ENI HYDROCARBONS VENEZUELA LIMITED

ANNUAL REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2017

REGISTERED OFFICE
Eni House
10 Ebury Bridge Road
London SW1W 8PZ

Registered Number: 01452037

ENI HYDROCARBONS VENEZUELA LIMITED

DIRECTORS AND REGISTERED OFFICE

BOARD OF DIRECTORS

C De Lorenzo
M Trezza
F Rinaldi
O Chacon

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 IN ENGLAND NO: 01452037

The directors present their report and the audited financial statements of the company for the year ended 31 December 2017.

Principal activities

During the year, as a result of a management review of operations the company has fully impaired its 40% interest in the Paria Gas project in blocks Punta Pescador and Golfo de Paria Oeste in Venezuela.

Results and dividends

The company's statement of comprehensive income is set out on page 7. The company's loss for the year was $11,909,000 (2016 – loss of $2,771,000). No dividends were paid in 2017 (2016 – $nil).

Business review and future company developments

The company carries out operating activities in relation to oil and gas exploration in Venezuela. During 2016, the company successfully finalized the Phase 1 of the Minimum Exploration Work Program (MEWP) of the License. During 2017 we have been expecting from the Ministry of Popular Power of Oil to receive the formal approval of Phase 1, and be able to initiate the activities of the Phase 2 of the MEWP, as established in the License.

Going concern

The company has net liabilities position of $4,090,000 as of 31 December 2017 (2016 – net assets $7,819,000). The directors are satisfied that the company has adequate internal resources and also has support from its parent company, Eni Lasmo Plc, which has also confirmed it will provide the necessary financial support to the company for the foreseeable future being not less than twelve months from the signing of these financial statements.

Branches outside the UK

The company has a branch in Venezuela.

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:

Credit risk: The potential exposure of the company to loss in the event of non-performance by 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.

Operation 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 EUR) 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).

Post balance sheet events

There have been no events after the balance sheet date.

Directors

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

- L Piro resigned as a director on 5 January 2017.
- C De Marco was appointed as a director on 5 January 2017 and resigned as a director on 12 June 2017.
- F Rinaldi was appointed as a director on 12 June 2017.

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

The directors are responsible for preparing 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.

Strategic report

The company has taken advantage of the small companies' exemption from the requirement to prepare a strategic report.

Provision of information to the 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 directors 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

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

By order of the Board

M Trezza
Secretary
26 February 2018

Independent auditor's report to the members of Eni Hydrocarbons Venezuela Limited

We have audited the financial statements of Eni Hydrocarbons Venezuela Limited for the year ended 31 December 2017 which comprise 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 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 2017 and of its loss 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.

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.

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.

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, 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.

Ernst & Young LLP

Jacqueline Ann Geary (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
28 February 2018

ENI HYDROCARBONS VENEZUELA LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 $ '000	2016 $ ' 000
Other income	2	-	1,174
Amounts written off exploration assets	9	(10,607)	-
Administrative charges	3	(1,191)	(3,911)
Operating loss	3	**(11,798)**	(2,737)
Interest receivable and similar income	5	-	10
Interest payable and similar charges	6	(111)	(44)
Loss before taxation		**(11,909)**	(2,771)
Taxation	7	-	-
Loss for the year		**(11,909)**	(2,771)
Other comprehensive income		-	-
Total comprehensive loss for the year		**(11,909)**	(2,771)

All results are from continuing operations and total comprehensive loss for the year is attributable to the equity holders.

ENI HYDROCARBONS VENEZUELA LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Share Capital	Capital Contribution Reserve	Retained Deficit	Shareholders' (Deficit) / Equity
	$ '000	$ '000	$ '000	$ '000
Balance at 1 January 2016	18	1,031	(1,059)	(10)
Issue of share capital	10,600	-	-	10,600
Total comprehensive loss for the year	-	-	(2,771)	(2,771)
Balance at 31 December 2016	10,618	1,031	(3,830)	7,819
Total comprehensive loss for the year	-	-	(11,909)	(11,909)
Balance at 31 December 2017	**10,618**	**1,031**	**(15,739)**	**(4,090)**

ENI HYDROCARBONS VENEZUELA LIMITED (Registered Number: 01452037)

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Notes	2017 $ '000	2016 $ '000
Assets			
Current assets			
Cash and cash equivalents	8	**1**	-
Trade and other receivables	10	**-**	1,157
		1	1,157
Non-current assets			
Intangible assets	9	**-**	10,600
Total assets		**1**	11,757
Current liabilities			
Trade and other payables	11	**4,091**	3,938
Total liabilities		**4,091**	3,938
Shareholders' equity			
Ordinary share capital	12	**10,618**	10,618
Capital contribution reserve		**1,031**	1,031
Retained deficit		**(15,739)**	(3,830)
Total shareholders' (deficiency in equity)/equity		**(4,090)**	7,819
Total shareholders' deficit and liabilities		**1**	11,757

The financial statements from page 7 to 16 were approved by the Board on 26 February 2018.

On behalf of the Board

F Rinaldi

F Rinaldi
Director
26 February 2018

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 domiciled in the UK.

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.

The financial statements have been prepared on a going concern basis.

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, 111and 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; and
    (ii) paragraph 118(e) of IAS 38 Intangible Assets.
(d) the requirements of paragraphs 130(f)(ii), 103 (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 paragraphs 91 – 99 of IFRS 13 Fair Value Measurement;
(g) 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;
(h) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures; and
(i) 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.

Going concern

The financial statements are prepared on a going concern basis as the company has obtained confirmation from its immediate parent company that it will provide adequate financial support to enable the company to meet its obligations for a period of at least one year from the date of approval of these financial statements.

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.

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.

Impairment of non-financial assets

At the end of each reporting period, the company reviews the carrying amounts of its intangible assets 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.

Cash and cash equivalents

Cash and cash equivalents comprise the company's current bank accounts and cash 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 Dollars. All financial information has been rounded to the nearest thousand ($'000), unless otherwise indicated. Transactions denominated in a foreign currency are converted to US$ 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 US Dollar to Sterling exchange rate applied as of 31 December 2017 was 0.7399 (2016: 0.8114).

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or 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

Other income represents joint venture miscellaneous income and is recognised on an accrual basis.

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 impairment of intangible assets, and recovery 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) *Impairment of non-financial assets*
When there are exploration rights, the costs are capitalised pending determination of whether exploration/appraisal activities are successful or not. The company performs an impairment test, mainly qualitative, focused on the company's commitment to perform/continue to perform the exploration/appraisal activities. The company assesses its intangible assets 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.

Use of accounting estimates, judgements and assumptions (continued)

b) 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.

1 Parent undertakings

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 with registered office at Piazzale Enrico Mattei, 1 00144 Rome, will produce consolidated financial statements for the year ended 31 December 2017, 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 Other income

	2017 $'000	2016 $'000
Third parties	**-**	1,174

3 Administrative expenses

	2017 $ '000	2016 $ '000
Parent company	**-**	1,967
Group undertakings	**17**	1,890
Third parties	**1,174**	54
	1,191	3,911

The audit fee of the company is borne by a fellow group company, Eni Investments Plc. For the purpose of disclosure, a fair allocation of the audit fee to the company would be $934 (2016 – $854).

4 Directors and employee information

None of the directors received any emoluments in respect of their services to the company during the year (2016 – $nil) and the company had no employees (2016 – none).

5 Interest receivable and similar income

	2017 $ '000	2016 $ '000
Foreign exchange gain	**-**	10

6 Interest payable and similar charges

	2017 $ '000	2016 $ '000
Foreign exchange loss	**111**	44

7 Taxation

UK corporation tax	2017 $ '000	2016 $ '000
Current tax @ 19.25% (2016 – 20%)	-	-
	-	-

The tax charge assessed for the period is lower (2016 - lower) than the standard rate of corporation tax in the UK – 19.25% (2016 – 20%). The differences are explained below:

	2017 $ '000	2016 $ '000
Loss before taxation	**(11,909)**	(2,771)
Taxation on loss before tax @ 19.25% (2016 – 20%)	**(2,293)**	(554)
Expenditure not allowable for tax	**2,042**	554
Pre trading costs	**251**	-
Total taxation	-	-

Deferred tax

The deferred tax asset calculated at the rate of 17% (2016 – 17%) which was not recognised in the financial statements amounted to:

	2017 Unprovided amount $'000	2016 Unprovided amount $'000
Unrecognised tax losses carried forward	**2,501**	476
	2,501	476

The directors consider that it is unlikely that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted; therefore the deferred tax asset was not recognised.

8 Cash and cash equivalents

	2017 $'000	2016 $'000
Group undertakings	**1**	-

9 Intangible assets

Exploration costs	2017 $'000	2016 $'000
Cost		
At 1 January	**10,600**	-
Additions	**7**	10,600
Amortisation	**(7)**	-
Write off	**(10,600)**	-
At 31 December	-	10,600

During the year, as a result of a management review of operations the company has fully written off its 40% interest in the Paria Gas project in blocks Punta Pescador and Golfo de Paria Oeste in Venezuela.

10 Trade and other receivables

	2017	2016
	$ '000	$ '000
Third parties	**-**	1,157

11 Trade and other payables

	2017	2016
	$ '000	$ '000
Parent undertaking	**24**	-
Group undertakings	**4,067**	3,934
Bank overdraft	**-**	4
	4,091	3,938

12 Share capital

	2017	2016
	$ '000	$ '000
11,000 Ordinary Shares of £1 each	**18**	18
8,039,500 Ordinary Shares of £1 each	**10.600**	10,600
	10,618	10,618

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.

13 Joint operations

Joint arrangement	**Activity**	**Name of license**	**Place of operation**	**Interest held**
Punta Pescador and Gulf of Paria West Joint Operating Agreement	Explotation of non-associated natural gas deposits and exploration of new deposists within the delimited area, called Punta Pescador and Golfo de Paria Oeste	License for the Exploration and Exploitation of Non-Associated Gaseous Hydrocarbons in the Areas Called Punta Pescador and Golfo de Paria Oeste	Delta Amacuro State, Venezuela	40%