

ENI PAKISTAN 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: 00151940

ENI PAKISTAN LIMITED

DIRECTORS AND REGISTERED OFFICE

BOARD OF DIRECTORS

E Trovato
G L Ferrara
M Giusto
L Vignati
M Trezza

SECRETARY AND REGISTERED OFFICE

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

INDEPENDENT AUDITORS

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

REGISTERED IN ENGLAND NO. 00151940

ENI PAKISTAN LIMITED

STRATEGIC REPORT

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

Review of the business

Principal activities

Eni Pakistan Limited ("the Company") is engaged in the exploration for, and the production of, oil and gas in Pakistan, where the Company operates through a branch.

The Company operates the following fields:

Producing gas and condensates:

- Kirthar Petroleum Concession – Bhit D&P Lease (interest 40%)
- Kirthar Petroleum Concession – Badhra D&P Lease (interest 40%)
- Tajjal Petroleum Concession – Kadanwari D&P Lease (interest 18.42%)
- Kirthar Petroleum Concession – Badhra B North (interest 40%)

Exploration:

- Offshore Indus – N (interest 70%), Indus – C (interest 60%) and Indus – G (interest 25%)
- Sukhpur block, (interest 45%)

The Company participates in the following non-operated fields:

- Mubarak Petroleum Concession (interest 30%, operator OMV Maurice Energy Limited)

The Company is wholly owned by Eni ULX Limited which is an indirect subsidiary of Eni S.p.A., an integrated energy company operating in the oil and natural gas, electricity generation, petrochemicals, oil field services and engineering industries. Eni S.p.A. operates internationally in about 67 countries and employs around 31,000 people. Eni S.p.A. is listed on the Milan and New York Stock Exchanges.

Results and dividends

The Company's income statement is set out on page 11. The Company's profit for the financial year was \$5,136,000 (2018 – \$16,907,000). Shareholders' equity at the end of the financial year is \$65,776,000 (2018 - \$78,381,000). The Company paid a dividend of \$18,000,000, representing \$200 per share to its parent company Eni ULX Limited (2018 – \$30,000,000).

Key performance indicators

Key performance indicators of the Company are set out below:

	2019 \$'000	2018 \$'000	Variance %
Revenue	98,755	97,158	2%
Operating profit	13,082	35,257	-63%
Profit for the financial year	5,136	16,907	-70%
Net assets	65,776	78,381	-16%

Review of the business (continued)

The directors consider the performance of the Company to be in line with expectations. Revenue increased by 2% due to increase in sales price. However, the operating profit and profit for the financial year has decreased by 63% and 70% respectively mainly due to increased exploration activity during the year.

The operational performance of the producing fields has been satisfactory. The overall performance of the Bhit and Tajjal field was stable. Management anticipates the performance of the producing fields and all business investments to be satisfactory in the coming year.

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 Company, like other companies in the oil and gas sector, operates in an environment subject to inherent risks. The Company aims to mitigate risks and manage and control the exposure where possible. The principal risks and uncertainties to the Company are:

Financial risk management

Commodity Price: The Company is exposed to the effects of changes to prices of oil and subsequently prices of gas. As other companies in oil and gas sector are also facing the impact of recent steep fall in oil prices, the Company is also affected by this decrease.

Credit risk: The potential exposure of the Company to loss in the event of non-performance by counterparty. The Company follows guidelines of the Eni S.p.A. treasury department on the choice of highly credit-rated counterparties in their use of financial and commodity instruments, including derivatives.

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

Financial risk: The Company is not exposed to significant interest rate risks. The Company is exposed to foreign exchange fluctuations relating to non-USD (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.

Principal risks and uncertainties (continued)

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

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.

Employee Interests

The Directors of the company maintain a regulatory system that includes procedures to facilitate the professional development of its staff and the continued growth of the organisation.

STRATEGIC REPORT

Employee Interests (continued)

Initiatives include:

- a personal development and training procedure which aims to apply valid and reliable controls to ensure that people are competent to discharge their responsibilities safely and effectively;
- a performance management procedure that aims to improve business, safety environmental, sustainability & human capital performance by planning, allocating and evaluating work carried out by individuals on the basis of personal targets derived from company objectives; and
- participation in the internationalisation programme of the group that aims to provide wider personal experience and employment opportunities through supporting inward and outward work assignments, short-term placements and increased dialogue across professional disciplines.

The company is an equal opportunities employer and maintains Company procedures that guarantee all employees with equal access to employment opportunities.

During the year employees are provided with information about the company through various media including meetings, publications, notices, electronic mail and the company intranet. The company has been involved in a wide range of external communication and community relations activities in support of UN Sustainable Development Goals.

The Company ensures that its internal regulatory system is aligned with Eni by ensuring that all Management System Guidelines and Annexes are adopted by board resolutions or by adoption letter by the managing Director during the period.

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. On 6 March 2019 the Board of Directors approved a non-profit Budget to invest in local community relations, commercial and institutional communications, initiatives and donations for the employees and subscriptions to associations.

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

M Giusto
Director
22 May 2020


Manfredi Giusto (May 22, 2020 11:51 GMT+1)

ENI PAKISTAN LIMITED

DIRECTORS REPORT

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

Directors

The present directors of the Company are listed on page 1 and have held office throughout the year, except for the following:

F Rinaldi resigned as a director on 18 November 2019
M Giusto was appointed as a director on 18 November 2019
M Trezza was appointed as a director on 18 November 2019
A Ligrone resigned as a director on 23 February 2020
E Trovato was appointed as a director on 23 February 2020

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

Dividends

The Company paid a dividend of \$18,000,000, representing \$200 per share to its parent company Eni ULX Limited (2018 – \$30,000,000).

Branches outside the UK

The Company has a branch registered in Karachi, Pakistan.

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.

DIRECTORS REPORT

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.

Statement of director's 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.

Employee involvement

The Company maintains internal policies to facilitate the professional development of its staff and the continued growth of the organisation.

Initiatives include:

- a personal development and training policy which aims to apply valid and reliable controls to ensure that people are competent to discharge their responsibilities safely and effectively;
- a performance management policy that aims to improve business and safety performance by planning, allocating and evaluating work carried out by individuals on the basis of personal targets derived from Company objectives; and

DIRECTORS REPORT

Employee involvement (continued)

- participation in the internationalisation programme of the group that aims to provide wider personal experience and employment opportunities through supporting inward and outward work assignments, short term placements and increased dialogue across professional disciplines.

The Company is an equal opportunities employer and strengthens this philosophy by means of an objective job evaluation programme.

During the year the policy of providing employees with information about the Company has continued through various media including meetings, publications, notices, electronic mail and the Company intranet.

The Company has been involved in a wide range of external communication and community relations activities. Employees and their families have been encouraged to participate in a number of events and activities supported by the Company in the arts, sciences, technology and professional bodies.

Employment of disabled persons

The company is committed to providing equal opportunities to disabled persons. All positions are open to disabled persons and the company's policy is to afford them the same career development opportunities as are available to other employees.

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 auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

By order of the Board


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

M Trezza
Secretary
22 May 2020

Independent auditors' report to the members of Eni Pakistan Limited

Report on the audit of the financial statements

Opinion

In our opinion, Eni Pakistan 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 income statement, 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 PAKISTAN LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

	<i>Note(s)</i>	2019 \$'000	2018 \$'000
Revenue	2	98,755	97,158
Other service costs and expenses	3	(19,632)	(30,332)
Depreciation, amortisation and impairments	9,10	(66,041)	(31,569)
Operating profit	4	13,082	35,257
Interest receivable and similar income	6	775	5,534
Interest payable and similar expenses	7	(3,866)	(1,259)
Profit before taxation		9,991	39,532
Tax on profit	8	(4,855)	(22,625)
Profit for the financial year		5,136	16,907

ENI PAKISTAN LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	<i>Note</i>	2019 \$'000	2018 \$'000
Profit for the financial year		5,136	16,907
<i>Items that will not be reclassified to the income statement</i>			
Actuarial gain/(loss) related to the pension scheme	13	259	(347)
Total comprehensive income for the year		5,395	16,560

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

ENI PAKISTAN LIMITED

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

	<i>Share Capital \$'000</i>	<i>Retained Earnings \$'000</i>	<i>Shareholders' Equity \$'000</i>
Balance at 1 January 2018	174	91,647	91,821
<i>Transactions with owners in their capacity as owners:</i>			
Dividend paid (\$333 per share)	-	(30,000)	(30,000)
Profit for the financial year	-	16,560	16,560
Balance at 31 December 2018	174	78,207	78,381
<i>Transactions with owners in their capacity as owners:</i>			
Dividend paid (\$200 per share)	-	(18,000)	(18,000)
Profit for the financial year	-	5,395	5,395
Balance at 31 December 2019	174	65,602	65,776

**BALANCE SHEET
AS AT 31 DECEMBER 2019**

	Note	2019 \$'000	2018 \$'000
Assets			
Current assets			
Cash and cash equivalents	14	58,597	50,043
Trade and other receivables	12	59,983	96,410
Inventories	11	19,824	26,427
Current tax asset		9,330	4,970
		147,734	177,850
Non-current assets			
Property, plant and equipment	10	34,750	49,131
Intangible assets	9	1,561	1,542
Staff retirement benefits	13	977	225
Deferred tax assets	17	13,618	19,463
		50,906	70,361
Total assets		198,640	248,211
Liabilities			
Current liabilities			
Trade and other payables	15	67,033	97,039
Financial liabilities – borrowings	16	401	259
		67,434	97,298
Non-current liabilities			
Provisions	18	64,759	71,990
Financial liabilities – borrowings	16	671	542
		65,430	72,532
Total liabilities		132,864	169,830
Shareholders' equity			
Share capital	19	174	174
Retained earnings		65,602	78,207
Total shareholders' equity		65,776	78,381
Total shareholders' equity and liabilities		198,640	248,211

The financial statements from page 11 to 36 were approved by the Board on 5 March 2020 and were signed by an authorised director on behalf of the Board, at a later date.

On behalf of the Board

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

G L Ferrara
Director
22 May 2020

ENI PAKISTAN LIMITED

STATEMENT OF ACCOUNTING POLICIES

A summary of the principal accounting policies which have been applied throughout the year is set out below:

General Information

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

Basis of preparation

These financial statements were prepared in accordance with the Companies Act 2006, UK GAAP, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). These financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities (including derivative instruments) that have been measured at fair value through profit or loss. 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 7 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 91 to 99 of IFRS 13 Fair Value Measurement;
- (c) 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;
- (d) 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
- (e) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135c-135e of IAS 36, Impairment of Assets;
- (f) the requirements of IAS 7 Statement of Cash Flows;
- (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 paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.
- (i) 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;
- (j) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures; and
- (k) 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.
- (l) paragraph 118(e) of IAS 38 Intangible assets

Where required, equivalent disclosures are given in the group financial statements of Eni S.p.A. The group financial statements of Eni S.p.A are available to the public and can be obtained as set out in note 1.

Adoption of new and revised standards

New and amended standards and interpretations

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

STATEMENT OF ACCOUNTING POLICIES

Adoption of new and revised Standards (continued)

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

IFRS 16 “Leases”

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

Interests in joint arrangements

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

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

The Company participates in several joint operations which involve the joint control of assets used in the Company’s oil and gas exploration and producing activities. Interests in joint operations are recognised by including the Company’s share of assets, liabilities, income and expenses on a line-by-line basis. Liabilities and expenses incurred directly in respect of interests in joint operations are accounted for on an accrual basis. Income from the sale or use of the Company’s share of the output of jointly operations, and its share of joint operation expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Company and their amount can be measured reliably.

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.

Unproved mineral interests are suspended and not depreciated until promoted to proven mineral interests.

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 and undeveloped reserves of a field, the undepreciated cost is written off over the revised remaining reserves.

Bhit financing costs are depreciated using the unit of production method based on proved developed oil and gas reserves at the balance sheet date.

STATEMENT OF ACCOUNTING POLICIES

Property, plant and equipment (continued)

Freehold property and improvements, leasehold property and improvements, office equipment (comprises Office assets, fixtures and fittings and IT hardware & software) are depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

- Office assets, fixtures and fittings up to 5 years
- IT hardware & software 1 to 3 years
- Leasehold (Motor vehicles) 1 to 4 years

Freehold land and assets in the course of construction are not depreciated.

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 the sea bed for oil and natural gas up to the date of any decision to exploit various finds.

Where no decision has been made by the balance sheet date to exploit a find, the costs are accounted for in accordance with the successful efforts method. The cost of drilling exploratory wells is carried forward as an intangible asset if in the opinion of the directors there is a reasonable prospect of development of the related fields commencing within three years of commencement of drilling. Costs of exploratory dry holes are written off at the time that the wells are determined to be dry and all licence fees, geological and geophysical expenses are written off as incurred.

Where a decision has been made to exploit a find, the exploration costs are carried forward. In the period after a decision has been made to exploit a find but before 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 Property, plant and equipment.

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

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment and Intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of fair value less costs to sell and value in use. Management has assessed its cash generating 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.

ENI PAKISTAN LIMITED

STATEMENT OF ACCOUNTING POLICIES

Inventories

Inventories are stated at the lower of cost and net realisable value and represent the Company's share of inventories belonging to the consortia of which it is a member.

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 company 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.

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.

Foreign currencies

The functional and reporting currency is US Dollars as the majority of its assets and transactions are US Dollars denominated. All financial information has been rounded to the nearest thousand (\$'000), unless otherwise indicated. The year-end exchange rate to GBP Sterling is 1.3193 (2018 – 1.2802).

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 exchange gains and losses are recognised in the Income Statement unless related to a specific project when the gain or loss is capitalised.

Reimbursement of costs of the operator of the joint arrangement

When the Company, acting as an operator or manager of a joint arrangement, receives reimbursement of direct costs recharged to the joint arrangement, such recharges represent reimbursements of costs that the operator incurred as an agent for the joint arrangement and therefore have no effect on profit or loss.

When the Company charges a management fee (based on a fixed percentage of total costs incurred for the year) to cover other general costs incurred in carrying out the activities on behalf of the joint arrangement, it is not acting as an agent. Therefore, the general overhead expenses and the management fee are recognised in the income statement as an expense and income, respectively.

Dividend distribution

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

STATEMENT OF ACCOUNTING POLICIES

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.

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

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 include 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).

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)

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.

Financial liabilities

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 IFRS9 are satisfied.

Other financial liabilities are classified in the balance sheet as Trade and other payables.

Pensions

The Company contributes to a defined benefit scheme and this is accounted for under IAS 19 (Revised 2011) 'Employee Benefits'. The asset recognised in respect of the defined benefit scheme represents the fair value of the scheme's assets less the present value of defined benefit obligations.

The cost of providing the benefits is determined using the projected unit credit method. Remeasurement, comprising actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in the balance sheet with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income (OCI) is reflected immediately in retained earnings and will not be reclassified to the income statement in subsequent periods. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate to the net defined benefit asset or liability. Defined benefits costs are categorised as follows:

- Service costs (including current service cost, past-service cost, as well as gains and losses on curtailments and settlements)
- Net interest expense or income
- Remeasurement

The service costs for the period are charged to operating profit. Net interest expense or income i.e. the expected return on the scheme assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time, are included in finance expense or income. The defined benefit scheme's surplus, to the extent that it's considered recoverable, or deficit is recognised in full and presented on the face of the balance sheet.

The assets of this scheme are held in separate trustee administered funds. Pension scheme asset and liabilities are measured annually by an independent actuary.

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 recognized 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.

ENI PAKISTAN LIMITED

STATEMENT OF ACCOUNTING POLICIES

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 restoration cost, and an offsetting tangible fixed asset 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 costs are accounted for as adjustments to the provision and property, plant and equipment.

Taxation

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

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

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

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 judgments, past experience 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 fixed assets, intangible assets, decommissioning provisions, employee benefits, recovery of deferred tax assets and contingencies.

Although the Company uses its best estimates and judgements, actual results could differ from the estimates and assumptions used. A summary of significant estimates 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 judgment.

Oil and natural gas reserves have a direct impact on certain amounts reported in the Financial Statements.

STATEMENT OF ACCOUNTING POLICIES

Use of accounting estimates, judgements and assumptions (continued)

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.

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.

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.

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 non-financial 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.

STATEMENT OF ACCOUNTING POLICIES

Use of accounting estimates, judgements and assumptions (continued)

c) Decommissioning provision

Obligations to remove tangible 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 consolidated financial statements. Estimating future asset retirement obligations is complex. It requires management to make estimates and judgments 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 fair value of a liability for an asset retirement obligations in the period when it is incurred (typically, at the time, the asset is installed at the production location).

The recognized asset retirement obligations are based on future retirement cost estimates and incorporate many assumptions such as: expected recoverable quantities of crude oil and natural gas, abandonment time, future inflation rates and the discount rate.

d) Recovery of deferred tax

Judgement is required to determine which arrangements are considered to be a tax on income as opposed to an operating cost. Judgement is also required to determine whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the company will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, oil and natural gas prices, reserves, operating costs, decommissioning costs, capital expenditure, dividends and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction, as well as the availability of future profits against which tax deductions represented by the deferred tax assets can be offset. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws in the jurisdictions in which the company operates could limit the ability of the company to obtain tax deductions in future periods. Estimating deferred tax assets therefore requires significant judgement.

e) Employee benefits

Defined benefit plans and other long-term benefits are evaluated with reference to uncertain events and based upon actuarial assumptions including among others discount rates, expected rates of return on plan assets, expected rates of salary increases, medical cost trend rates, estimated retirement dates and mortality rates. The significant assumptions used to account for pensions and other post-retirement benefits are determined as follows:

- Discount and inflation rates reflect the rates at which benefits could be effectively settled, taking into account the duration of the obligation. Indications used in selecting the discount rate include rates of annuity contracts and rates of return on high quality fixed-income investments (such as government bonds). The inflation rates reflect market conditions;
- The future salary levels of the individual employees are determined including an estimate of future changes attributed to general price levels (consistent with inflation rate assumptions), productivity, seniority and promotion;
- Healthcare cost trend assumptions reflect an estimate of the actual future changes in the cost of the healthcare related benefits provided to the plan participants and are based on past and current healthcare cost trends including healthcare inflation, changes in healthcare utilization and changes in health status of the participants;
- Demographic assumptions such as mortality, disability and turnover reflect the best estimate of these future events for the individual employees involved, based principally on available actuarial data; and

STATEMENT OF ACCOUNTING POLICIES

Use of accounting estimates, judgements and assumptions (continued)

Determination of expected rates of return on assets is made through compound averaging. For each plan, the distribution of investments among bonds, equities and cash and their specific average expected rate of return is taken into account.

f) 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 judgments.

g) Fair value measurements

Under IFRS 13, fair value measurements should be classified using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

ENI PAKISTAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Parent undertakings

The Company is a wholly owned subsidiary of Eni ULX Limited.

The Company's ultimate parent undertaking, Eni S.p.A., a company incorporate 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 in Eni S.p.A.

2. Revenue

	2019 \$'000	2018 \$'000
Third parties	98,755	97,158

The Company's business is oil and gas exploration and production within Pakistan.

For the purpose of the Companies Act 2006, the operations of the Company constitute one class of business, the exploration and production of hydrocarbons liquid and gas.

3. Other service costs and expenses

	2019 \$'000	2018 \$'000
Service costs and expenses from group undertakings	753	507
Others		
- Expense due to Workers Profit Participation Fund	495	1,814
- Third parties	18,384	28,011
	19,632	30,332

Workers Profit Participation Fund (WPPF)

The Workers Profit Participation Fund was created as under the laws of Pakistan a company is required to allocate a certain share of its profit to the workers. The expense comprises the movement in this fund provision and other associated costs.

Staff Costs	2019 \$'000	2018 \$'000
Wages and salaries	18,821	21,296
Social security costs	1,962	1,469
Other pension costs	988	1,316
Retirement benefits (note 13)	448	513
	22,219	24,594

The staff costs were partially recharged to partners in the amount of:

	2019 \$'000	2018 \$'000
Recharge to partners	10,281	11,744

ENI PAKISTAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Other service costs and expenses (continued)

The monthly average number of persons employed by the Company during the year:

	2019 Number	2018 Number
By activity:		
Administration	75	88
Operations	251	257
	326	345

4. Operating profit

Operating profit is stated after charging the following amounts:

	2019 \$' 000	2018 \$' 000
Depreciation, amortisation and impairments (note 9 and 10)	66,041	31,569

Auditors' remuneration for the branch for 2019 was \$38,946 (2018 - \$25,879). This year and last year's head-office auditors' remuneration was borne by Eni Investments Plc. For the purpose of disclosure, a fair allocation of the audit fee of head office would be £4,098 (2018 - £6,528).

5. Directors' emoluments

The directors' emoluments were as follows:

	2019 \$	2018 \$
Emoluments	836,446	834,193

No directors (2018 – nil) had benefits accruing under the defined benefit pension scheme, defined bonus scheme, money purchase scheme and no share options were exercised.

The directors' stock option are reported in the financial statements of Eni S.p.A.

The remuneration of the highest paid director amounts to \$836,446 (2018: \$834,193).

6. Interest receivable and similar income

	2019 \$'000	2018 \$'000
Affiliate Company		
Group undertakings	717	618
Third parties	58	8
Exchange gains	-	4,908
	775	5,534

ENI PAKISTAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Interest payable and similar expenses

	2019 \$'000	2018 \$'000
Finance charges		
Third parties	131	37
Unwinding of discount (note 18)	1,300	1,222
Exchange losses	2,435	-
	3,866	1,259

8. Tax on profit

	2019 \$'000	2018 \$'000
Current tax at 19% (2018 – 19%)		
- UK corporation tax on profit for the financial year	-	-
- Adjustment in respect of previous financial years	-	-
Total Current Tax	-	-
Deferred tax (note 17)		
-Current year	5,490	11,355
Total Deferred Tax	5,490	11,355
Foreign tax		
- Foreign tax	1,022	11,306
- Adjustment in respect of foreign tax of previous financial years	(1,657)	(36)
Total foreign Taxes	(635)	11,270
Total taxes	4,855	22,625

Factors affecting tax charge for the year

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

	2019 \$'000	2018 \$'000
Profit before taxation	9,991	39,532
Taxation on profit before taxation at 19% (2018 – 19%)	1,898	7,511
Income not taxable	(48)	(20)
Expenses not allowable for tax	-	-
Group relief claimed	(64)	(77)
Foreign tax	1,022	11,306
Foreign tax credit	(1,071)	(10,242)
Movement in deferred tax not recognised	(715)	2,828
Foreign deferred tax	5,490	11,355
Adjustment in respect of foreign tax of previous financial years	(1,657)	(36)
Total tax charge for the financial year	4,855	22,625

ENI PAKISTAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Intangible assets

	<i>Computer software</i> \$'000	<i>Exploration Cost</i> \$'000	<i>Total</i> \$'000
Cost			
At 1 January 2019	5,041	69,867	74,908
Additions	30	-	30
At 31 December 2019	5,071	69,867	74,938
Accumulated amortisation			
At 1 January 2019	(5,038)	(68,328)	(73,366)
Charge for the year (note 4)	(11)	-	(11)
At 31 December 2019	(5,049)	(68,328)	(73,377)
Net book value			
At 31 December 2019	22	1,539	1,561
At 31 December 2018	3	1,539	1,542

10. Property, plant and equipment

	<i>Office equipment</i> \$'000	<i>Lease-hold (motor vehicles)</i> \$'000	<i>Unproved Mineral Interest</i> \$'000	<i>Proved Mineral Interest</i> \$'000	<i>Oil and gas properties</i> \$'000	<i>Bhit financing cost</i> \$'000	<i>Total</i> \$'000
Cost							
At 1 January 2019	22,609	1,548	9,177	238,078	624,265	1,315	896,992
Additions/transfers	538	547	-	-	48,261	-	49,346
Disposals	-	(716)	-	-	-	-	(716)
Revision of decommissioning estimate (note 18)	-	-	-	-	2,409	-	2,409
At 31 December 2019	23,147	1,379	9,177	238,078	674,935	1,315	948,031
Accumulated depreciation							
At 1 January 2019	(21,423)	(738)	(9,177)	(234,348)	(580,859)	(1,315)	(847,860)
Impairment	-	-	-	-	(4,633)	-	(4,633)
Disposals	-	609	-	-	-	-	609
Charge for the year (Note 4)	(120)	(505)	-	(1,903)	(58,869)	-	(61,397)
At 31 December 2019	(21,543)	(634)	(9,177)	(236,251)	(644,361)	(1,315)	(913,281)
Net book value							
At 31 December 2019	1,604	745	-	1,827	30,574	-	34,750
At 31 December 2018	1,186	810	-	3,730	43,405	-	49,131

During 2019, the company recognised \$4,633,000 impairment in relation to the Mubarak, Tajjal and Kirthar-Badhra assets following the annual impairment review (2018 - \$8,468,000). The annual impairment review identifies the carrying value of assets to their recoverable amounts.

ENI PAKISTAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Inventories

	2019 \$'000	2018 \$'000
Materials	19,824	26,427

The inventory movement was recognised in Other services costs and expenses (note 3).

12. Trade and other receivables

	2019 \$'000	2018 \$'000
Trade receivables	23,532	32,211
Less: provision for impairment of trade receivables	(252)	(355)
Trade receivables – Net	23,280	31,856
Other receivables		
Parent Company	208	165
Group undertakings	4,434	5,793
Joint venture partners	26,409	43,672
Third parties	5,652	14,924
	59,983	96,410

As of 31 December 2019, trade receivables of \$252k (2018 - \$355k) were impaired. The amount of the provision was \$252k as of 31 December 2019 (2018 - \$355k).

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

13. Retirement benefits

The Company sponsors the Eni Pakistan Limited Retirement Benefits Scheme which is a defined benefit arrangement.

The principal assumptions made by the actuaries were:

	2019 %	2018 %
Rate of increase in pensionable salaries	11.25	13.25
Discount rate	11.25	13.25
Expected return on plan assets	10.81	5.35
Rate of price inflation	6.80	4.80

The expected return on plan assets is based on market expectation at the beginning of the financial year for return over the entire life of the benefit obligation.

For the purpose of evaluation different ultimate mortality tables, SLIC (2001-05) in 2019 and 2018 were used.

The amounts recognised in the balance sheet are determined as follows	2019 \$'000	2018 \$'000
Present value of funded obligations	(6,157)	(6,619)
Fair value of plan assets	7,134	6,844
Net asset recognised in the balance sheet	977	225

ENI PAKISTAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Retirement benefits (continued)

Plan assets do not include investments in real estate.

	2019	2018
	\$'000	\$'000
Analysis of the movement in balance sheet		
Opening balance at start of the year	227	21
Exchange difference	(24)	(4)
Adjusted opening balance	<u>203</u>	<u>17</u>
Expense recognised	(447)	(512)
Remeasurement gain recognised	615	(506)
Payments made by the Company on behalf of fund	<u>607</u>	<u>1,228</u>
Balance at the end of the year	<u>978</u>	<u>227</u>
Expense recognised during the year		
	2019	2018
	\$'000	\$'000
Current service cost	473	514
Interest cost	800	494
Expected return on plan assets	<u>(825)</u>	<u>(495)</u>
Total expense recognised during the year (Note 3)	<u>448</u>	<u>513</u>
Analysis of movement in other comprehensive income		
	2019	2018
	\$'000	\$'000
Actuarial gain/(loss)	<u>259</u>	<u>(347)</u>
Total actuarial gain/(loss) recognised during the year	<u>259</u>	<u>(347)</u>
Actual return on plan assets		
	2019	2018
	\$'000	\$'000
Actual return	<u>1,000</u>	<u>(139)</u>
Analysis of the movement in fair value of plan assets		
	2019	2018
	\$'000	\$'000
Fair value of plan assets at 1 January	6,844	7,719
Exchange difference	(710)	(1,583)
Adjusted opening balance	<u>6,134</u>	<u>6,136</u>
Expected return on plan assets	825	495
Benefits paid from the fund*	-	847
Actuarial gain/(loss) on plan assets	<u>175</u>	<u>(634)</u>
Fair value of plan assets at 31 December	<u>7,134</u>	<u>6,844</u>

*Prior year benefits payable were settled by the Company

ENI PAKISTAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Retirement benefits (continued)

Analysis of the movement of benefit obligation

	2019 \$'000	2018 \$'000
Benefit obligation at 1 January	6,619	7,698
Exchange difference	(688)	(1,579)
Adjusted opening balance	5,931	6,119
Current service cost	473	514
Interest cost	800	494
Actuarial loss	(440)	(128)
Benefits paid from plan	(607)	(380)
Benefit obligation at 31 December	6,157	6,619

Sensitivity analysis on plan obligation

	Discount rate -0.25% i.e. 11.00%	Benchmark Discount rate 11.25%	Discount rate +0.25% i.e. 11.50%
	\$ '000	\$ '000	\$ '000
Sensitivity to trend rate assumptions			
Present value of obligation (31 December 2019)	6,350	6,157	5,965
Service cost at 31 December 2019	487	473	458

	2019 \$'000	%	2018 \$'000	%
Composition of the fair value of plan assets				
Bonds	732	10	2,168	32
Cash	106	1	76	1
Other*	6,296	89	4,600	67
Total	7,134	100	6,844	100

*Other includes Market Treasury Bills, Mutual funds and amounts payable to employees that will be settled by the Company.

	2019 \$'000	2018 \$'000
Historical analysis of pension scheme		
Fair value of plan obligations	(6,157)	(6,619)
Fair value of plan assets	7,134	6,844
Surplus	977	227
Experience gain on plan obligations	440	128
Percentage of present value of plan obligations	7%	2%
Experience gain/(loss) on plan assets	175	(634)
Percentage of plan assets	2%	9%

Plan assets are measured at fair value use Level 1 valuation techniques in both years.

There have been no transfers between fair value levels during the financial year.

ENI PAKISTAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Cash and cash equivalents

	2019 \$'000	2018 \$'000
Cash at bank and in hand		
- Group undertakings	8,249	1,369
- Third parties	13,548	7,974
Short term deposit		
- Group undertakings	36,800	40,700
	58,597	50,043

15. Trade and other payables

	2019 \$'000	2018 \$'000
Trade creditors		
Third parties	59,058	84,133
Other payables	2,911	7,748
Amounts owed to		
Parent Company	4,926	4,974
Group undertakings	138	184
	67,033	97,039

16. Financial liabilities – borrowings

	2019 \$'000	2018 \$'000
Current		
Loan from group companies (i)	-	7
Current portion of liabilities against asset subject to finance lease (ii)	401	252
	401	259
Non-current		
Liabilities against asset subject to finance lease (ii)	671	542
	1,072	801

(i) Loan from group companies does not carry any interest.

(ii) Rentals of the liabilities against asset subject to finance lease are repayable on a monthly basis with a purchase option at the end of the lease term. The implicit rate on the arrangement is 7.63%.

	2019			2018		
	Minimum lease payment \$'000	Finance cost allocated \$'000	Principal \$'000	Minimum lease payment \$'000	Finance cost allocated \$'000	Principal \$'000
Not later than 1 year	517	116	401	310	58	252
Later than 1 year but not later than 5 years	873	202	671	660	118	542
	1,390	318	1,072	970	176	794

ENI PAKISTAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Deferred tax

Deferred tax is calculated in full on temporary differences using a tax rate of 40% (2018 – 40%) being the rate applicable in Pakistan. The movement on the deferred tax account is shown below:

Total Deferred Tax	2019	2018
	\$'000	\$'000
At 1 January	(19,463)	(30,505)
Charge/(Credit) to the income statement	5,490	11,355
Credit to equity	355	(232)
IFRS adjustment	-	(81)
At 31 December	(13,618)	(19,463)

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 financial year are shown below:

Deferred tax liabilities	Pension Provision	Accelerated Capital Allowance	Total
	\$'000	\$'000	\$'000
At 1 January 2019	393	-	393
Provided during the year	282	-	282
At 31 December 2019	675	-	675

Deferred tax assets	Decomm. Costs	Accelerated Capital Allowance	Other provision	Total
	\$'000	\$'000	\$'000	\$'000
At 1 January 2019	(1,544)	(6,089)	(12,223)	(19,856)
Provided / (utilised) during the year	1,528	(318)	4,280	5,490
Charge to equity	-	-	73	73
Transfer	16	(16)	-	-
At 31 December 2019	-	(6,423)	(7,870)	(14,293)

We note that the deferred tax asset is capable of being offset against the deferred tax liability.

Deferred tax assets have been offset against the deferred tax liabilities above with the exception of the deferred tax assets on the decommissioning provision. The net deferred tax liability to be disclosed as a non-current liability is \$nil (2018 - \$nil) for continued operations.

The deferred tax assets relating to decommissioning is \$nil (2018 - \$1,544,000). The net deferred tax assets excluding decommissioning to be disclosed as a non-current asset is \$13,618,000 (2018 - \$17,919,000).

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.

ENI PAKISTAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

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	-	-
Accelerated capital allowances carried forward	110,409	114,780
	110,409	114,780

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. Provisions

	Decommissioning \$'000	WPPF and Others \$'000	Total \$'000
At 1 January 2019	27,750	44,240	71,990
Unwinding of discount (note 7)	1,300	-	1,300
Charge to income statement	-	(10,940)	(10,940)
Revision of cost estimate (note 10)	2,409	-	2,409
At 31 December 2019	31,459	33,300	64,759

Decommissioning provision

A provision of \$31.5m has been recognised for decommissioning costs relating to producing fields in which the Company is a participant in Pakistan. The provision has been estimated using a discount rate ranging from 2.417 to 4.054. These liabilities are expected to crystallise between 2020 and 2026.

Workers Profit Participation Fund (WPPF)

Under the laws of Pakistan, a Company is required to allocate a certain share of its profits for the workers or deposit the same amount into government treasury. Of the above, a provision of \$ 20.7m primarily exists as at 31 December 2019.

Depletion allowance

Under the laws of Pakistan, the Company is allowed to claim a depletion allowance for the purpose of tax calculation. The tax department has disputed the calculation of this depletion allowance. In 2018 the depletion allowance provision amounts to \$10.9m. The provision is calculated on the basis of tax demands wherever raised and tax returns filed.

Flood surcharge

The Government of Pakistan has levied a surcharge called flood surcharge. The Branch has disputed the claim as it considers it to be in violation of the Petroleum Concession Agreements. However, it has provided for the surcharge amount in its books amounting to \$0.8m.

Super Tax

Super tax has been introduced by the Government of Pakistan through Finance Act, 2015 whereby 3% of super tax is payable if the income of the Company is PKR 500 million or more. This levy has been disputed in the Sindh High Court by the Company. As at 31st December 2019 an amount of \$0.6m (2018 - \$1.2m) has been provided.

ENI PAKISTAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Share capital

	2019 \$' 000	2018 \$' 000
90,087 (2018 – 90,087) Ordinary shares of £1 each		
Issued, allotted and fully paid at 31 December	174	174

20. Commitments

Contingent liability

The Company has given indemnity bonds to the Collector of Customs to claim exemptions of levies including custom duties and sales tax on import of machinery, equipment, materials, spares, chemicals and consumables for Contracting and Procurement, amounted to \$0.06m as at 31 December 2019 (2018 - \$0.04m). These bonds will be released by the Custom Authorities upon submission not later than five years from the date of import of these items, of certificate of consumption / installation which are to be issued by the Director General Petroleum Concessions after due verification thereof.

The Corporate Guarantees total at 31 December 2019 was \$2.838m.

The Company has commitments aggregating to \$2.838m as at 31 December 2019 (2018 - \$6.073m) under the Petroleum Concession Agreements of: Sukhpur (\$0.147m), Offshore C (\$2.068m) and Offshore G (\$0.623m).

21. Joint operations

Name of license	Place of operation	Interest held
Kirthar	Pakistan	40%
Tajjal	Pakistan	18.42%
Offshore Indus N	Pakistan	70%
Offshore Indus C	Pakistan	60%
Offshore Indus G	Pakistan	25%
Sukhpur	Pakistan	45%
Mubarak	Pakistan	30%

22. 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.

22. Post balance sheet events (continued)

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.