

ENI JPDA 03-13 LIMITED

**ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019**

REGISTERED OFFICE

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

Registered Number 02664257

ENI JPDA 03-13 LIMITED

DIRECTORS AND REGISTERED OFFICE

BOARD OF DIRECTORS

E Delfos
G L Ferrara
M Giusto
F Polo

SECRETARY AND REGISTERED OFFICE

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

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
The Capitol, 431 Union Street
Aberdeen
AB11 6DA

REGISTERED IN ENGLAND NO: 02664257

ENI JPDA 03-13 LIMITED

STRATEGIC REPORT

The directors present their strategic report of Eni JPDA 03-13 Limited, ("the company"), for the year ended 31 December 2019.

Review of the business

Principal activities

The company's principal activity is holding a 10.986% participating interest in the Bayu-Undan project, a condensate and gas development field located in the off shore of Timor-Leste.

Results for the year

The results for the year are set out on page 9 of the financial statements. The company's profit for the financial year is \$34,588,000 (2018 – \$36,007,000). Shareholders' equity at the end of the financial year is \$105,845,000 (2018 - \$111,257,000). During the year a dividend of \$40,000,000, representing \$160 per share, was paid to the equity holders (2018 - \$20,000,000).

Key performance indicators

Key performance indicators of the company are set out below:

	2019 \$'000	2018 \$'000	Variance \$'000
Revenue	122,016	132,996	(10,980)
Operating profit	62,843	67,827	(4,984)
Net profit after tax	34,588	36,007	(1,419)
Net assets	105,845	111,257	(5,412)

The directors consider the performance of the company to be in line with expectations. Operating profits have decreased due to lower revenues (mainly caused by lower production due to lower buyer demand). Net assets decreased mainly due to assets depreciation.

Operational review

Production under the liquids phase of the Bayu-Undan project commenced in February 2004. The gas export phase of the development was completed in August 2005, followed by a period of commissioning, with the first gas revenues arising in January 2006 under a sale and purchase contract with an initial expiry date of 2022.

Gas Production in 2019 was affected by challenging Liquefied natural gas (LNG) markets conditions and the Joint Venture didn't sell cargos on the spot market. Nevertheless, in 2019 the Bayu-Undan field had an increase of condensate production from 548 KBOE to 742 KBOE due to the phase 3b entering in production during second half 2018 produce strong condensate levels. Total production (company share) was 3.461 MMBOE (2018 3.955 MMBOE normalized at the 2019 conversion factor rate changed from 6.47 boe per scm to 6.53 boe per scm).

Some risk of lower gas production remains if soft LNG market conditions persist: as Condensate and NGL production is predicted to decline.

On 30 August 2019, the Maritime Border Treaty between Australia and Timor Leste was officially ratified by both the countries ending the existence of the JPDA (Joint Petroleum Development Area). The treaty ratification has rendered Production Sharing Contract (PSC) JPDA 03-13 obsolete, being replaced by the new PSC TL-SO-T 19-13 established under 'equivalent conditions' as agreed between the parties.

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:

STRATEGIC REPORT

Principal risks and uncertainties (continued)

Financial risk management

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

Credit risk: The potential exposure of the company 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.

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 AUS\$) expenditures and receipts. Effective management of exchange rate risk is performed at the Eni Group level, within the central finance department which matches opposite positions of the group operating subsidiaries and hedges net positions using derivatives (such as currency swaps, forwards and options).

Business risk management

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.

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

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

Impact of coronavirus (COVID-19)

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

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

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

STRATEGIC REPORT

Section 172(1) UK Companies Act 2016 (“Act”) Statement

Directors

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

Stakeholders

The directors of the company believe it is fundamentally important that the values and principles which guide the company are clearly defined, both internally and externally, in order to ensure that all company activities are implemented in compliance with the relevant laws and in a context of fair competition, honesty, integrity, fairness and good faith which would promote the success of the company for the benefit of its members as a whole having regard the interests of all its stakeholders: shareholders, workforce, suppliers, customers, lenders, government/tax authorities, pension schemes/trustees, community and environment. These values are embedded in the Eni Code of Ethics, approved by the Board of Directors of its ultimate parent company, Eni S.p.A., on 23 November 2017 and by the Directors of the company on 28 March 2018. The Eni Code of Ethics sets out the challenges of sustainable development and the need to take into consideration the interests of all stakeholders to clearly define the values that the company will accept, acknowledge and share as well the responsibilities it assumes, contributing to a better future. The Eni Code of Ethics is brought to the attention of every person or body having business relations with the company.

Business Conduct

The Directors of the company believe that business has the responsibility to respect and support the fundamental human rights, as expressed in the Universal Declaration for Human Rights and the United Nations Guiding Principles on Business and Human Rights. The company is committed to maintaining and improving its practices to combat slavery and human trafficking violations in its operations and supply chain. These values are embedded in the Eni Modern Slavery Act Statement, approved by the Board of Directors of its ultimate parent company, Eni S.p.A., on 24 April 2019 and by the Directors of the company on 20 June 2019. Moreover, as an indirect subsidiary of Eni S.p.A the Board of Directors have adopted the Eni internal Regulatory System including Management System Guidelines which sets out internal policies to achieve a high standard of business conduct. All Board of Directors decisions are taken with regard to section 172 of the Act.

Community and the Environment

In line with Sustainable Development Goal 8 adopted by Eni S.p.A., the ultimate parent company, one of the company’s aim is to incentivise lasting, inclusive and sustainable economic growth.

Shareholders

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

On behalf of the Board



Manfredi Giusto (May 15, 2020)

M Giusto
Director

15 May 2020

DIRECTORS' REPORT

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

Directors

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

F Rinaldi resigned as a director on 18 November 2019

M Giusto was appointed as a director on 18 November 2019

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

Dividends

During the year a dividend of \$40,000,000, representing \$160 per share, was paid to the equity holders (2018 - \$20,000,000).

Future developments

Future developments of the company are in the Strategic Report.

Branches outside the UK

The company has a branch office registered in Perth, Australia.

Post balance sheet events

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

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

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

The company has implemented a number of actions to ensure the safety and health of its people and contractors, and with the contributions of the Operators when applicable, also the ability to continue production. The company is working to contain its general and administration costs, cut or delay investments in activities, which were not critical or mandatory and also suspend or defer expenditures for projects that became presently uneconomical. The company is taking actions to reduce operating costs including tariffs and is also supporting the Operators to pursue the same actions, when applicable.

Going concern

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

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

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

DIRECTORS' REPORT

Statement of directors' responsibilities in respect of the financial statements

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

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

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

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

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

Prompt payment policy

The company aims to observe the highest standard of business practice as both a buyer and seller of products and services. There is no trade creditor for the company as all the billings received have been paid in advance to the joint venture operators.

Provision of information to auditors

The directors, 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.

Auditors

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

By order of the Board

M Trezza
Secretary
15 May 2020


Mila Trezza (May 15, 2020)

Independent auditors' report to the members of Eni JPDA 03-13 Limited

Report on the audit of the financial statements

Opinion

In our opinion, Eni JPDA 03-13 Limited's financial statements:

give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;

have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and

have been prepared in accordance with the requirements of the Companies Act 2006.

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

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

Reporting on other information

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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


Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 \$'000	2018 \$'000
Revenue	2	122,016	132,996
Other service costs and expenses	3	(33,870)	(42,382)
Depreciation and amortisation	9	(25,303)	(22,787)
Operating profit	4	62,843	67,827
Interest payable and similar charges	6	(2,928)	(2,712)
Interest receivable and similar income	7	1,986	1,192
Profit before taxation		61,901	66,307
Taxation	8	(27,313)	(30,300)
Profit for the financial year		34,588	36,007
Other comprehensive income		-	-
Total comprehensive income for the year		34,588	36,007

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

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

	Share capital \$'000	Capital contribution reserve \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 January 2018	403	66,174	28,673	95,250
Profit for the financial year	-	-	36,007	36,007
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (\$80 per share)	-	-	(20,000)	(20,000)
Balance at 31 December 2018	403	66,174	44,680	111,257
Profit for the financial year	-	-	34,588	34,588
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (\$160 per share)	-	-	(40,000)	(40,000)
Balance at 31 December 2019	403	66,174	39,268	105,845

**BALANCE SHEET
AS AT 31 DECEMBER 2019**

	Notes	2019 \$'000	2018 \$'000
Assets			
Current assets			
Inventories	10	3,755	4,374
Trade and other receivables	11	13,580	25,293
Cash and cash equivalents	12	82,415	60,661
Current Tax assets		3,982	-
		103,732	90,328
Non-current assets			
Property, plant and equipment	9	155,088	167,192
Total assets		258,820	257,520
Liabilities			
Current liabilities			
Trade and other payables	13	8,619	14,645
Current tax liabilities		-	1,585
		8,619	16,230
Non-current liabilities			
Deferred tax liability	15	70,466	70,244
Provisions	16	73,890	59,789
		144,356	130,033
Total liabilities		152,975	146,263
Shareholder's equity			
Share capital	17	403	403
Capital contribution reserve		66,174	66,174
Retained earnings		39,268	44,680
Equity shareholders' funds		105,845	111,257
Total shareholders' equity and liabilities		258,820	257,520

The financial statements from page 9 to 23 were approved by the Board on 5 March 2020 and were signed by an authorised director on behalf of the Board, at a later date.

On behalf of the Board

gian luigi ferrara
gian luigi ferrara (May 15, 2020)

G L Ferrara
Director
15 May 2020

STATEMENT OF ACCOUNTING POLICIES

A summary of the principal accounting policies which have been applied throughout the year is listed below.

General Information

The company is a limited liability company, by shares, incorporated and domiciled in the United Kingdom.

The company acts as a participant in consortia involved in the exploration and exploitation of oil and gas in the Joint Petroleum Development Area between Timor - Leste and Australia.

As a participant, the company receives from the operators returns of income, expenditure, assets and liabilities of the consortia, the company's shares of which is incorporated into its accounting records.

The financial statements reflect the company's share of each activity as a participant in consortia as governed by their joint operating agreement.

Basis of preparation

These financial statements were prepared in accordance with the Companies Act 2006, 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. See page 5 of the Directors' report for further details.

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, 111 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 paragraphs 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.

The accounting policies have been applied consistently, other than where new policies have been adopted due to the changes in accounting standards.

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.

Adoption of new and revised Standards

New and amended standards and interpretations

The company applied for the first time standards, amendments and interpretations to existing standards, issued by the International Accounting Standards Board (IASB) and endorsed by the EU, which are relevant to the company and are effective for the annual accounting periods beginning on or after 1 January 2019. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and amendments applied for the first time in 2019, they did not have a material impact on the financial statements of the company. In particular the adoption of IFRS 16 "Leases" did not have a material impact on the opening balances of the company's financial statements.

STATEMENT OF ACCOUNTING POLICIES

Adoption of new and revised Standards (continued)**IFRS 16 “Leases”**

IFRS 16 requires lessees to recognise nearly all leases on the balance sheet which will reflect their right to use an asset for a period of time and the associated liability for payments.

Property, plant and equipment

Property, plant and equipment include 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.

These assets, except proven mineral interests, 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 un-depreciated cost is written off over the revised remaining reserves.

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 property, plant and equipment and intangible assets 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 to sell and value in use. Management has assessed its cash generating units (CGUs) as being an individual field, which is the lowest level for which cash inflow 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 (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or 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 cash on hand, the Company's current bank accounts and short-term deposits originally due, generally, within 90 days, readily convertible to known amount of cash and subject to an insignificant risk of changes in value.

STATEMENT OF ACCOUNTING POLICIES

Cash and cash equivalents (continued)

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

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

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.

Foreign currencies

The functional and reporting currency of the company is US Dollars as the majority of its assets and transactions are US Dollar denominated. The year-end exchange rate in AUD Dollars is 0.70184 (2018 – 0.70599). All financial information has been rounded to the nearest thousand (\$'000), unless otherwise indicated.

Transactions denominated in foreign currency are converted to US Dollars 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 gains or losses are recognised in the Statement of Comprehensive Income with the exception of differences arising on the consolidation of branches held in foreign currencies, which are taken directly to reserves.

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. 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.

^[1] BESA is a Belgian regulated bank subject to the banking regulatory requirements.

^[2] Although Eni SpA is not a financial institution, it performs its financial activities within specific Board approved limits.

^[3] EFI is the company responsible for the centralised funding of some foreign Eni Group companies and for collecting their financial surpluses.

STATEMENT OF ACCOUNTING POLICIES

Additional profits tax

Additional profits tax payable in East Timor is provided on the 90% taxable profits of fields subject to additional profits tax at the effective rate of 22.5% up to 30th August 2019 and 21.5% thereafter.

Provision for deferred additional profits tax is made using the liability method. As additional profits tax is largely specific to individual fields and field lives are finite, provision is made in full for those fields expected to pay significant tax. Provision is made for temporary differences in respect of capital and revenue expenditure and the decommissioning and restoration provision.

Revenue recognition

The company is principally engaged in oil and gas exploration and production. Revenue from contracts with customers is recognised when or as the company satisfies a performance obligation by transferring control of a promised good or service to the customer. The company has generally concluded that it is the principal in its revenue contracts because it typically controls the products before transferring them to the customer. The transfer of control generally coincides with title passing to the customer and products having reached the processing terminal or when the products are lifted.

The company principally satisfies its performance obligations at a point in time. When, or as, a performance obligation is satisfied, the group recognises as revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the company expects to be entitled in exchange for those products. Contracts from the sale of commodities are typically priced by reference to quoted prices.

Interest income is recognised on a time proportion basis.

Over/underlift balances

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

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

Provisions

Provisions are recognised when: (i) there is a current 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 decommissioning 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 restoration cost are accounted for as adjustments to the provision and property, plant and equipment.

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.

STATEMENT OF ACCOUNTING POLICIES

Financial instruments (continued)

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 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.

Use of accounting estimates, judgements and assumptions

The company's financial statements are prepared in accordance with FRS101. These require 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 natural gas activities, specifically in the determination of proved and proved developed reserves, impairment of property, plant and equipment and intangible assets and decommissioning provisions. Although the company uses its best estimates and judgements, actual results could differ from the estimates and assumptions used.

A summary of significant 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.

STATEMENT OF ACCOUNTING POLICIES

Use of accounting estimates, judgements and assumptions (continued)

Oil and gas reserves have a direct impact on certain amounts reported in the financial statements. 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 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 oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, that is, prices and costs as at the date that the estimate is made.

- (i) Reservoirs are considered proved if reserves that can be economically produced are supported by either actual production or conclusive formation tests. The area of a reservoir considered proved includes: (a) that portion delineated by drilling and defined by gas-oil or oil-water contacts, if any, or both, and; (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.
- (ii) Reserves that can be produced economically through the application of improved recovery techniques (such as fluid injection) are generally only included in the proved classification if successful testing by a pilot project, or the operation of an installed programme in the reservoir, provides support for the engineering analysis on which the project or programme was based.
- (iii) Estimates of proved reserves do not include the following: (a) crude oil, natural gas and natural gas liquids that may become available from known reservoirs but are classified separately as indicated additional reserves; (b) crude oil, natural gas and natural gas liquids, the recovery of which is subject to reasonable doubt because of uncertainty as to geology, reservoir characteristics, or economic factors; and (c) crude oil, natural gas and natural gas liquids that may be recovered from oil shales, coal and other such sources.

b) Impairment of assets

The company assesses its property, plant and equipment and intangible assets 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 removal 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 asset removal technologies and costs constantly evolve in the countries where Eni Group operates, 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 retirement cost estimates and incorporate many assumptions such as: expected recoverable quantities of crude oil and natural gas, abandonment time, future inflation rates and the discount rate.

NOTES TO THE FINANCIAL STATEMENTS

1 Parent undertakings

The company's immediate parent undertaking is Eni International B.V., a company incorporated in the Netherlands.

The company's ultimate parent undertaking, Eni S.p.A., a company incorporated in Italy with registered office at Piazzale Enrico Mattei 1, 00144 Rome, will produce consolidated financial statements for the year ended 31 December 2019, which will be available from its website (www.eni.com) 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

All revenues are derived from sales of oil and gas products to third parties.

For the purposes of the Companies Act 2006, the operations of the company constitute one class of business, the extraction of natural gas.

3 Other service costs and expenses

	2019 \$'000	2018 \$'000
Group undertakings	1,632	2,656
Third parties	32,238	39,726
	33,870	42,382

The other service costs and expenses relating to third party mainly represent the company's share of operating expenditure in its oil and gas joint ventures.

4 Operating profit

Operating profit is stated after charging the following amounts:

	2019 \$'000	2018 \$'000
Depreciation of property, plant and equipment (note 9)	25,303	22,787
Foreign exchange gain	546	221
Audit fee	7	2

5 Directors and employee information

None of the directors received any emoluments in respect of their services to the company during the year (2018 – \$nil) and the company had no employees (2018 - none).

6 Interest payable and similar charges

	2019 \$'000	2018 \$'000
Unwinding of discount in relation to decommissioning provision (note 16)	2,928	2,712

7 Interest receivable and similar income

	2019 \$'000	2018 \$'000
Group undertakings	1,952	1,162
Third parties	34	30
	1,986	1,192

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 Taxation

	2019 \$'000	2018 \$'000
UK Corporation tax - current	-	-
UK Corporation tax - prior year	-	-
Foreign tax - prior year	(2,059)	(10)
Foreign tax - current	29,150	29,126
Total current tax	27,091	29,116
Deferred foreign tax	222	1,184
Total tax	27,313	30,300

Factors affecting tax charge for the year

The tax assessed for the year is higher (2018 - higher) than the standard rate of corporation tax applicable to oil and gas exploration and production companies in the UK of 19% (2018-19%). The differences are explained below:

	2019 \$'000	2018 \$'000
Profit before taxation	61,901	66,307
Taxation on profit before taxation @ 19% (2018-19%)	11,761	12,598
Effects of :		
Expenditure not allowable for tax	556	-
Group relief claimed	(295)	-
Income not taxable	(3)	(3)
Foreign tax	29,150	29,126
Foreign tax - prior year	(2,059)	(10)
Deferred foreign tax	222	1,184
Foreign tax credit	(16,827)	(17,441)
Movement in deferred tax not recognised	4,808	4,846
Total tax	27,313	30,300

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 Property, plant and equipment*Oil and gas properties**Fields in Production***2019****\$'000****Cost**

At 1 January

493,693

Revision of decommissioning estimate (note 16)

12,076

Additions

1,123

At 31 December**506,892****Accumulated depreciation**

At 1 January

326,501

Charge for year

25,303

At 31 December**351,804****Net book value****At 31 December 2019****155,088**

At 31 December 2018

167,192

10 Inventories**2019****2018****\$'000****\$'000**

Materials and supplies

3,755

4,374

11 Trade and other receivables**2019****2018****\$'000****\$'000**

Trade receivables

12,432

22,983

Other receivables

1,148

2,310

13,580

25,293

12 Cash and cash equivalents**2019****2018****\$'000****\$'000**

Cash at bank

Group undertakings

82,373

60,554

Third parties

42

107

82,415

60,661

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 Trade and other payables

	2019 \$'000	2018 \$'000
Amounts owed to group undertakings	292	172
Other creditors	2,943	4,511
Accruals and deferred income	5,384	9,962
	8,619	14,645

The payables to other creditors mainly include amounts owing to Timor SEA Designated Authority for its share of oil profit.

14 Deferred tax asset

Due to the Maritime Boundary ratification process a new tax legislation has been approved in Australia whereby the company active in the former JPDA will be able to recover the tax effect on the amount of assets not depreciated for tax purpose. On this basis the company booked in 2019 a deferred tax asset for \$3,545,000. The amount recovered in 2019 is \$1,418,000. Remaining balance will be recovered through the mechanism foreseen in the Australian legislation in the years from 2020 to 2022 on the basis of the tax returns lodged in 2019-2021.

15 Deferred tax liability

Deferred tax is calculated in full on temporary differences using a tax rate of 17% (2018- 17%) in respect of UK non ring fence activity, 30% (2018 - 30%) in respect of corporate tax on assets held in Australia and Timor Leste and 21.5% (2018 – 22.5%) in respect of Additional Profits Tax on assets held in Timor Leste. The movement on the deferred tax account is shown below:

	2019 \$'000	2018 \$'000
At 1 January	70,244	69,060
Credit to the income statement	222	1,184
At 31 December	70,466	70,244

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 movements in deferred tax assets and liabilities during the year are shown below:

<i>Deferred tax liabilities</i>	Accelerated capital allowances \$'000	Other \$'000	Total \$'000
At 1 January 2018	70,660	554	71,214
Utilised during the year	663	75	738
At 1 January 2019	71,323	629	71,952
Utilised during the year	847	(17)	830
At 31 December 2019	72,170	612	72,782

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 Deferred tax liability (continued)

Deferred tax assets	Accelerated capital allowances	Other	Total
	\$'000	\$'000	\$'000
At 1 January 2018	2,150	4	2,154
Utilised during the year	(508)	62	(446)
At 1 January 2019	1,642	66	1,708
Utilised during the year	636	(28)	608
At 31 December 2019	2,278	38	2,316

Deferred tax assets have been offset against the deferred tax liabilities above. The net deferred tax liability to be disclosed as a non-current liability is therefore \$70,466,000 (2018 - \$70,244,000). The deferred tax asset relating to decommissioning is £0 (2018 - £0) and is disclosed as a non-current asset.

Unrecognised deferred tax assets

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

The deferred corporation tax asset calculated at the UK rate of 17% (2018- 17%) which was not recognised in the financial statements amounted to:

	2019 unprovided amount \$'000	2018 unprovided amount \$'000
Unrecognised tax losses carried forward	189	391
Foreign tax credits and loss carried forward	232,589	233,664
Accelerated capital allowances carried forward	42,640	42,507
	275,418	276,562

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

16 Provisions

Decommissioning	2019 \$'000
At 1 January	59,789
Utilised during the year	(903)
Revision in decommissioning estimate (note 9)	12,076
Unwinding of discount (note 6)	2,928
At 31 December	73,890

The estimated cost of decommissioning at the end of the producing life of the company's assets 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 2.949% (2018 – 5.337%) to the present value. These liabilities are currently estimated to crystallise in 2027.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 Share capital

	2019	2018
Allotted, called up and fully paid £1 ordinary equity shares	£250,000	£250,000
US Dollar equivalent	\$403,000	\$403,000

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

18 Capital commitments

The company has interests in various consortia engaged in 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 will involve capital expenditure in 2020 of approximately \$0.7 million (2019 – \$1.1 million).

19 Joint operation

Name of license	Place of operation	Interest held
Bayu-Undan	Timor-Leste	10.986%

20 Post balance sheet events

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

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

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

The company has implemented a number of actions to ensure the safety and health of its people and contractors, and with the contributions of the Operators when applicable, also the ability to continue production. The company is working to contain its general and administration costs, cut or delay investments in activities, which were not critical or mandatory and also suspend or defer expenditures for projects that became presently uneconomical. The company is taking actions to reduce operating costs including tariffs and is also supporting the Operators to pursue the same actions, when applicable.