

ENI LASMO PLC

**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: 01008965

ENI LASMO PLC

DIRECTORS AND REGISTERED OFFICE

BOARD OF DIRECTORS

M Giusto
C Pagano
G L Ferrara
L Vassallo

SECRETARY AND REGISTERED OFFICE

Riordan D'Abreo
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. 01008965

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

Principal activities

The company continues its activities as an investment holding company carrying on the business of managing its investments and financing developments by its subsidiary companies. The company also holds a 40% interest in the Junin 5 Block in Venezuela through a matching share in two joint venture companies Petrojunin S.A. and Petrobicentenario S.A. The company is a public limited company.

Result and dividends

The result for the year is set out in the statement of comprehensive income on page 10. The company's profit for the year was \$148,569,000 (2018 – loss of \$278,465,000). Dividend income of \$209,800,000 (2018: \$325,000,000) were received during the year.

As part of a group reorganisation, on 30 September 2019 the company approved two Share Transfer Deeds and one Sale and Purchase Agreement providing for the company to acquire from its affiliate Eni UK Limited the entire share capital of Eni India Limited, Eni Côte d'Ivoire Limited and Eni Mozambique Engineering Limited for a consideration of £1 each plus a consideration adjustment of \$25,578,000 and \$59,258,000 paid by Eni UK Limited to the company for the transfer of Eni India Limited and Eni Côte d'Ivoire Limited respectively, corresponding to the negative net equity value of the subsidiary on 30 September 2019. The consideration adjustment is the market value of the liabilities associated with future obligations for Eni India Limited and Eni Côte d'Ivoire Limited.

On 25 October 2019, the board of directors of the company approved the conversion of shareholder loans to capital for its affiliates, VIC CBM Limited and Virginia Indonesia Co. CBM Limited for \$25,500,000 and \$12,500,000 respectively.

In December 2019, the board of directors of the company approved capital contributions in Eni CBM Ltd for \$94,000,000, Eni Côte d'Ivoire Limited for \$68,000,000, Eni India Limited for \$6,000,000 and Eni Hydrocarbons Venezuela Limited for \$4,000,000.

As part of the annual impairment review, the company recognised an impairment charge on investments in subsidiaries amounting to \$170,679,000 (2018: \$398,432,000) and associates amounting to nil (2018: \$103,875,000). The company reversed a trade receivable provision during the year amounting to \$121,824,000 (2018: \$nil), as a result of a repayment of a receivable from a subsidiary and the conversion of shareholder loans to capital for its affiliates, VIC CBM Limited and Virginia Indonesia Co. CBM Limited.

No dividend was paid to its shareholder Eni Investments plc during 2019 (2018 - \$50,000,000 equivalent to \$0.04 per share).

Business review and future company developments

The directors expect the company and its subsidiaries, associates and jointly controlled entities to achieve positive results from future operations and activities.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks, set out in the notes to these financial statements. The company and its subsidiaries have adopted the most stringent standards, in accordance with Eni S.p.A. Group (Eni Group) requirements, for the evaluation and management of industrial and environmental risks.

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.

Principal risks and uncertainties (continued)

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-GBP (mainly USD) 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.

Key performance indicators

Key performance indicators are established each year in a business plan which covers a number of strategic, operational, HSE and finance objectives for the operations of the Eni Group in the United Kingdom. The business plan is approved at Eni Group level, and key performance indicators of the Eni Group are disclosed in the Eni S.p.A. Group annual report, which is publicly available. The company's performance is dependent upon the performance of its subsidiary and associate companies and as such does not have its own key performance indicators. Key performance indicators of all of its key subsidiary and associate companies are included in their respective financial statements, wherever required under the Companies Act 2006.

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, the most recent version of which was approved by the Board of Directors of its ultimate parent company, Eni S.p.A., on 18 March 2020 and by the Directors of the company on 3 June 2020. The Eni Code of Ethics sets out the challenges of sustainable development and the need to take into consideration the interests of all stakeholders to clearly define the values that the company will accept, acknowledge and share as well the responsibilities it assumes, contributing to a better future. The Eni Code of Ethics is brought to the attention of every person or body having business relations with the company.

Community and the Environment

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

Business Conduct

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

Shareholders

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

On Behalf of the Board



Manfredi Giusto (Jul 30, 2020 12:06 GMT+1)

M Giusto
Director
30 July 2020

DIRECTORS' REPORT

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

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.

Consequently, 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

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

M Mantovani was appointed as a director on 7 May 2019 and resigned as a director on 5 September 2019.
C Russo resigned as a director on 10 September 2019.
C Pagano was appointed as a director on 10 September 2019.
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.

Financial instruments

Details on the use of financial instruments and financial risk management are included in the relevant notes in the financial statements.

Correction of an error

The company made a correction to the financial statements to cancel the recognition of an intangible assets initially recognised in the conversion from UK GAAP to IFRS in 2005. The recognition of the intangible asset, goodwill, was not correct per IFRS 1 "First time adoption of International Financial Reporting Standards". A restatement of the prior year's numbers was made to the opening balance sheet and shareholders' net equity at 1 January 2018.

Statement of directors' responsibilities in respect of the Directors' Report and the 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). 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 year.

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 IFRSs as adopted by the EU 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.

DIRECTORS' REPORT

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

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.

Provision of information to auditor

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

Auditor

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 489 of the Companies Act 2006, a resolution for the re-appointment of PricewaterhouseCoopers LLP as auditor of the company will be proposed at the Annual General Meeting.

Subsequent Events

The new scenario, management assumptions and consequent effects on Company's economic results, cash flow, liquidity and business prospects are currently unpredictable and in accordance with IAS 10, has to be accounted for as a non-adjusting event.

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.

By order of the Board

Riordan D'Abreo

Riordan D'Abreo (Jul 30, 2020 12:41 GMT+1)

R D'Abreo, Secretary
30 July 2020

Independent auditors' report to the members of Eni Lasmo plc

Report on the audit of the financial statements

Opinion

In our opinion, Eni Lasmo plc'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 and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; 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, the cash flow statement, 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 auditors' report to the members of Eni Lasmo plc

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 Directors' Report and the financial statements set out on page 6, 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
30 July 2020

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

	Notes	2019 \$'000	2018 \$'000
Dividend income	6	209,800	325,000
Other income	5	7	12
Depreciation, amortisation and impairment	9	-	(77,047)
Impairment of subsidiaries and associates	10	(169,165)	(502,307)
Administrative expenses	4	(3,417)	(2,498)
Reversal/(charge) of expected credit losses of receivables	11	121,824	(2,690)
Operating profit/(loss)		159,049	(259,530)
Interest receivable and similar income	2	14,709	7,807
Interest payable and similar charges	3	(29,556)	(29,200)
Profit/(loss) before taxation		144,202	(280,923)
Taxation	8	4,367	2,458
Profit/(loss) for the year		148,569	(278,465)
Other comprehensive income		-	-
Total comprehensive income/(loss)		148,569	(278,465)

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

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

	Share Capital	Share Premium	Capital Contribution Reserve	Other Reserves	Accumulated deficit	Shareholders' Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2018 (before restatement)	524,137	1,445,710	1,552,470	378,801	61,209	3,962,327
Correction of an error ¹	-	-	-	-	(157,600)	(157,600)
Balance at 1 January 2018 (restated)	524,137	1,445,710	1,552,470	378,801	(96,391)	3,804,727
Total comprehensive loss for the year	-	-	-	-	(278,465)	(278,465)
Transaction with owners in their capacity as owners						
Dividends paid (\$0.04 per share)	-	-	-	-	(50,000)	(50,000)
Balance at 31 December 2018 (restated)	524,137	1,445,710	1,552,470	378,801	(424,856)	3,476,262
Total comprehensive income for the year	-	-	-	-	148,569	148,569
Balance at 31 December 2019	524,137	1,445,710	1,552,470	378,801	(276,287)	3,624,831

¹ refer to statement of accounting policies on page 14.

For dividend distribution purposes, the distributable reserves include retained earnings and capital contribution.

**BALANCE SHEET
AS AT 31 DECEMBER 2019**

	Notes	2019 \$'000	Restated ¹ 2018 \$'000	Restated ¹ 1 January 2018 \$'000
Assets				
Current assets				
Cash and cash equivalents	12	738,999	541,280	295,829
Trade and other receivables	11	9,907	10,110	8,007
		748,906	551,390	303,836
Non-current assets				
Property, plant and equipment	9	2,210	-	74,484
Investments in subsidiaries	10	3,261,428	3,285,851	3,684,283
Investments in associates	10	53,454	53,454	157,329
		3,317,092	3,339,305	3,916,096
Total assets		4,065,998	3,890,695	4,219,932
Liabilities				
Current liabilities				
Trade and other payables	13	16,720	11,078	11,850
		16,720	11,078	11,850
Non-current liabilities				
Provisions	15	21,092	-	-
Borrowings	14	403,355	403,355	403,355
		424,447	403,355	403,355
Total liabilities		441,167	414,433	415,205
Shareholders' equity				
Share capital	16	524,137	524,137	524,137
Share premium	16	1,445,710	1,445,710	1,445,710
Capital contribution reserve	17	1,552,470	1,552,470	1,552,470
Other reserves		378,801	378,801	378,801
Accumulated deficit		(276,287)	(424,856)	(96,391)
Total shareholders' equity		3,624,831	3,476,262	3,804,727
Total shareholders' equity and liabilities		4,065,998	3,890,695	4,219,932

¹ refer to statement of accounting policies on page 14.

The financial statements from page 10 to 34 were approved by the Board on 30 July 2020.

On behalf of the Board

gian luigi ferrara
gian luigi ferrara (Jul 30, 2020 12:00 GMT+1)

G L Ferrara, Director
30 July 2020

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Profit / (loss) for the year		148,569	(278,465)
Adjustments for:			
Depreciation, amortisation and impairment	9	-	77,047
Impairment of subsidiaries and associates	10	169,165	502,307
Dividends income	6	(209,800)	(325,000)
Interest receivable	2	(14,709)	(7,807)
Interest payable	3	29,556	29,200
Tax	8	(4,367)	(2,458)
Other provision	15	1,514	-
Expected credit (gain)/losses of receivables	11	(121,824)	2,690
		(1,896)	(2,486)
Changes in working capital			
Increase in trade and other receivables	11	(986)	(2,335)
Increase/(decrease) in trade and other payables	13	1,284	(759)
Cash used in operations		(1,598)	(5,580)
Interest received	2	14,632	7,794
Interest paid	3	(29,200)	(29,200)
Tax received		1,527	-
Net cash used in operating activities		(14,639)	(26,986)
Cash flows from investing activities			
Dividends received	6	209,800	325,000
Proceeds from acquisitions of subsidiaries	15	84,836	-
Loan repayment from subsidiary		87,933	-
Investment in subsidiaries	10	(168,000)	-
Purchase of property, plant and equipment	9	(2,210)	(2,563)
Net cash generated from investing activities		212,359	322,437
Cash flow from financing activities			
Dividends paid to shareholders		-	(50,000)
Net cash used in financing activities		-	(50,000)
Net increase in cash and cash equivalents		197,719	245,451
Cash and cash equivalents at 1 January	12	541,280	295,829
Cash and cash equivalents at 31 December	12	738,999	541,280

STATEMENT OF ACCOUNTING POLICIES

General information

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

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

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, IFRIC Interpretations and the Companies Act 2006 as applicable to companies reporting under IFRS.

The financial statements have been prepared on a going concern basis. See page 6 of the Directors' Report for further details.

Adoption of new and revised standards

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 years 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.

Correction of an error

The company made a correction to the financial statements to cancel the recognition of an intangible assets initially recognised in the conversion from UK GAAP to IFRS in 2005. The recognition of the intangible asset, goodwill, was not correct per IFRS 1 "First time adoption of International Financial Reporting Standards". A restatement of the prior year's numbers was made to the opening balance sheet and shareholders' net equity at 1 January 2018.

The impact on the opening shareholders' net equity and balance sheet is as follows:

Impact on equity (decrease in equity)	31 December 2018 \$'000	Decrease \$'000	31 December 2018 (Restated) \$'000	31 December 2017 \$'000	Decrease \$'000	31 December 2017 (Restated) \$'000
Intangible assets	157,600	(157,600)	-	157,600	(157,600)	-
Retained (deficit)/earnings	(267,256)	(157,600)	(424,856)	61,209	(157,600)	(96,391)

The correction of the error had no impact on the statement of comprehensive income or cash flows for any period.

Consolidation

Consolidated financial statements have not been prepared for the company as it is a wholly-owned subsidiary of Eni S.p.A, a company incorporated in Italy, which prepares consolidated financial statements as stated in note 1.

The company has taken advantage of the exemption available under IFRS to present separate financial statements in accordance with paragraph 10 IAS 27(R). In addition, under section 400 of the Companies Act 2006 the company is exempt from the general requirement to prepare consolidated financial statements. This can be applied as the parent is established under the laws of an EEA state (European Economic Area).

STATEMENT OF ACCOUNTING POLICIES

Dividend distribution

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

Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the 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 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 annually 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 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 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 nor loss. Deferred 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 tax asset is realised or the deferred tax liability is settled. Deferred 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 tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

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 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 and losses are recognised in the profit or loss.

The US Dollar to Sterling exchange rate applied as of 31 December 2019 was 0.7579 (2018: 0.7812).

Investments

Investments in subsidiaries, associates and jointly controlled entities are shown at cost less any provision for impairment.

Property, plant and equipment

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

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

STATEMENT OF ACCOUNTING POLICIES

Intangible assets

(i) Exploration and appraisal costs

Exploration costs represent the company's share of expenditure by consortia and as operator on the exploration 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 year after a decision has been made to exploit a find but before field development programme approval has been granted, any pre-development costs that are incurred are also capitalised and carried forward. When field development programme approval is granted, the exploration and pre-development costs of that field are first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is 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.

Exploration costs written off during the year are presented in a separate line item in the statement of comprehensive income.

(i) License costs

Licence costs paid in connection with a right to explore in an existing exploration area are capitalised as intangible assets and amortised using the unit of production method based on proved developed and undeveloped oil and gas reserves for each field in production at the balance sheet date. When there is a change in the estimated total recoverable proved developed reserves of a field, the undepreciated cost is written off over the revised remaining reserves.

Licence costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine that the discovery is economically viable based on a range of technical and commercial considerations and that sufficient progress is being made on establishing development plans and timing. If no future activity is planned or the licence has been relinquished or has expired, the carrying value of the licence and property acquisition costs are written off through the profit or loss. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties.

Impairment of non-financial assets

On an annual basis, the company reviews the carrying amounts of its property, plant and equipment and those investments 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 (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.

STATEMENT OF ACCOUNTING POLICIES

Impairment of non-financial assets (continued)

An impairment loss is recognised as an expense immediately. Management has assessed its CGUs as being an individual field, which is the lowest level for which cash inflows are largely independent of those of other assets.

At the end of each reporting year, 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.

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 SpA². 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.

Revenue recognition

Interest income is recognised on a time proportion basis. Dividend income is recognised when the right to receive payment is established.

Other operating income comprises revenue from the provision of services, and other miscellaneous income. This income is recognised when the services are provided.

Financial instruments**Financial assets**

The company classifies its financial assets in the following categories: financial assets at amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at amortised cost

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 at amortised cost includes trade and other receivables.

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

Financial instruments (continued)**Impairment of financial assets**

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

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

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

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

Financial liabilities

Financial liabilities at fair value through profit or loss 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 IFRS as adopted by the EU. This requires the use of estimates and assumptions that affect the assets, liabilities, revenues and expenses reported in the financial statements, as well as amounts included in the notes thereto, including discussion and disclosure of contingent liabilities. Estimates made are based on complex or subjective judgements, past experience and other assumptions deemed reasonable in consideration of the information available at the time. The accounting policies and areas that require the most significant judgements and estimates to be used in the preparation of the financial statements are in relation to the accounting for oil and natural gas activities, specifically in the determination of proved and proved developed reserves and impairment of property, plant and equipment, goodwill and those investments measured at cost. Although the company uses its best estimates and judgements, actual results could differ from the estimates and assumptions used.

STATEMENT OF ACCOUNTING POLICIES

Use of accounting estimates, judgements and assumptions (continued)

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.

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 and impairment expense. 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.

STATEMENT OF ACCOUNTING POLICIES

Use of accounting estimates, judgements and assumptions (continued)

b) Impairment of non-financial assets

The company assesses its property, plant and equipment and those investments 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 and on a annual basis. 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.

NOTES TO THE FINANCIAL STATEMENTS

1 Parent undertakings

The company's immediate parent undertaking is Eni Investments plc.

The company's ultimate parent undertaking, Eni S.p.A., a company incorporated in Italy with registered office at Piazzale Enrico Mattei, 100144 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 Interest receivable and similar income

	2019 \$'000	2018 \$'000
Bank interest receivable – affiliates		
Affiliate companies		
Eni Finance International S.A.	14,709	7,794
Foreign exchange gain	-	13
	14,709	7,807

3 Interest payable and similar charges

	2019 \$'000	2018 \$'000
Interest payable		
Affiliate companies		
Eni America Limited	29,200	29,200
Foreign exchange loss	356	-
	29,556	29,200

4 Administrative expenses

	2019 \$'000	2018 \$'000
Administrative expenses		
Parent company		
- Eni S.p.A.	127	292
Subsidiary companies		
- Eni India Limited (note 15)	1,514	-
Affiliate companies		
- Eni UK Limited	1,262	1,174
- Eni Venezuela BV	66	82
- Banque Eni	7	-
Third parties	441	950
Total administrative expenses	3,417	2,498

In 2019 and 2018 the audit fees of the company were borne by its immediate parent company, Eni Investments Plc. For the purpose of disclosure, a fair allocation of the audit fee to the company would be \$38,025 (2018 - \$58,495).

NOTES TO THE FINANCIAL STATEMENTS

5 Other income

	2019 \$'000	2018 \$'000
Other income	<u>7</u>	<u>12</u>

6 Dividend income from group undertakings

	2019 \$'000	2018 \$'000
Subsidiary companies		
Eni Oil Algeria Limited	200,000	250,000
Eni ULT Limited	-	52,000
Lasmo Sanga Sanga Limited	-	23,000
Eni UK Holding plc	9,800	-
	<u>209,800</u>	<u>325,000</u>

7 Directors' remuneration

The directors of the company are also the directors of other affiliate companies. The parent undertaking has paid the emoluments paid to the directors for the services provided to this company and a fair allocation to the company would be approximately \$930,056 (2018: \$952,881). A fair allocation of the highest paid director would be \$296,835 (2018- \$165,824).

8 Taxation

	2019 \$'000	2018 \$'000
UK corporation tax at 19% (2018 – 19%)		
Adjustment in respect of prior periods	(4,367)	(2,458)
Taxation	<u>(4,367)</u>	<u>(2,458)</u>

The tax charge assessed for the year is lower (2018 - higher) than the standard rate of corporation tax in the UK – 19% (2018 – 19%).

NOTES TO THE FINANCIAL STATEMENTS

8 Taxation (continued)

The differences are explained below:

	2019 \$'000	2018 \$'000
Profit/(loss) before taxation	144,202	(280,923)
Taxation on loss before tax at 19% (2018 – 19%)	27,398	(53,375)
Income not taxable	(39,878)	(61,765)
Expenditure not deductible for tax purposes	16,422	110,432
Group relief (claimed)/surrendered	(3,942)	4,708
Adjustment to current tax in respect of previous periods	(4,367)	(2,458)
Total tax credit for the year	(4,367)	(2,458)

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

	2019 Unprovided amount \$'000	2018 Unprovided amount \$'000
Unrecognised tax losses carried forward	40,796	36,485

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.

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% and this change was substantively enacted in March 2020. The above calculation of unrecognised deferred tax is at 17% to reflect the position at the closing balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

9 Property, plant and equipment

	Oil and gas properties 2019 \$'000	Oil and gas properties 2018 \$'000
Cost		
At 1 January	446,272	443,709
Additions	2,210	2,563
At 31 December	448,482	446,272
Accumulated depreciation and impairment		
At 1 January	446,272	369,225
Depreciation charge for the year	-	1,271
Impairment charge for the year	-	75,776
At 31 December	446,272	446,272
Net book value		
At 31 December	2,210	-

In 2019, the company continued investing in its 40% participating interest in the development of the Junin 5 block in Venezuela with capital expenditure totalling \$2,210,000 (2018: \$2,563,000).

As a result of the annual impairment process, an impairment charge of \$nil (2018: \$75,776,000) was recognised. The 2018 impairment charge relates to the Petrojunin 5 asset. This was recognised in the statement of comprehensive income as depreciation, amortisation and impairments. The key assumptions in the test were oil and natural gas prices, production and cost profiles and the discount rate. The recoverable amount of the impaired asset is its value in use and was determined at the level of the CGU, which is Petrojunin block (2018: Petrojunin block).

The key assumptions used in the impairment tests were an inflation rate from 2.0% (2018: 2.1%), pre-tax discount rate of 18.9% (2018: 19.8%) which is the Eni Group's average cost of capital based on the indicators assumed for the 4-year plan, and an average oil price of US\$47.8/bbl (2018: US\$40.7/bbl) based on the 4-year plan.

10 Investments

Investments in subsidiary companies:

	2019 \$'000	2018 \$'000
Cost		
At 1 January	6,794,187	6,794,187
Additions for the year	210,000	-
At 31 December	7,004,187	6,794,187
Impairment		
At 1 January	(3,508,336)	(3,109,904)
Impairment charge for the year	(169,165)	(398,432)
Transfer from other provisions (note 15)	(65,258)	-
At 31 December	(3,742,759)	(3,508,336)
Net book value		
At 31 December	3,261,428	3,285,851

NOTES TO THE FINANCIAL STATEMENTS

10 Investments (continued)

As part of a group reorganisation, the company approved on 30 September 2019 two Share Transfer Deeds and one Sale and Purchase Agreement with its affiliate Eni UK Limited providing for the company to purchase the entire share capital of Eni India Limited, Eni Côte d'Ivoire Limited and Eni Mozambique Engineering Limited for a consideration of £1 each plus a consideration adjustment of \$25,578,000 and \$59,258,000 paid by Eni UK Limited to the company for the transfer of Eni India Limited and Eni Côte d'Ivoire Limited respectively corresponding to the market value of the liabilities.

During 2019, the company made the following capital injections: Eni Côte d'Ivoire Limited \$68,000,000, Eni India Limited \$6,000,000, Eni Hydrocarbons Venezuela Limited \$4,000,000 and Eni CBM Limited \$94,000,000.

Additions of subsidiary company	Investment amount \$'000
Eni Côte d'Ivoire Limited	68,000
Eni India Limited	6,000
Eni Hydrocarbons Venezuela Limited	4,000
Eni CBM Limited	94,000
VIC CBM Limited	25,500
Virginia Indonesia Co .CBM Limited	12,500
Total	210,000

On 25 October 2019, the board of directors approved the conversion of shareholder loans to capital for VIC CBM Limited and Virginia Indonesia Co. CBM Limited for \$25,500,000 and \$12,500,000 respectively.

As a result of the annual impairment review, there is an investment impairment charge of \$169,165,000 (2018: impairment charge of \$398,432,000). The impairment charge relates to Eni CBM Limited for \$94,000,000, VIC CBM Limited for \$25,500,000, Virginia Indonesia Co .CBM Limited for \$12,500,000, Eni Côte d'Ivoire Limited of \$8,742,000, Lasmo Sanga Sanga Limited of \$10,105,000, Eni UK Holdings plc £14,317,736 and Eni Hydrocarbons Venezuela Limited for \$4,000,000. The annual impairment review compares the carrying value of the company's investments to their recoverable amounts based on the fair value of subsidiaries held, calculated using their net assets and net present value of the underlying operating assets held by the subsidiaries.

Investments in associates:	2019 \$'000	2018 \$'000
Cost		
At 1 January	181,422	181,422
At 31 December	181,422	181,422
Impairment		
At 1 January	(127,968)	(24,093)
Impairment for the year	-	(103,875)
	(127,968)	(127,968)
Net book value		
At 31 December	53,454	53,454

As a result of the impairment review, there is an investment impairment charge for 2019 of \$nil (2018: impairment charge of \$103,875,000) on the Petrojunin associate due to the reduction of activities in the company's region of operation. The annual impairment review calculates the carrying value of its investments to their recoverable amounts based on the fair value of associates held, calculated using their net assets and net present value of the underlying operating assets held by the associates.

NOTES TO THE FINANCIAL STATEMENTS

10 Investments (continued)

The principal subsidiaries, associates and jointly controlled entities of the company, which are all involved in oil and gas exploration and production activities, are:

Proportion of ordinary capital held by the company as at 31 December 2019:

Company name	Country of registration	Holding	Registered address
Eni Oil Algeria Limited	England	100%	A
Lasmo Sanga Sanga Limited	Bermuda	100%	B
Eni ULX Limited *	England	100%	A
Eni Pakistan Limited*	England	100%	A
Eni ULT Limited	England	100%	A
Eni UK Holding plc	England	99.99%	A
Burren Energy plc*	England	99.99%	A
Eni CBM Limited	England	100%	A
VIC CBM Limited **	England	50%	A
Virginia Indonesia Co. CBM Limited **	England	50%	A
Petrojunin S.A. ***	Venezuela	40%	C
PetroBicentenario S.A. ***	Venezuela	40%	D
Eni Hydrocarbons Venezuela Limited	England	100%	A
Eni India Limited	England	100%	A
Eni Cote d'Ivoire Limited	England	100%	A
Eni Mozambique Engineering Limited	England	100%	A

* Indirect holdings

** Joint operations

*** Associate

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

B - Thistle House, 4 Burnaby Street, Hamilton, HM11, Bermuda

C - Avenue: Veracruz, Building PAWA, Floor 5 'Office Presidency' - Residential: Las Mercedes, City: Caracas, State: Miranda, Zip code: 1061, Country: Venezuela.

D - Avenue Libertador W/Empalme Street. Building Petroleos de Venezuela, West Tower, floor 7 of 28 La Campina, Caracas – Capital District zip 1050 Venezuela.

In the opinion of the directors, the value of the company's investments is not less than the amounts at which they are included in the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

11 Trade and other receivables

	2019 \$'000	2018 \$'000
Amounts owed by related parties		
Subsidiary companies		
Eni CBM Limited	-	86,374
Eni Hydrocarbons Venezuela Limited	-	1,421
Provision for receivables from subsidiaries	-	(87,795)
Affiliate companies		
VIC CBM Limited	-	25,236
Virginia Indonesia Co. CBM Limited	-	12,342
Petrobicentenario S.A.	35,310	36,065
Petrojunin S.A.	2,470	2,800
Provision for receivables from affiliates	(37,780)	(74,006)
Eni UK Limited	4,438	2,458
Eni Finance International S.A.	645	537
Other debtors – third parties	4,824	4,678
	9,907	10,110
Provision for expected credit losses on receivables		
At 1 January 2019	(161,801)	(158,008)
Reversal	124,021	-
Increase in the year	-	(3,793)
At 31 December 2019	(37,780)	(161,801)

On 25 October 2019, the board of directors approved a loan to equity conversion for VIC CBM Limited and Virginia Indonesia Co. CBM Limited for \$25,500,000 and \$12,500,000 respectively. The 50% shareholding in these joint ventures remains the same as the other shareholder approved a concurrent equity conversion. In December, the board approved a capital contribution into Eni CBM Limited, which led to the full repayment of the loan.

The company has applied the simplified approach to measuring expected credit losses (ECL). At the year end the company reduced the total loss allowance to \$37,780,000 (2018: \$161,801,000), this represents a decrease to the loss allowance of \$124,021,000 (2018: increase of \$3,793,000).

The decrease in the year of the expected credit losses is due to a repayment of receivable from Eni CBM Limited and the conversions of shareholder loans into capital of VIC CBM Limited and Virginia Indonesia Co. CBM Limited.

The carrying amounts of the company's third party receivables are denominated in the following currencies:

	2019 '000	2018 '000
GB Pounds	4,261	4,678
US Dollars	563	-

The carrying amounts of related party receivables are denominated in the following currencies.

	2019 '000	2018 '000
US Dollars	645	2,995
Euros	-	2,437
GB Pounds	4,438	-

NOTES TO THE FINANCIAL STATEMENTS

11 Trade and other receivables (continued)

The maximum exposure to credit risk at the reporting date is the fair values of each class of receivable mentioned above. The company does not hold any collateral security. The company believes that the carrying amounts are a reasonable approximation to the fair value.

Credit risk is the potential exposure of the company and its subsidiaries to loss in the event of non-performance by a counterparty. The credit risk arising from the company's normal commercial operations is controlled according to guidelines established by the Eni S.p.A Group. In addition, the company follows guidelines of the Eni S.p.A treasury department on the choice of highly credit-rated counterparties in their use of financial and commodity instruments, including derivatives. The company has not experienced material non-performance by any counterparty. As of 31 December 2019 the company has no significant concentrations of credit risk. The maximum exposure to credit risk is equal to the carrying amount of the trade and other receivables.

12 Cash and cash equivalents

	2019 \$'000	2018 \$'000
Cash at bank		
Affiliate company		
Banque Eni S.A.	299	280
Short term bank deposits – Affiliate company		
Eni Finance International S.A.	738,700	541,000
	738,999	541,280

The effective interest rate on short-term deposits was between 1.50% and 2.78% during 2019 (2018 – 1.50% - 3.06%). \$558,700,000 of these deposits have a short maturity of less than three months from date of acquisition (2018: \$474,000,000), with \$180,000,000 of deposits maturing within twelve months from acquisition (2018: \$67,000,000). These deposits are held with Eni Finance International S.A. which is a subsidiary of Eni S.p.A. and has a credit rating of Baa1 as issued by Moody's.

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

13 Trade and other payables

	2019 \$'000	2018 \$'000
Amounts owed to related parties		
<i>Parent company</i>		
Eni S.p.A.	-	160
<i>Affiliate companies</i>		
Eni UK Limited	367	286
Eni Venezuela B.V.	12,353	10,632
Eni Hydrocarbons Venezuela Limited	4,000	-
	16,720	11,078

On 12 December 2019, the board of directors approved a capital increase in Eni Hydrocarbons Venezuela Limited of \$4,000,000, which is expected to be paid in 2020.

The payables to related parties arise mainly from purchase of services and are due one month after the date of purchase. The payables are unsecured and bear no interest.

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

NOTES TO THE FINANCIAL STATEMENTS

14 Borrowings**Non-current**

	2019 \$'000	2018 \$'000
Affiliate company		
Eni USA Inc.	403,355	403,355

The intercompany loan with Eni USA Inc. matures in 2027. The loan carries interest rate of 7.3% (2018: 7.3%).

15 Provisions

	Other provision £'000
At 1 January 2019	-
Transfer of affiliates	
Transfer of Eni India Limited	25,578
Transfer of Eni Côte d'Ivoire Limited	59,258
Utilisation / transfer to impairment provision (note 10)	(65,258)
Increase in provision against Eni India Limited	1,514
At 31 December 2019	21,092

As part of a group reorganisation, the company approved on 30 September 2019 two Share Transfer Deeds with its affiliate Eni UK Limited providing for the company to purchase the entire share capital of Eni India Limited and Eni Côte d'Ivoire Limited for a consideration of £1 each, plus a consideration adjustment of \$25,578,000 and \$59,258,000 respectively, paid by Eni UK Limited to the company for the transfer of Eni India Limited and Eni Côte d'Ivoire Limited corresponding to the negative net equity value of the subsidiaries on 30 September 2019. The consideration adjustment is the market value of the liabilities associated to future obligations for the two companies.

In December 2019, the company made capital contributions to Eni India Limited of \$6,000,000 and to Eni Côte d'Ivoire Limited of \$68,000,000 and recognised an impairment provision of \$65,258,000 utilising the other provision created on the transfer of subsidiaries to meet the future obligations of the subsidiaries. Refer to note 10 for the movement of the impairment provision.

The remaining provision of \$21,092,000 at 31 December 2019 represents a provision to meet future obligations of Eni India Limited. The movement in this provision for the year of \$1,514,000 is included in administrative expenses (note 4).

16 Share capital

	2019 \$'000	2018 \$'000
Authorised		
1,703,812,700 (2018: 1,703,812,700) ordinary shares of £0.25 each	661,233	661,233
Issued and fully paid		
1,350,554,897 (2018: 1,350,554,897) ordinary shares of £0.25 each	524,137	524,137

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

NOTES TO THE FINANCIAL STATEMENTS

16 Share capital (continued)

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

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

Share premium of \$1,445,710,000 (2018: \$1,445,710,000) arose on issue of the share capital.

17 Capital contribution reserve

Capital contribution reserves of \$1,552,470,000 (2018: \$1,552,470,000) have accumulated since incorporation as a result of capital injections made by the parent company, Eni S.p.A.

18 Joint operations

Activity	Name of license	Place of operation	Interest held
Oil and gas	Petrojunin S.A.	Venezuela	40%
Oil and gas	Petrobicentenario S.A.	Venezuela	40%

19 Market risks

Market risks include liquidity risk, operation risk and exchange rate risk.

Liquidity risk

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

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

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

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19 Market risks (continued)

As at 31 December 2019	Less than one year \$'000	More than one year \$'000
Trade and other payables	16,720	-
Borrowings	-	403,355

Borrowings and trade and other payables will be settled on a gross basis.

As at 31 December 2018	Less than one year \$'000	More than one year \$'000
Trade and other payables	11,078	-
Borrowings	-	403,355

Borrowings and trade and other payables will be settled on a gross basis.

Operation risk

The company, its subsidiaries, associates and joint venture activities present industrial and environmental risks and are therefore subject to extensive government regulations concerning environmental protection and industrial security.

The broad scope of these activities involves a wide range of operational risks such as those of explosion, fire or leakage of toxic products, and production of non-biodegradable waste.

All these events could possibly damage or even destroy wells as well as related equipment and other property, cause injury or even death to persons or cause environmental damage. In addition, since exploration and production activities may take place on sites that are ecologically sensitive, each site requires a specific approach to minimise the impact on the related ecosystem, biodiversity and human health.

Foreign exchange rate risk

Exchange rate risk derives from the fact that the company operations are conducted in currencies other than the US Dollar (in particular the GBP) and by the time lag existing between the recording of costs and revenues denominated in currencies other than the functional currency and the actual time of the relevant monetary transaction (transaction exchange rate risk). The transaction exchange rate risk arising from payables and receivables denominated in currencies other than the functional currency, is not considered to be material due to the fact that these will be realised within 30 days. Generally speaking, an appreciation of the GBP versus the US Dollar has a positive impact on the company's results of operations, and vice-versa. Effective management of exchange rate risk is performed at the 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). At the balance sheet date the company does not hold any derivative instruments designed to manage exchange rate risk.

NOTES TO THE FINANCIAL STATEMENTS

20 Other investments

The following list of subsidiaries and associate companies include the direct and indirect investments above 20% shareholding held by the company, results of which are not material to its activities:

Name of company	Country of incorporation	Ownership	Registered address
Eni MOG Ltd (in liquidation)	UK	100%	A
(subsidiaries under Burren Energy Plc)			
Burren Energy (Bermuda) Ltd	Bermuda	100%	B
Burren Energy (Egypt) Ltd	UK	100%	A
Burren Energy India Ltd	UK	100%	A
Eni Yemen Ltd	UK	100%	A
(subsidiaries under Burren Energy (Bermuda) Ltd)			
Eni Turkmenistan Ltd	Bermuda	100%	B
Burren Energy Congo Ltd	British Virgin Islands	100%	C
Zetah Congo Ltd	Bahamas	33.33%	D
Zetah Kouilou Ltd	Bahamas	37%	D
(subsidiaries under Burren Energy India Ltd)			
Burren Shakti Ltd	Bermuda	100%	B
(subsidiaries under Eni ULT Ltd)			
Eni Middle East Ltd	UK	100%	A
Eni UHL Ltd	UK	100%	A
Eni ULX Ltd	UK	100%	A
(subsidiaries under Eni Middle East Ltd)			
Khaleej Petroleum Company WLL	Kuwait	49%	M
(subsidiaries under Eni UHL Ltd)			
Eni America Ltd	USA	100%	G
(subsidiaries under Eni America Ltd)			
Eni Oil & Gas Inc	USA	100%	G
(subsidiaries under Eni Oil & Gas Inc)			
Eni USA Inc.	USA	100%	G

NOTES TO THE FINANCIAL STATEMENTS

20 Other investments (continued)

Name of company	Country of incorporation	Ownership	Registered address
Liberty National Development Co. LLC (subsidiaries under Eni ULX Ltd)	USA	32.5%	G
Eni Indonesia Ltd	UK	100%	A
Eni Oil Holdings BV	Holland	100%	L
Eni Pakistan Ltd	UK	100%	A
Liverpool Bay Ltd (subsidiaries under Eni Indonesia Ltd)	UK	100%	A
Eni Ambalat Ltd	UK	100%	A
Eni Arguni I Ltd	UK	100%	A
Eni Bukat Ltd	UK	100%	A
Eni East Sepinggan Ltd	UK	100%	A
Eni Ganai Ltd	UK	100%	A
Eni East Ganai Ltd	UK	100%	A
Eni West Ganai Ltd	UK	100%	A
Eni Indonesia OTS 1 Ltd	Cayman Island	100%	E
Eni Krueng Mane Ltd	UK	100%	A
Eni North Ganai Ltd	UK	100%	A
Eni Rapak Ltd	UK	100%	A
Eni West Timor Ltd	UK	100%	A
Eni West Ganai Limited (subsidiaries under Eni Oil Holdings BV)	UK	100%	A
Eni Algeria Ltd Sarl	Luxembourg	100%	K
(subsidiaries under Eni Algeria Ltd Sarl)			
Eni Algeria Ltd	Algeria	100%	I
Eni Pakistan M Ltd Sarl	Luxembourg	100%	K

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

B - Thistle House, 4 Burnaby Street, Hamilton, HM11, Bermuda.

C - Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, VG1110, British Virgin Islands

D - Trident Corporate Services (Bahamas) Limited, Suite 200B, 2nd Floor, Centre of Commerce, One Bay Street, PO Box N3944, Nassau, Bahamas

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

F - Suite 3 Union Court Building, Elizabeth Avenue & Shirley Street, Nassau, Bahamas

G - Capitol Corporate Services, Inc., 1675 South State St., Suite B, Dover, Delaware 19901.

H - Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA.

I - N.13 Centre des affaires 'Business Center', Pino Maritimes - Mohammadia Algeria.

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

L - Strawinksylaan 1727, 1077XX Amsterdam.

M - PO BOX 3204, Safat, 13033, Kuwait.

NOTES TO THE FINANCIAL STATEMENTS

21 Post balance sheet events

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

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

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