

ENI OIL ALGERIA 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: 2274210

ENI OIL ALGERIA LIMITED

DIRECTORS AND REGISTERED OFFICE

BOARD OF DIRECTORS

G L Ferrara
M Giusto
M Bello
E N Turteltaub
M Trezza

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. 2274210

ENI OIL ALGERIA LIMITED

STRATEGIC REPORT

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

Review of the business

Principal activities

The company is engaged in the exploration and production of oil and gas in Algeria. The exploration and production activities are regulated by Production Sharing Agreement (PSA) operated by Anadarko through its Anadarko Algerian Company (AAC), in joint venture with Eni and Total, with the following working interests (WI):

ASSET	BLOCK	ENI (W.I.%)	OPERATOR (W.I. %)	OTHER PARTNERS (W.I.%)	CONTRACT TYPE	LEASE EXPIRY DATE
EL MERK	208	12.25	ANADARKO (24.5%)	TOTAL (12.25%) SONATRACH (51%)	PSA	2032
HBN-HBNS	404	12.25	ANADARKO (24.5%)	TOTAL (12.25%) SONATRACH (51%)	PSA	2023-2034 2023
OURHOUD	404	12.25	SONATRACH (51%)	ANADARKO (24.5%) TOTAL (12.25%)	PSA	2022

Operating review

The Company's main operating data are summarized as follows:

		2019	2018	Delta
Production	Kboe	12,374	12,636	-262
- Oil	Kbbl	9,583	10,038	-455
- Condensate	Kbbl	1,560	1,735	-175
- Gas	Kboe	1,231	863	368
- Gas	Mscm	189	132	57
Operating expenditures (OPEX)	MUSD	57	57	0
Capital expenditures	MUSD	19	22	-3
Exploration expenditures (G&G)	MUSD	-	-	-

Eni's total hydrocarbon production in 2019 is Kboe 12,374, which is lower than 2018 production (Kboe 12,636) and it is composed of liquids (90%) and natural gas (10%). The decrease is mainly due to reservoir decline.

Below the main activities for each block:

Block 404

The block is operated by "Groupement Berkine" (Anadarko & Sonatrach), the block consists of two main fields HBN (Unitized) & HBNS and 09 Satellites (HBNSE, BKNE, BKNE-B, HBNSE-12, HBNE, SFSW, RBK, QBN and BKE). B404 fields are oil bearing structure and the wells currently produce from the TAGI. The production started in Dec-1998 and the expiry date is variable for every field (starting from 2023 to 2036). In 2019 the operator Performed 18 Workover in the B404 and one well drilling.

Block 208

The Block is operated by "Groupement Berkine" (Anadarko & Sonatrach), the block consists of four main fields: EMK (Unitized), EKT, EMN and EME. The production started in 2013 and the expiry date is in 2032. In 2019 the operator Performed 01 Workover in the B208 and 06 drilling wells.

Ourhoud

Ourhoud-field is an oil bearing structure spanning over three blocks (404a, 405 & 406a), the Ourhoud field is an unitized field in the Berkine Basin and the field is operated by "Association Ourhoud" (Sonatrach). The production started in Feb-2001 and the expiry date is in 2022. No Workover nor drilling activity was performed in 2019.

STRATEGIC REPORT

Results for the year

The company's Statement of Comprehensive Income is set out on page 9. The company's profit for the year was \$162,867,000 (2018 - \$214,875,000).

Key performance indicators

Key performance indicators of the company are set out below:

	2019 \$ million	2018 \$ million	Variance \$ million
Revenue	694.2	799.1	(104.9)
Operating profit	530.4	666.8	(136.4)
Profit after tax	162.9	214.9	(52.0)
Shareholders' equity	660.5	697.6	(37.1)
Free cash flow	215.6	228.5	(12.9)

The company's performance during the year is in line with expectations. The decrease in revenue of \$104.9 million is mainly due to lower Brent price of \$65 per barrel (2018: \$71 per barrel) and to lower oil production. The decrease in operating profit of \$136.4 million relates to lower revenue and higher operational expenses and general administrative.

Sales and revenue

Quantities sold

	2019	2018
Oil	4,290,054 barrels	4,386,819 barrels
Other products	51,205 m/tonnes	57,268 m/tonnes

Sales revenue

	2019 \$ million	2018 \$ million
Oil	627.0	707.1
Other products	67.2	92.0
	694.2	799.1

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 risk exposure where possible. The principal risks and uncertainties to the company are:

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

Principal risks and uncertainties (continued)

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.

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.

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.

STRATEGIC REPORT

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.

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 22, 2020 11:50 GMT+1)

M Giusto
Director
22 May 2020

DIRECTORS REPORT

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

Future developments

The company will continue its activities in the production of oil and gas in Algeria. For the upcoming year, the operator is planning to make a series of annual workovers in all blocks (10 WO in Block 404, 9 WO in Block 208 and 7 WO in Ourhoud). Moreover, some drilling activity is also planned during 2020 (6 wells in Block 404, 4 in Block 208). No drilling activity is foreseen for Ourhoud in 2020.

Dividends

Interim dividends amounting to \$200,000,000 were paid to the sole ordinary shareholder in 2019 (2018: \$250,000,000).

Branches outside the UK

The company has a representative office registered in Algiers, Algeria.

Directors

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

L Siciliano resigned as a director on 18 January 2019
E N Turteltaub was appointed as a director on 18 January 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.

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.

Provision of information to auditors

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 auditors in connection with preparing their report) of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent 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
22 May 2020


Mila Trezza (May 22, 2020 12:39 GMT+1)

Independent auditors' report to the members of Eni Oil Algeria Limited

Report on the audit of the financial statements

Opinion

In our opinion, Eni Oil Algeria 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 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

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
22 May 2020

ENI OIL ALGERIA LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 \$'000	2018 \$'000
Revenue	2	694,195	799,107
Other service costs and expenses	3	(75,826)	(74,136)
Depreciation	10	(87,884)	(58,094)
Amortisation	9	(101)	(85)
Operating profit	4	530,384	666,792
Interest receivable and similar income	6	4,248	4,341
Interest payable and similar expenses	7	(567)	(487)
Profit before taxation		534,065	670,646
Taxation	8	(371,198)	(455,771)
Profit for the financial year		162,867	214,875
Other comprehensive income		-	-
Total comprehensive income for the year		162,867	214,875

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

ENI OIL ALGERIA LIMITED

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

	Ordinary Share Capital \$'000	Retained Earnings \$'000	Shareholders' Equity \$'000
Balance at 1 January 2018	1	732,755	732,756
Profit for the financial year	-	214,875	214,875
<i>Transactions with owners in their capacity as owners:</i>			
Dividends paid to equity shareholders	-	(250,000)	(250,000)
Balance at 31 December 2018	1	697,630	697,631
Profit for the financial year	-	162,867	162,867
<i>Transactions with owners in their capacity as owners:</i>			
Dividends paid to equity shareholders	-	(200,000)	(200,000)
Balance at 31 December 2019	1	660,497	660,498

**BALANCE SHEET
AS AT 31 DECEMBER 2019**

	Note	2019 \$'000	2018 \$'000
Assets			
Current assets			
Cash and cash equivalents	13	180,252	164,700
Trade and other receivables	12	31,436	41,140
Inventories	11	50,678	45,535
		262,366	251,375
Non-current assets			
Property, plant and equipment	10	505,728	573,541
Intangible assets	9	585	686
		506,313	574,227
Total assets		768,679	825,602
Liabilities			
Current liabilities			
Current tax liabilities	14	24,981	27,594
Trade and other payables	15	65,517	60,725
		90,498	88,319
Non-current liabilities			
Provisions	16	11,647	11,301
Deferred tax liabilities	17	6,036	28,351
		17,683	39,652
Total liabilities		108,181	127,971
Shareholders' equity			
Share capital	18	1	1
Retained earnings		660,497	697,630
Total Shareholders' equity		660,498	697,631
Total liabilities and Shareholders' equity		768,679	825,602

The financial statements from page 10 to 27 were approved by the Board on 25 February 2020 and were signed by an authorised director on behalf of the Board, at a later date.

On behalf of the Board

G L Ferrara
Director
22 May 2020

gian luigi ferrara
gian luigi ferrara (May 22, 2020 14:01 GMT+1)

STATEMENT OF ACCOUNTING POLICIES

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

General information

The company is a limited liability company, by shares, incorporated and domiciled in the UK. The company is engaged in the exploration for, and the production of oil and gas in Algeria.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006, UK GAAP, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The accounting policies have been applied consistently, other than where new policies have been adopted due to the changes in accounting standards.

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.

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.

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.

STATEMENT OF ACCOUNTING POLICIES

Foreign currencies

The functional currency of the company is US Dollars, as the majority of the company's transactions are US Dollar denominated. The company's financial statements have therefore been prepared in 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. The year-end exchange rate in GBP sterling is 0.7580 (2018 - 0.7812). Monetary assets and liabilities denominated in foreign currencies have been translated at the rates ruling at the balance sheet date. The resulting exchange gains and losses are recognised in the statement of comprehensive income.

Taxation

The tax expense represents the sum of the tax currently payable, deferred tax and an additional tax required by Algerian hydrocarbons law.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

The additional tax (windfall tax) is applicable starting from 1 August 2006 and the rate is based on a predetermined percentage dependent on the price of oil per barrel.

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.

These assets, except proven mineral interests, are depreciated using the unit of production method on a quarterly basis, using proved developed oil and gas reserves for each field in production as at the end of each quarter. Proven mineral interests are depreciated using the unit of production method on a quarterly basis, using proved developed and undeveloped oil and gas reserves for each field in production as at the end of each quarter. When there is a change in the estimated total recoverable proved developed reserves of a field, the undepreciated cost is written off over the revised remaining reserves.

Intangible assets - exploration and appraisal costs

Exploration costs represent the company's share of expenditure by consortia and previously as operator on the exploration of 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.

STATEMENT OF ACCOUNTING POLICIES

Intangible assets- exploration and appraisal costs (continued)

Where a decision has been made to exploit a find, the exploration costs are carried forward. In the period after a decision has been made to exploit a find but before field development programme approval has been granted, any pre-development costs that are incurred are also capitalised and carried forward. When field development programme approval is granted, the exploration and pre-development costs of that field are reclassified as oil and gas properties within property, plant and equipment.

Exploration wells that are being drilled at the year-end are included in intangible assets as exploration and appraisal costs until the results of the drilling are determined.

Interests in joint arrangements

IFRS 11 defines a joint arrangement as an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

IFRS 11 classifies joint arrangements into two types i.e. joint operations and joint ventures. A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The company participates in several joint operations which involve the joint control of assets used in the company's oil and gas exploration and producing activities. Interests in joint operations are recognised by including the company's share of assets, liabilities, income and expenses on a line-by-line basis. Liabilities and expenses incurred directly in respect of interests in joint operations are accounted for on an accruals basis. Income from the sale or use of the company's share of the output of joint 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 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 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. 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.

Production sharing agreement

The company has no ownership interest in Algeria oil and gas reserves but rather has the right to receive oil and gas under a production sharing agreement. Depletion is calculated using reserves on a net entitlement basis, which takes into account projections of government share of production calculated in accordance with certain price and expenditure assumptions.

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 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.

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.

Financial instruments

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. Trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Financial assets 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.

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)

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.

Dividend distributions

Dividend distributions 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.

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 decommissioning cost are accounted for as adjustments to the provision and property, plant and equipment.

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.

Use of accounting estimates, judgements and assumptions

The company's financial statements are prepared in accordance with FRS 101. This requires the use of estimates and assumptions that affect the assets, liabilities, revenues and expenses reported in the financial statements, as well as amounts included in the notes thereto, including discussion and disclosure of contingent liabilities. Estimates made are based on complex or subjective judgements, past experience and other assumptions deemed reasonable in consideration of the information available at the time. The accounting policies and areas that require the most significant judgements and estimates to be used in the preparation of the financial statements are in relation to the accounting for oil and 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 natural 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.

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 provisions

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 provisions 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, 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).

STATEMENT OF ACCOUNTING POLICIES

Use of accounting estimates, judgements and assumptions (continued)

The recognised decommissioning provisions are based on future decommissioning cost estimates and incorporate many assumptions such as: expected recoverable quantities of crude oil and natural gas, decommissioning time, future inflation rates and the discount rate.

d) Contingencies

The company accrues for all contingencies that are both probable and estimable. These contingencies are primarily related to litigation and tax issues. Determining appropriate amounts for accrual is a complex estimation process that includes subjective judgements.

ENI OIL ALGERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Parent undertakings

The company is a wholly owned subsidiary of Eni Lasmo plc.

The company's ultimate parent undertaking, Eni S.p.A., a company incorporated in Italy with registered office at Piazzale Enrico Mattei 1, 00144 Rome, will produce consolidated financial statements for the year ended 31 December 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

	2019 \$'000	2018 \$'000
Group undertaking	298,957	341,580
Third parties	395,238	457,527
	694,195	799,107

All the activities of the company are undertaken in Algeria.

For the purpose of the Companies Act 2006, the operations of the company constitutes one class of business, the exploration and production of hydrocarbon liquids and gas.

3 Other service costs and expenses

	2019 \$'000	2018 \$'000
Operating costs	57,010	56,931
Other operating charges		
Group undertaking	2,499	4,446
Parent companies	326	1,075
Third parties	15,991	11,684
	75,826	74,136

4 Operating profit

Operating profit is stated after charging the following amounts:

	2019 \$'000	2018 \$'000
Auditors' remuneration - branch		
Audit of the financial statements	91	32
Depreciation and amortisation (note 9 and 10)	87,985	58,179

In 2019 the audit fees of the head office were borne by Eni Investments Plc. For the purpose of disclosure, a fair allocation of the audit fee to the head office would be £5,354 equivalent to \$7,063 (2018 - £8,525 equivalent to \$10,912).

ENI OIL ALGERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5 Directors' emoluments and employee information

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

6 Interest receivable and similar income

	2019 \$'000	2018 \$'000
Bank interest		
Group undertaking	4,248	4,341

7 Interest payable and similar expenses

	2019 \$'000	2018 \$'000
Bank charges	4	(49)
Unwinding of discount (note 16)	563	536
	567	487

8 Taxation

The charge for the year comprises:

	2019 \$'000	2018 \$'000
Current tax at 19% (2018 – 19%)		
UK corporation tax on profits for the period	69,615	88,792
Group relief	(807)	(825)
Foreign tax credit	(68,808)	(87,967)
Foreign Tax		
Current corporation tax	391,335	456,840
Foreign taxation prior year adjustment	2,178	868
Deferred tax	(22,315)	(1,937)
	371,198	455,771

The company's activities are subject to Algerian tax at 58% (2018 - 58%).

No UK corporation tax is payable as any Algerian tax suffered generates sufficient double tax action relief to fully shelter the liability of the company to UK corporation tax.

NOTES TO THE FINANCIAL STATEMENTS

8 Taxation (continued)

The tax assessed for the period is higher (2018- lower) 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	534,065	670,646
Foreign tax expenses	(167,669)	(203,319)
	366,396	467,327
Taxation on profit before tax at 19% (2018 – 19 %)	69,615	88,792
Utilisation of foreign tax credit	(68,808)	(87,967)
Group relief	(807)	(825)
Foreign taxation prior year adjustment	2,178	868
Foreign current taxation	391,335	456,840
Foreign deferred taxation	(22,315)	(1,937)
Total taxation	371,198	455,771

9 Intangible assets

	2019 \$'000
Cost	
At 1 January and 31 December	45,180
Accumulated amortisation	
At 1 January	44,494
Charge for the year (note 4)	101
At 31 December	44,595
Net book value	
At 31 December 2019	585
At 31 December 2018	686

NOTES TO THE FINANCIAL STATEMENTS

10 Property, plant and equipment

	Oil and gas properties \$'000	Fields awaiting / under development \$'000	Total \$'000
Cost			
At 1 January 2019	1,480,246	202,501	1,682,747
Additions	211,425	(192, 208)	19,217
Revision of decommissioning estimate (note 16)	854	-	854
At 31 December 2019	1,692,525	10,293	1,702,818
Accumulated depreciation			
At 1 January 2019	1,109,206	-	1,109,206
Charge for the year (note 4)	87,884	-	87,884
At 31 December 2019	1,197,090	-	1,197,090
Net book value			
At 31 December 2019	495,435	10,293	505,728
At 31 December 2018	371,040	202,501	573,541

11 Inventories

	2019 \$'000	2018 \$'000
Materials	50,678	45,535

12 Trade and other receivables

	2019 \$'000	2018 \$'000
Trade receivables		
Third parties	31,436	32,561
Group undertaking	-	8,579
	31,436	41,140

Trade receivables from third parties relates to receivables under the terms of a production sharing contract and prepayments of income tax.

Trade receivables include \$6,693,164 (2018 - \$4,967,352) in respect of 'underlift' representing the excess of company's cumulative entitlement over its cumulative production.

13 Cash and cash equivalents

	2019 \$'000	2018 \$'000
Affiliate company		
Banque Eni S.A.	57	248
Short term deposit– Affiliate company		
Eni Finance International S.A	180,195	164,452
	180,252	164,700

NOTES TO THE FINANCIAL STATEMENTS

13 Cash and cash equivalents (continued)

Short term deposits are repayable within 3 months, and carry interest rates which vary in line with market rates. 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/P-2 as issued by Moody's.

During 2019 the effective rate has been between 1.57% and 2.53% for USD deposit (2018 – 1.46% and 2.51%).

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

14 Current tax liabilities

	2019 \$'000	2018 \$'000
Overseas current tax liabilities	24,981	27,594

15 Trade and other payables

	2019 \$'000	2018 \$'000
Trade payables		
Third parties	65,218	59,443
Parent companies	299	460
Group undertakings	-	822
	65,517	60,725

Trade payables includes \$43,780,493 (2018: \$35,011,138) in respect of 'overlift' representing the excess of company's cumulative production over its cumulative entitlement.

16 Provisions

	2019 \$'000	2018 \$'000
Decommissioning Provision		
At 1 January	11,301	12,300
Unwinding of discount (note 7)	563	536
Utilised during the year	(1,071)	(767)
Revision of cost estimate (note 10)	854	(768)
At 31 December	11,647	11,301

Decommissioning provision

The estimated cost of decommissioning relates to producing oil fields in which the company is a participant and has been estimated using existing technology, existing life of field estimates, current decommissioning cost estimates and discounted using the directors' assessment of an appropriate risk adjusted discount rate of 2.9% - 3.1% (2018: 5.2% - 5.6%). The estimated date of decommissioning of the fields is between 2026 and 2028.

NOTES TO THE FINANCIAL STATEMENTS

17 Deferred tax

Deferred tax is calculated in full on temporary differences using a tax rate of 58% (2018 - 58%) in respect of assets held in Algeria. The movement on the deferred tax amount is as shown below.

	2019 \$'000	2018 \$'000
At 1 January	28,351	45,495
Restatement of the methodology "sales method" IFRS 15	-	(15,207)
Credit to the statement of comprehensive income (note 8)	(22,315)	(1,937)
At 31 December	6,036	28,351

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net. The movements in deferred tax assets and liabilities during the period are shown below:

Deferred tax liabilities	Accelerated Capital Allowances \$'000	Under/ Over Lift \$'000	Total \$'000
At 1 January 2019	40,539	-	40,539
Utilised during the year	(19,770)	-	(19,770)
At 31 December 2019	20,769	-	20,769

Deferred tax assets	Under / Over Lift \$'000	Total \$'000
Deferred tax asset at 1 January 2019	(12,188)	(12,188)
Utilised during the year	(2,545)	(2,545)
Deferred tax asset at 31 December 2019	(14,733)	(14,733)

The net deferred tax liability to be disclosed as a non-current liability is \$6,036,000 (2018 – \$28,351,000) for continued operations.

Deferred tax is calculated using the average tax rates based on the last available actual and estimations for the four years in the four year plan.

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.

NOTES TO THE FINANCIAL STATEMENTS

17 Deferred tax (continued)

The deferred corporation 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
Foreign tax credits carried forward	(1,720,990)	(1,720,573)
Accelerated capital allowances carried forward	(209,520)	(206,091)
	<u>(1,930,511)</u>	<u>(1,926,664)</u>

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

18 Share capital

	Allotted, called up and fully paid
	2019
1,000 Ordinary shares of £1 each	£1,000
US Dollar equivalent (at historic rate USD / GBP 1.448)	\$1,448

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

19 Commitments

	2019 \$'000	2018 \$'000
At 31 December	<u>20,784</u>	<u>20,931</u>

The commitments relate to capital expenditure.

20 Joint operation

Name of license	Place of operation	Interest held
Avenant 1, 2, 3 et 4	Algeria	12.25%

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.

21. Post balance sheet events (continued)

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.