tax is also dealt with within reserves

Foreign currencies

Transactions denominated in a foreign currency are converted to sterling 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 dealt with through the income statement

Cash and cash equivalents

Cash and cash equivalents include the company's current bank accounts and short-term deposits

STATEMENT OF ACCOUNTING POLICIES

Non-current assets

Property, plant and equipment

Property, plant and equipment includes 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

These assets, except proven mineral interests, are depreciated using the unit of production method on a quarterly basis, using proved developed oil and gas reserves for each field in production as at the end of each quarter Proven mineral interests are depreciated using the unit of production method on a quarterly basis, using proved developed and undeveloped oil and gas reserves for each field in production as at the end of each quarter 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

An impairment review is carried out at each year end in accordance with International Accounting Standard (IAS) 36 – impairment of assets This review is based on assessments of the future net cash flows for each field 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 The calculations are performed using year end exchange rates and a discount factor is applied based on the company's cost of capital Reversals of previously recorded impairment deficits are recognised only if supported by permanent changes in estimates utilised in the impairment review process

Intangible assets – exploration and appraisal costs

Exploration costs represent the company's share of expenditure by consortia and as operator 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 the completion 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 field development programme approval has been granted, any pre-development costs that are incurred are also capitalised and carried forward When field development programme approval is granted, the exploration and pre-development costs of that field are reclassified as tangible assets

Exploration wells that are being drilled at the year end are included in fixed assets as drilling in progress until the results of the drilling are determined

Non-current assets (continued)

Intangible assets – interests acquired

The cost of acquisition of interests acquired in fields is allocated to tangible fixed assets and to intangible fixed assets depending on the nature of the assets acquired The cost of interests in fields in production is depreciated using the unit of production method on a quarterly basis, using proved developed oil and gas reserves as at the end of each quarter When there is a change in the estimated total recoverable reserves, the undepreciated cost is written off in proportion to the revised remaining reserves

Proved oil and gas reserves

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

a) Reservoirs are considered proved if economic producibility is 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

b) 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

c) 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, (c) crude oil, natural gas and natural gas liquids that may be recovered from oil shales, coal, gilsonite and other such sources

Proved developed oil and gas reserves

Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods Additional oil and gas expected to be obtained through the application of fluid injection, or other improved recovery techniques, for supplementing the natural forces and mechanisms of primary recovery will generally be included as proved developed reserves only after testing by a pilot project, or after the operation of an installed programme, has confirmed through production response that increased recovery will be achieved

Proved undeveloped reserves

All other proved reserves which do not meet the definition of proved developed reserves

Probable reserves

Probable reserves are those reserves which are not yet 'proved', but are estimated to have better than a 50% chance of being technically and economically producible

Possible reserves

Those reserves which at present cannot be regarded as 'probable', but which are estimated to have a significant but less than 50% chance of being technically and economically producible

Decommissioning costs

The estimated cost of dismantling and restoring the production and related facilities at the end of the economic life of each field is recognised in full at the commencement of oil and gas production The amount recognised is the present value of the estimated future restoration cost An offsetting tangible fixed asset is also recognised The asset is depreciated on a unit of production basis Changes to the present value of the estimated future restoration cost are accounted for as adjustments to the provision and the fixed asset

NOTES TO THE FINANCIAL STATEMENTS

1 Parent undertakings

As at 31 December 2007,the company's immediate parent undertaking is Eni Lasmo plc

The company's ultimate parent undertaking, Eni S p A , a company incorporated in Italy, will produce consolidated financial statements for the year ended 31 December 2007 which will be available from Eni S p A - Exploration & Production Division, Direzioni e Uffici, Via Emilia 1, 20097, San Donato Milanese, PO Box 12069, (20100) Milano

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

2 Segmental information

For the purposes of the Companies Act 1985, the operations of the company constitute one class of business, the exploration for and production of hydrocarbon liquids and gas All activities of the company are undertaken in the UK

The net assets of the company fall within the UK North Sea geographic region

3 Revenue

	2006 £ million	**2007 £ million**
Eni UK Ltd	7 4	**4 0**
Third parties	0 2	**0 2**
	7 6	**4.2**

4 Other income

	2006 £ million	**2007 £ million**
Third parties	2 0	**-**
	2 0	**-**

5 Other service costs and expenses

	2006 £ million	**2007 £ million**
Operating costs		
Third parties	1 6	**2.1**
Administrative expenses		
Eni UK Ltd	0 2	**0.4**
Eni Lasmo Plc	1 2	**1.0**
	3 0	**3.5**

6 Operatıng (loss)/profit

Durıng 2007 an amount of £ 10,000 was recharged from Enı UK Lımıted as part of company audıt costs In 2006 audıtors' remuneratıon was borne by Enı Lasmo plc

7 Dırectors' emoluments and employees

None of the dırectors receıved any emoluments ın respect of theır servıces to the company durıng the year (2006 - £nıl) and the company had no employees (2006 - none)

8 Interest receıvable and sımılar income

	2006 £ mıllıon	2007 £ million
Interest receıved		
Enı Coordınatıon Center S A	1 0	**1.5**
	1 0	**1.5**

9 Interest payable and sımilar charges

	2006 £ mıllıon	2007 £ million
Accretıon dıscount (unwındıng of dıscount) ın relatıon to decommıssıonıng provısıon (Note 15)	0 3	**0.1**

10 Taxation

	2006 £ mıllıon	2007 £ million
UK corporatıon tax at 50% (2006 – 50%)		
Current year	-	**0.2**
Prıor year	0 3	**0.2**
	0 3	**0.4**
Deferred corporatıon tax (see note 16)		
Current	(2 3)	**(1.3)**
	(2 0)	**(0.9)**

10 Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the period is lower (2006 lower) than the standard rate of corporation tax in the UK of 50% (2006 50%) The differences are explained below

	2006 £ million	***2007 £ million***
(Loss)/Profit before taxation	4 1	**(1.4)**
Taxation on profit before taxation @ 50% (2006 – 50%)	2 1	**(0.7)**
ACT brought forward and utilised	-	**(0.3)**
Expenses not deductible for tax purposes	(1 0)	**(0.3)**
Accelerated capital allowances and other timing differences	(3 1)	**-**
Group relief (claimed) surrendered for no consideration	(0 3)	**0.2**
Adjustment in respect of prior periods	0 3	**0.2**
Total tax credit for the period	(2 0)	**(0.9)**

The company has agreed to surrender, for no consideration, taxation losses under Section 402 Taxes Act 1988, to other group companies to cover UK taxable profits of the group for the year

11 Property, plant and equipment

	2006 Fields in production £ million	***2007 Fields in production £ million***
Cost		
At 1 January	17 5	**20.0**
Additions	3 1	**0.4**
Revision of decommissioning estimate	(0 6)	**5.2**
At 31 December	20 0	**25.6**
Depletion and depreciation		
At 1 January	16 8	**20.0**
Charge for the year	3 2	**3.5**
At 31 December	20 0	**23.5**
Net book amounts		
At 31 December	-	**2.1**
At 1 January	0 7	**-**

Included in additions in 2006 is an amount of £1 3 million relating to the acquisition of part of the Hewett field

12 Trade and other receivables

	2006 *£ million*	***2007*** ***£ million***
Trade debtors		
Third parties	0 3	**0 4**
Eni UK Ltd	0 7	**1 0**
	1 0	**1.4**

As of 31 December 2007, trade receivables of £1 4 million (2006 £1 0 million) were not impaired
As of 31 December 2007 trade receivables of £0 4 (2006 £ 0 2 million) were past due but not impaired

	2006 £ million			**2007** **£ million**		
	Fully performing	Past due but not impaired	Impaired	**Fully performing**	**Past due but not impaired**	**Impaired**
Trade Receivables	0 1	0 2	-	-	**0.4**	-
Related Parties	0 7	-	-	**1.0**	-	-

The carrying amount of the company's trade and other receivables are denominated in the following currencies

	2006 *£ million*	**2007** ***£ million***
Pounds	0 9	**1.3**
US Dollars	0 1	**0.1**

The carrying amount of related parties receivables are denominated in the following currencies

	2006 *£ million*	**2007** ***£ million***
Pounds	0 7	**1.0**

The maximum exposure to credit risk at the reporting date is the fair values of each class of receivable mentioned above The group does not hold any collateral security

The company believes that the carrying amounts are a reasonable approximation to the fair value

Credit risk is the potential exposure of the company to loss in the event of non-performance by a counterparty The credit risk arising from the company's normal commercial operations is controlled according to guidelines established by the Eni S p A group In addition, 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 The company has not experienced material non-performance by any counterparty As of 31 December 2007 the company has no significant concentrations of credit risk The maximum exposure to credit risk is equal to the carrying amount of the trade and other receivables

13 Cash and cash equivalents

	2006 £ million	2007 £ million
Cash at bank in hand		
Eni International Bank	0 2	-
Banque Eni S A	-	**0.1**
Short term deposits		
Eni Coordination Center S A	26 4	**27.7**
	26 6	**27.8**

Short term deposits are held with the Eni Coordination Center S A These are repayable within one month and carry interest at a rate of 6 092540%

14 Trade and other payables

	2006 £ million	2007 £ million
Amounts owed to affiliated companies		
Eni Lasmo Plc	1 2	**1.0**
Eni UK Ltd	-	**0.2**
Eni TNS Ltd	0 1	-
Other payables	0 5	**1 1**
Other tax and social security	0 3	-
	2 1	**2.3**

15 Provisions

	Balance as at 1 January 2007 £ million	Transfers to the income statement £ million	Variation in cost estimates £ million	**Balance as at 31 December 2007 £ million**
Decommissioning provision	10 0	0 1	5 1	15 2
	10.0	0 1	5 1	**15.2**

Decommissioning
The estimated cost of decommissioning at the end of the producing lives of North Sea fields is based upon engineering estimates and expert reports

Provision is made for the estimated decommissioning costs at the balance sheet date, discounted at a rate of 5 6% (2006 – 5 4%) to the present value These liabilities are expected to crystallise around 2011

16 Deferred tax

Deferred tax is calculated in full on temporary differences using a tax rate of 50% (2006 50%) The movement on the deferred tax amount is as shown below

	2006 *£ million*	***2007*** ***£ million***
At 1 January	(2 1)	**(6.0)**
(Charge)/credit to the income statement	(2 3)	**(1.3)**
Amounts relating to Acquisitions credited to income statement	(1 6)	**-**
At 31 December	(6 0)	**(7.3)**

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 balance net The movement in deferred tax assets and liabilities during the period are shown below

Deferred tax liabilities	***Accelerated capital allowances £ million***	***Decommissioning £ million***	***Total £ million***
At 1 January 2007	-	-	-
Charge to income statement	0 3	1 7	2 0
At 31 December 2007	**0.3**	**1.7**	**2.0**

Deferred tax assets	***Accelerated capital allowances £ million***	***Decommissioning £ million***	***Total £ million***
At 1 January 2007	(1 1)	(4 9)	(6 0)
Charge to income statement	1 1	(4 4)	(3 3)
At 31 December 2007	**-**	**(9.3)**	**(9.3)**

17 Share capital

	2006 £ million	**2007 £ million**
Ordinary shares		
Authorised 300,000,000 shares of £1 each	300 0	**300.0**
Allotted, called up and fully paid:		
80,400,000 shares of £1 each	80 4	**80.4**

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for the shareholder and to maintain an optimal capital structure to reduce the cost of capital In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to its shareholder

The company regularly reviews its capital structure on the basis of its expected capital requirements in order to achieve the defined strategic objectives and manages its capital accordingly

The company's capital structure fully satisfies its capital requirements and has no necessity or intention of altering the current position

18 Share Premium

	2006 £ million	**2007 £ million**
At 31 December	75 0	**75.0**

19 Accumulated deficit

	2006 £ million	**2007 £ million**
At 1 January	(140 1)	**(134.0)**
Profit / (loss) for the year	6 1	**(0.5)**
At 31 December	(134 0)	**(134.5)**

20 Commitments

The company has interests in various consortia engaged in the exploration and development of oil and gas As a member of these consortia, the company is committed to pay its share of the costs of development It is anticipated that this may involve capital expenditure in 2008 of approximately £5 4m (2007 £1 5m)

In addition to development expenditure, the company is committed to pay its share of the costs of exploration

21 Price Risk

Commodity risk

Eni's results of operations are affected by changes in the prices of commodities A decrease in oil, gas and product's prices generally has a negative impact on Eni's results of operations, and vice versa

The guidelines of the Eni S p A 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 S p A group level

At of 31 December 2007, with reference to commodity risk a hypothetical negative change of 10% in gas prices with all other variables held constant, would imply post- tax profit for the year would have been £47,000 (2006-£33,000) lower Other components of Net Equity would have been £47,000 (2006-£33,000) lower

Liquidity Risk

Liquidity risk is 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 The company believes it has access to sufficient funding to meet currently foreseeable borrowing requirements

Effective management of the liquidity risk has the objective of ensuring the availability of adequate funding to meet short term requirements and due obligations as well as the objective of ensuring a sufficient level of flexibility in order to fund the development plans of the company's businesses

The table below analyses the company financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date The amounts disclosed in the table are the contractual undiscounted cash flows Balances due within 12 months equal their carrying balances as the impact of discounting is not significant

As at 31 December 2007	**Less than one year £ million**	**More than one year £ million**
Trade and other payables	**2.3**	**-**

Trade and other payables will be settled on a gross basis

As at 31 December 2006	Less than one year £ million	More than one year £ million
Trade and other payables	2 1	-

Trade and other payables will be settled on a gross basis

21 Price Risk (continued)

Operational risk

The company's activities 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

All these events could possibly damage or even destroy wells as well as related equipment and other property, cause injury or even death to persons or cause environmental damage In addition, 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

22 Post balance sheet events

Subsequent to the year end, on 10 January 2008 the entire share capital of the company was sold to Eni UK limited This was part of a group restructure and the ultimate parent, Eni S p A has remained unchanged