

**ENI UK LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

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

**Registered Number: 00862823**

# ENI UK LIMITED

## CONTENTS

<b>Board of Directors</b>	Board of Directors	2
<b>Chairman and Managing Director's Review</b>	Review of the year	3
	Services to Group Companies	4
	Outlook	4
<b>Strategic Report</b>	Review of the business	5
	<i>Principal activities</i>	5
	<i>Results for the year</i>	5
	<i>Key performance indicators</i>	5
	<i>Production</i>	6
	<i>Operated production</i>	6
	<i>Non-operated production</i>	7
	<i>Other development projects</i>	8
	<i>Exploration</i>	8
	<i>Research and Development</i>	9
	<i>Group reorganisation</i>	9
	<i>Future development</i>	9
	<i>Health, Safety and Environment</i>	9
	<i>Joint venture consortia – strategic core assets</i>	10
	Principal risks and uncertainties	11
	Section 172(1) UK Companies Act 2016 ("Act") Statement	11
<b>Directors' Report</b>	Directors	13
	Dividends	13
	Going concern	13
	Post balance sheet events	13
	Personnel	13
	Employee involvement	13
	Employment of disabled persons	14
	Financial instruments	14
	Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statement	14
	Corporate governance	14
	Provision of information to auditors	14
	Independent Auditors	15
<b>Independent Auditors' Report</b>	Independent Auditors' Report	16
<b>Financial Statements</b>	Income Statement	18
	Statement of Other Comprehensive Income	19
	Statement of Changes in Shareholders' Equity	20
	Balance Sheet	21
	Cash Flow Statement	22
	Statement of Accounting Policies	23
	Notes to the Financial Statements	33

## **ENI UK LIMITED**

### **DIRECTORS AND REGISTERED OFFICE**

#### **BOARD OF DIRECTORS**

C A Pagano  
A Mongini  
M Giusto  
G L Ferrara  
R Stallard

#### **SECRETARY AND REGISTERED OFFICE**

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

#### **INDEPENDENT STATUTORY AUDITORS**

PricewaterhouseCoopers LLP  
The Capitol  
431 Union Street  
Aberdeen  
AB11 6DA

## ENI UK LIMITED

### CHAIRMAN AND MANAGING DIRECTOR'S REVIEW

#### Review of the year

We are reporting a net profit from continuing operations of Eni UK Limited ("the company") for 2019 of £107.6 million (2018: £275.9 million profit).

The decrease in net profit is mainly attributable to lower commodity prices and lower production.

This review includes reference to the company's subsidiaries and group affiliates that have operations in the UK, Ireland and Denmark, managed by the company as service provider (referred to throughout the Annual Report and Financial Statements as Eni UK companies).

At the end of 2019, Eni UK participates in 6 exploration licences with equity interest ranging between 15.8% and 100%, of which 4 licences are operated. In 2019, focusing on portfolio rejuvenation, the company applied for an operated licence during the 32<sup>nd</sup> Offshore Licencing Round (awaiting award results, expected by Q2/3 2020).

The overall production of the Eni UK companies in 2019 was 20,061 kboe (2018 – 21,389 kboe) or 55 kboed (2018 – 58.6 kboed).

Production from the Liverpool Bay assets was 4,469 kboe (2018: 4,872 kboe). The decrease was as a result of natural decline. The losses have been mitigated by a campaign of production optimization activities to reduce the suction pressure at the Booster Compressor for the gas lines, and by the daily optimization of the well line-up and processing facilities.

Production of Hewett (company share, including certain Eni UK companies) was 765 kboe (2018 – 987 kboe). The Oil and Gas Authority (OGA) has approved the cessation of production. It is now scheduled over the period from the third quarter 2019 to fourth quarter 2020.

Production from one of the key assets, the Elgin/Franklin fields (share 21.87%) held by Eni Elgin/Franklin Limited (100% owned subsidiary) was 9,570 kboe, compared to 10,003 kboe in 2018 (Eni UK companies' share). Production was lower in 2019 than 2018 primarily due to the restriction imposed by the Forties Pipeline System (FPS) during summer to all fields connected to the FPS network. Two new wells have been connected during 2019: EIF in August and FIC in December. Currently a slot recovery is ongoing to spud-in another Franklin well (FID).

The company holds a 33% interest in the J-Block, Joanne and Jasmine fields and a 7% interest in the Jade field. The production in 2019 from the J-Block 4,096 kboe compared to 5,450 kboe in 2018 (Eni UK companies' share). The reduction in 2019 compared with 2018 was due primarily to the shutdown of all the fields due to the planned three yearly turnaround for facilities maintenance. The natural decline in the Jasmine and J-Block fields was mitigated by drilling activities and completion of two new wells, one in the Joanne North culmination (S13) and one is Merida exploration well drilled the Jasmine West Limb area (S15). In addition, well S7 in Jasmine has been recompleted in the Paleocene Sands.

Major exploration activity during the year comprised the drilling of two operated exploration wells, namely "Rowallan well" in the Central North Sea and "Aspen well" in the Southern North Sea. Rowallan well was drilled between December 2018 and May 2019 and Aspen well was drilled between October 2019 and November 2019. Both wells were drilled within planned time and budget, however wells did not contain commercial discoveries. A write off of exploration costs amounting to £27.6m was recognised in the income statement in the year as a result of the unsuccessful wells.

Eni UK Limited also participated in a non-operated exploration well "Merida" (ConocoPhillips/ Chrysaor operated); the well was successful and tied to production in November 2019.

Eni Ireland B.V. (Eni Ireland), an affiliate company, participates in 2 exploration licences, FEL 3/04 and FEL 12/18, with interest share of 36.913% and 100% respectively, both located in the deep offshore of west Ireland. The main events of the year were studies and preparation for drilling the Dunquin South prospect in the FEL 3/04 and G&G studies and preparation for the 3D seismic survey in the FEL 12/18. During Q4, Eni Ireland applied to withdraw from both its licences following the change of position by the Irish government on the future of oil and gas exploration activities.

## ENI UK LIMITED

### CHAIRMAN AND MANAGING DIRECTOR'S REVIEW

#### Review of the year (continued)

Eni Denmark B.V. (Eni Denmark), an affiliate company, have participated in two North East Greenland offshore exploration licence awarded in 2013 and 2014, namely Block 8 – Amaroq and Block 3 - Qialivaq. Eni Denmark held an interest of 35% and 44% (W.I. 40% and 50% respectively) and was Operator. At the end of the initial Exploration Term (31 December 2018), the JV partners unanimously decided to relinquish both the licences. During 2019, Eni has been following up with the Greenland Authorities regarding formal relinquishment notice from the Authorities.

As part of a group reorganisation, the company approved on 30 September 2019 two Share Transfer Deeds and one Sale and Purchase Agreement with its affiliate Eni Lasmo plc providing for the company to sell the entire share capital of Eni India Limited, Eni Côte d'Ivoire Limited and Eni Mozambique Engineering Limited.

#### SERVICES TO GROUP COMPANIES

During 2019, the company continued its activities as a service provider to other affiliate companies and subsidiaries, in the areas of human resources, finance, management support and legal advisory and corporate services. In addition, the company continued to provide services to the upstream operations in Ireland and technical, administrative and business development services to the parent company, Eni S.p.A, and to other affiliates worldwide.

#### Outlook

Looking to the future, exploration will remain the engine of our long-term organic growth, while we will continue to focus our energy on fast tracking the development of projects and maximizing cost efficiency. To capture all possible upside for our shareholders, we will maintain low cash neutrality.

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 UK 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.

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.

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 group and the company are currently evaluating the effects of these developments on the oil price scenario and implementation of management actions to mitigate negative effects.

The company and its management are both appropriately skilled and strongly committed to guarantee the compliance to UK standards and best practices in Health Safety and Environment and meet the challenging financial and operational objectives.

  
Ciro Antonio Pagano (Apr 27, 2020)

**Ciro Antonio Pagano**  
Chairman

  
Manfredi Giusto (Apr 27, 2020)

**Manfredi Giusto**  
Managing Director

27 April 2020

## ENI UK LIMITED

### STRATEGIC REPORT

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

This strategic report also includes reference to certain company's subsidiaries and group affiliates who have operations in the UK, Ireland and Denmark (hereinafter referred to as Eni UK companies).

### REVIEW OF THE BUSINESS

#### PRINCIPAL ACTIVITIES

The company is a private company and 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 30,950 people. Eni S.p.A. is listed on the Milan and New York stock exchanges.

The company has participating interests in a number of exploration and production licences in the UK sector of the North Sea. In addition, the company, through service agreements, manages all the Eni Group producing and exploration assets in the UK and the exploration activities of affiliated companies operating in Ireland and Greenland.

#### Results for the year

The results for the year are set out in the Income Statement on page 18 of the financial statements. There was a net profit for the financial year to 31 December 2019 of £107.6 million (2018 profit: £275.9 million).

#### Key performance indicators

Key movements in quantities sold and revenues compared to last year are analysed below:

##### Sales and revenues

The sales and revenue of the company are analysed below:

Quantities sold	2019	2018
Oil	2,031,390 barrels	1,874,584 barrels
Other products	51,414 m/tonnes	60,781 m/tonnes
Gas	164,368,996 therms	174,636,699 therms
Sales revenues	2019	2018
	£'000	£'000
Oil	99,345	103,794
Other products	16,181	23,451
Gas	59,617	99,276
	175,143	226,521

The company's sales and revenue decreased by £51.3 million during 2019 compared to prior year due to a combination of decrease in prices and lower production. Gas prices reduced significantly during 2019.

The decrease in operating profit is mainly due to a decrease in revenue, an increase in depreciation, amortisation and impairment of £50.7 million, an increase in other service costs and expenses of £24.9 million and exploration costs written off amounting to £27.6 million (2018: nil), as a result of two unsuccessful exploration wells. This net decrease is partially offset by an increase in other income of £6.1 million from recharges to intercompany affiliates and third parties, a gain on disposal of assets of £4.6 million and a gain on disposal of intangible assets of £1.2 million from two farm out transactions.

The decrease in profit before tax is mainly due to a loss on disposal of subsidiaries of £68.6 million (2018: nil), an impairment in investment of £22.8 million (2018: £9 million), partially offset by higher dividend income than in the prior year.

Total taxes for the year is a £18.1 million credit compared to a £42.4 million charge in 2018 - a movement of £60.5 million - representing a 143% decrease on the 2018 tax charge. This annual swing comprises mainly a £41.4 million reduction in UK corporation tax because of tax losses generated from a 2-well operated exploration campaign, higher decommissioning expenditure as well as lower revenues from decreasing production and lower gas prices when compared to 2018. Increased deferred tax assets from higher decommissioning estimates and unused tax allowances of £8.9 million and £3 million respectively also contributed to the swing.

## **ENI UK LIMITED**

### **STRATEGIC REPORT (continued)**

#### **REVIEW OF THE BUSINESS (CONTINUED)**

##### ***Production***

The overall production of the Eni UK companies in 2019 was 20,061 kboe (2018 – 21,389 kboe) or 55 kboed (2018 – 58.6 kboed). There was an overall decrease in production of 7%.

The production of Eni UK Limited in 2019 was 5,579 kboe (2018 – 5,866 kboe) or 15 kboed (2018 – 17 boed).

The performance of Eni UK companies' key fields is presented below.

##### ***Operated production***

###### **Liverpool Bay**

Eni UK companies hold 100% interest in Liverpool Bay oil and gas fields since April 2014. 91.1% equity interest is held by Eni ULX Limited and 8.9% equity interest is held by Eni AEP Limited, a wholly-owned subsidiary. The Liverpool Bay Area development in the East Irish Sea area consists of an integrated development of the Douglas oilfield, together with the Lennox gas cap field and Hamilton, Hamilton North and Hamilton East gas fields.

In 2019, production was 4,469 kboe (2018: 4,872 kboe). The decrease was a result of natural decline. The losses have been mitigated by a campaign of production optimization activities to reduce the suction pressure at the Booster Compressor for the gas lines, and by the daily optimization of the well line-up and processing facilities.

Operational activities were focused on improving production performance and uptime by addressing single points of failure and asset integrity.

The revised Transportation and Processing agreement with Uniper, which came into effect in October 2016 and revised in 2018 has continued to deliver increased revenue recovery from the direct sale of Liverpool Bay produced gas to the Transmission System via Eni Trading and Shipping S.p.A..

Eni UK Limited is the operator of Liverpool Bay, however the company does not hold any equity interest in the joint venture.

###### **Hewett**

Eni Hewett Limited, a wholly-owned subsidiary, operates the Hewett Area. Eni UK Limited holds 24.66% in the Hewett Area. The Hewett Area gas fields are located in the Southern North Sea and production is currently via four subsea production wells and twenty-two platform wells. Infrastructure consists of three single structure satellite platforms and the main Hewett complex, which consists of a production platform, a terminal platform and an accommodation platform. Production is exported via a single 30" export pipeline to Bacton where compression, conditioning and export is via the Perenco operated terminal, following the terminals integration project in 2011.

With the Hewett offshore facilities now 50 years old, asset integrity management and anomaly rectification are key activities on the asset to enable continued safe production.

The total production in 2019 (company share, including certain Eni UK companies) was 765 kboe (2018 – 987 kboe). The Oil and Gas Authority (OGA) has approved the Cessation of Production. It is now scheduled over the period from the first quarter 2019 to fourth quarter 2020.

Some early preparation works for decommissioning are underway, with the campaign to plug and abandon the wells planned to begin in Q1 2020.

## **ENI UK LIMITED**

### **STRATEGIC REPORT (continued)**

#### **REVIEW OF THE BUSINESS (CONTINUED)**

##### ***Non-operated production***

##### **Elgin / Franklin Area**

The Elgin Franklin area includes the fields of Elgin, Franklin, West Franklin and Glenelg. 21.9% equity interest in Elgin, Franklin and West Franklin is held by the company's subsidiary, Eni Elgin/Franklin Limited. 8% equity interest in Glenelg is held by the subsidiary, Eni UKCS Limited. Eni UK Limited does not hold any equity interest in Elgin Franklin, West Franklin and Glenelg.

The production facilities in Elgin Franklin area consist of a main processing, utilities and quarters platform (PUQ) located over the Elgin Field, two wellhead platforms bridge-linked to the PUQ and two further satellite wellhead platforms located on the Franklin and West Franklin fields tie-back to the PUQ via subsea flowlines. Liquid production is exported from the field via the Forties Pipeline System (FPS) and gas is exported to Bacton via the Shearwater Elgin Area Line (SEAL) pipeline system.

The total production from the Elgin/Franklin and West Franklin fields for 2019 was 9,570 kboe, compared to 10,003 kboe in 2018 (Eni UK companies' share).

Production was lower in 2019 than 2018 primarily due to the restriction imposed by the Forties Pipeline System (FPS) during summer to all fields connected to the FPS network

Two new wells have been connected during 2019: EIF in August and FIC in December. Currently a slot recovery is ongoing to spud-in another Franklin well (FID).

The new infill wells, B4 (on Elgin) and F12 (on Franklin) started respectively on the 14<sup>th</sup> August and 27<sup>th</sup> December 2019 at the expected rates. Well abandonment and slot recovery operations are currently ongoing on the Franklin well F5 to allow the drilling of well FID in April 2020.

Also in 2019, as in 2018, production from the Glenelg field, continued to suffer from issues associated with a blocked chemical injection line, originally designed to prevent the formation of scale. The well produced cyclically to ensure water free production and therefore avoid the deposition of scale in the well, which could compromise the integrity of the Downhole Safety Valve. Over the year, production from the Glenelg well was 59 kboe (Eni UK companies share) compared to 78 kboe.

##### **J-Block Area (Joanne, Judy and Jasmine) / Jade**

The company holds a 33% interest in the J-Block, Joanne and Jasmine fields and a 7% interest in the Jade field.

The J-Block development consists of a central processing platform located over the Judy reservoir with a subsea tieback from a manifold located over the Joanne field, both of which came online in 1997. Satellite wellhead platforms associated with the Jade field and the Jasmine field are also tied back to the Judy platform and a Riser Platform has been installed adjacent to the Judy platform and bridge-linked. This riser platform receives and part-processes Jasmine production before it is delivered to the Judy processing platform. Oil and condensate from J-Block is exported via the Norpipe pipeline and gas is transported to shore via the CATS pipeline and processed at Teeside facilities.

The Jasmine field, a high pressure/high temperature rich gas-condensate/volatile oil field which is tied-back to the Judy Platform, was brought on-stream in November 2013.

Production in 2019 from the J- Area was in Eni UK share, 14,521 kboe (J-Block 4,096 kboe, Jade 698 kboe and Jasmine 9,727 kboe) compared 14,931 kboe in 2018 (J-Block 5,450 kboe, Jade 851 kboe and Jasmine 8,630 kboe).

The reduction in 2019 compared with 2018 was due primarily to the shutdown of all the fields due to the planned three yearly turnaround for facilities maintenance. The natural decline in the Jasmine and J-Block fields was mitigated by drilling activities and completion of two new wells, one in the Joanne North culmination (S13) and the other the Merida exploration well drilled in the Jasmine West Limb area (S15). In addition, well S7 in Jasmine has been recompleted in the Paleocene sands.



## **ENI UK LIMITED**

### **STRATEGIC REPORT (continued)**

#### **REVIEW OF THE BUSINESS (CONTINUED)**

##### ***Non-operated production (continued)***

###### **MacCulloch**

The MacCulloch field lies in the UK Continental Shelf (UKCS) Block 15/24b. The company has a 40% interest in the block, which is operated by ConocoPhillips / Chrysaor.

The field is no longer in production following a decision to cease production in 2015. The FPSO was demobilised from the field in August 2015 although the wells and subsea infrastructures were left in place for subsequent removal as part of the final phase of field decommissioning. The P&A campaign commenced in August 2019.

##### ***Other development projects***

The company continued to be involved in development projects in the UKCS, such as Talbot for which it entered in the 30<sup>th</sup> Bid Round with the same J-Block partnership.

##### ***Exploration***

###### **United Kingdom**

At the end of 2019, Eni UK participates in 6 exploration licences with equity interest ranging between 15.8% and 100%, of which 4 licences are operated. The Oil and Gas Authority approved the partial relinquishment of the two licences (P1964 and P1965) in the Southern North Sea and also approved continuation of the licences to the next phase. During 2019, Eni UK Limited relinquished operated Licences P2292 (Liverpool-Bay), P2287 & P2288 (Saint George's Channel Basin), P1620 (Rowallan), P2385 (Rowallan Protection), Eni UK Limited also relinquished non-operated licence P2068 (Elgin Franklin) and licence P1821 (Jasmine North). The exploration licences held by Eni UK Limited are P1964 and P1965 in the Southern North Sea, P2287 and P2288 Saint George's Channel Basin, P1620 Rowallan and P2385 Rowallan Protection and P1821 Jasmine North.

In 2019, focusing on portfolio rejuvenation, the company applied for an operated licence during the 32<sup>nd</sup> Offshore Licencing Round (awaiting award results, expected by Q2/3).

On 30 January 2019, the company completed a farm out of 8% participating interest in UKCS licence P1620 Block 22/19c to Equinor UK Limited, where Rowallan well was drilled. The consideration amounted to £1.3 million.

On 28 February 2019, the company completed a farm out of 40% participating interests in licence P1964, P1965 and P2443 in the Southern North Sea (Aspen well) to Total E&P UK Limited. The consideration amounted to £4.9 million including a carry of £2.9 million.

During the year, the company increased its participation in Licence P2220 (Tommeliten protection) from 9.13% to 15.845%.

Major activity during the year comprised drilling of two operated exploration wells, namely "Rowallan well" in the Central North Sea and "Aspen well" in the Southern North Sea. Rowallan well was drilled between December 2018 and May 2019 and Aspen well was drilled between October 2019 and November 2019. Both wells were drilled within the planned time and budget, however did not contain the expected hydrocarbons. A write off of exploration costs amounting to £27.6 million was recognised in the income statement in the year as a result of the unsuccessful wells.

The company also participated in a non-operated exploration well "Merida" (ConocoPhillips / Chrysaor operated); the well was successful and tied to production in November 2019.

###### **Ireland**

Eni Ireland B.V. (Eni Ireland), an affiliate company, participated in 2 exploration licences, FEL 3/04 and FEL 12/18, with interest share of 36.913% and 100% respectively, both located in the deep offshore of west Ireland. The main events of the year were studies and preparation for drilling the Dunquin South prospect in the FEL 3/04 and geological and geophysical studies and preparation for the 3D seismic survey in the FEL 12/18. During Q4, Eni Ireland applied to withdraw from both its licences due to worsening of legal uncertainty for the oil and gas business in Ireland (pending decision from the Authorities).

###### **Denmark**

Eni Denmark B.V. (Eni Denmark), an affiliate company, participated in two North East Greenland offshore exploration licences awarded in 2013 and 2014, namely Block 8 – Amaroq and Block 3 - Qialivaq. Eni Denmark held an interest of 35% and 44% (W.I. 40% and 50% respectively) and was Operator. At the end of the initial Exploration Term (31 December 2018) the JV Partners unanimously decided to relinquish both the licences. During 2019, Eni has been following up with the Greenland Authorities regarding formal relinquishment notice from the Authorities.

## **ENI UK LIMITED**

### **STRATEGIC REPORT (continued)**

#### **REVIEW OF THE BUSINESS (CONTINUED)**

##### ***Research and Development***

On 21 December 2016, the ultimate parent company Eni S.p.A., through the company, entered into a Members Agreement with OGCI Climate Investments LLP (the Oil and Gas Climate Initiative – Climate Investments). Members of OGCI- CI, a collaborative investment vehicle of initially 7, and currently 11, leading oil and gas companies representing one fifth of the world's oil and gas production, operate with the objective of developing and accelerating the commercial deployment of innovative low emissions technologies and identifying ways to cut the energy intensity of both transport and industry by investing at least one billion US dollars (company share: \$100 million or £80 million) in the next ten years. The number of members participating in this initiative will not change the total capital contribution by each member. The creation of OGCI Climate Investments LLP shows the collective determination of the oil and gas industry to deliver technology on a large scale that will create a step change to help tackle climate challenge.

At 31 December 2019, the investment in OGCI amounts to £11.5m compared to £6.4m in prior year.

##### ***Group reorganisation***

As part of a group reorganisation, the board of directors of the company approved on 30 September 2019 two Share Transfer Deeds and one Sale and Purchase Agreement with its affiliate Eni Lasmo Plc providing for the company to sell to Eni Lasmo Plc the entire share capital of:

1. Eni India Limited for a base consideration of £1 plus a consideration adjustment of \$25.6 million (£20.7 million) corresponding to the negative net equity value of the subsidiary on 30 September 2019. The consideration adjustment is the market value of the liabilities associated with a letter of support dated 15 August 2019 provided by the company to Eni India Limited.
2. Eni Côte d'Ivoire Limited for a base consideration of £1 plus a consideration adjustment of \$59.3 million (£47.9 million) corresponding to the negative net equity value of the subsidiary on 30 September 2019. The consideration adjustment is the market value of the liabilities associated with a letter of support dated 15 March 2019 provided by the company to Eni Côte d'Ivoire Limited.
3. Eni Mozambique Engineering Limited for a base consideration of £1.

##### ***Future development***

Looking to the future, exploration will remain the engine of our long-term organic growth, while we will continue to focus our energy on fast tracking the development of projects and maximizing cost efficiency. To capture all possible upside for our shareholders, we will maintain low cash neutrality.

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 UK Limited 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.

The plug and abandon for Hewett wells began in Q1 2020.

Focusing on portfolio rejuvenation, the company applied for an operated licence during the 32nd Offshore Licencing Round and is awaiting award results in 2020.

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 epidemic with serious repercussions on production. In early April, the members of the OPEC + cartel did reach an agreement on production cuts required by some of them to react to the effects of Covid-19.

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 group and the company are currently evaluating the effects of these developments on the oil price scenario and implementation of management actions to mitigate negative effects.

## ENI UK LIMITED

### STRATEGIC REPORT (continued)

#### HEALTH, SAFETY AND ENVIRONMENT

In addition to the application of internal company HSE management systems, the company has been maintaining ISO 14001 and OHSAS 18001 certifications for its business activities.

#### Joint venture consortia – strategic core assets

The principal joint venture consortia, considered as the strategic core assets, in which the company and Eni UK companies participate (together referred to as Eni Group in the tables below), as at 31 December 2019, identified by reference to their particular area or field name in the UKCS, are as follows:

<u>Area or Field</u>	<u>Operator</u>	<u>% interest</u>	<u>Type</u>
<b>Eni UK Limited</b>			
<b>Producing fields and facilities</b>			
Judy / Joanne	Chrysaor	33.00	Oil & Gas
Hewett	Eni	24.66	Gas
Jade	Chrysaor	7.00	Oil & Gas
Jasmine	Chrysaor	33.00	Oil & Gas
<b>Pipelines and terminals</b>			
CATS Pipeline	CATS North Sea Limited	0.34	
GAEL (Southern Spur)	Ineos	15.20	
GAEL (Northern Spur)	Ineos	5.26	
<b>Exploration areas</b>			
Rowallan	Eni	32.00	
Rowallan protection Acreage	Eni	53.33	
Winterton High/ Aspen	Eni	60.00	
<b>Decommissioning field</b>			
MacCulloch	Chrysaor	40.00	Oil & Gas
Hewett	Eni	24.66	

#### Subsidiaries

<b>Producing fields and facilities</b>			
Liverpool Bay	Eni	8.90	Oil & Gas
Elgin/Franklin	Total	21.87	Oil & Gas
Glenelg	Total	8.00	Oil & Gas
Hewett	Eni	12.96	Gas
Hewett	Eni	51.69	Gas
<b>Development and pre-development areas</b>			
West Franklin Phase 2	Total	21.87	Oil & Gas
<b>Pipelines and terminals</b>			
SILK Pipeline	Total	12.19	
SEAL Pipeline	Shell	12.19	
<b>Decommissioning field</b>			
Hewett	Eni	12.96	Gas
Hewett	Eni	32.82	Gas

<u>Area or Field</u>	<u>Operator</u>	<u>% interest</u>	<u>Type</u>
<b>Affiliates</b>			
<b>Producing fields and facilities - Affiliates</b>			
Liverpool Bay	Eni	91.1	Oil & Gas
<b>Development and pre-development areas</b>			
Hutton	CNR	8.63	Oil

## ENI UK LIMITED

### STRATEGIC REPORT (continued)

#### Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks set out in the notes to the financial statements.

The main risks that the company is facing and actively monitoring and managing are:

- (i) operational risks (in particular risks deriving from exploration and production activities and those relating to HSE issues).
- (ii) market risk or financial risk deriving from exposure to fluctuations in commodity prices, interest rates, foreign currency exchange rates and the credit risk deriving from the possible default of a counterparty as well as the liquidity risk deriving from the risk that suitable sources of funding for the company's operations may not be available. Refer to note 25 for more details on the financial risks.

#### *Impact on the UK's exit from EU*

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

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

The company and Eni UK companies, have adopted the most stringent standards, in accordance with Eni S.p.A. Group requirements, for the evaluation and management of the aforementioned risks in line with the Eni Group's Management System Guidelines. Further discussion of the risks and uncertainties is contained in note 25 of these financial statements.

#### **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.

## ENI UK LIMITED

### STRATEGIC REPORT (continued)

#### 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.

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 aims is to incentivise lasting, inclusive and sustainable economic growth, along with full, productive employment and dignified work for all. On 7 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. In addition to the application of internal company Health, Safety & Environment management systems, the company has been maintaining ISO 14001 and OHSAS 18001 certifications for its business activities.

#### 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

  
Manfredi Giusto (Apr 27, 2020)

Managing Director  
27 April 2020

## **ENI UK 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 2 and have held office throughout the year with the following exceptions:

- Carlo Vito Russo resigned as chairman and director on 1 September 2019
- Ciro Antonio Pagano was appointed as chairman and director on 1 September 2019
- Francesca Rinaldi resigned as a director on 18 November 2019
- Manfredi Giusto was appointed as managing director and director on 18 November 2019
- Adriano Mongini was appointed as a director on 10 December 2019

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

#### **Future development**

Future developments of the company and its activities are discussed in the strategic report on page 9.

#### **Dividends**

The company paid a dividend during the year of £275 million (2018 - £178 million).

#### **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.

In addition, the directors expect to continue providing services to other Eni S.p.A Group companies, which generate a separate income stream, not directly dependent on Oil & Gas market pressures.

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.

#### **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, also the ability to continue production in the North Sea. Employees and contractors have been working from home. 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 in the North Sea to pursue the same actions.

## **ENI UK LIMITED**

### **DIRECTORS' REPORT**

#### **Personnel**

At the end of 2019, a total of 158 national staff (2018 - 149) and 42 expatriate staff (2018 - 50) making a total of 200 personnel (2018 - 199) were employed on behalf of the company and other group companies (Corporate units and Eni Hewett Limited) in the United Kingdom. At the end of 2019, a total of 44 contractors (2018 - 45) were working for the company.

At the end of the year, 4 of the national staff were on maternity leave (2018 - 1).

In addition, 2 national staff (2018 - 3), 10 expatriate staff (2018 - 12) and nil direct contractors (2018 - 2) included within the total figures are employed by the company on behalf of other group companies or third parties. At the end of the year, no national staff were on maternity leave (2018 – none). All figures reflect actual personnel employed, including those whose are currently employed part-time.

#### **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
- 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 using an objective job evaluation's 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 and technology areas and with professional bodies.

Refer to the section s172(1) in the strategic report for more details on how the directors have had regard to the need to foster the company's business relationships with employees

#### **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.

#### **Financial instruments**

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

# ENI UK LIMITED

## DIRECTORS' REPORT

### Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Corporate governance

The directors 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 as well as in accordance with the legitimate interests of all the stakeholders with which the company comes into contact on a daily basis: shareholders, employees, suppliers, customers, commercial and financial partners, as well as local communities and institutions. These values are embedded in the Eni Code of Ethics, and have been approved by the Board of Directors of the ultimate parent company, Eni S.p.A., on 23 November 2017 and by the Directors of the company on 28 March 2018. Refer to s 172(1) UK Companies Act 2016 Statement in the Strategic Report for more information on the subject.

### 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

  
Mila Trezza (Apr 27, 2020)

Secretary

27 April 2020



## INDEPENDENT AUDITORS' REPORT

# *Independent auditors' report to the members of Eni UK Limited*

## Report on the audit of the financial statements

---

### Opinion

In our opinion, Eni UK 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 and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

### Basis for opinion

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

### Independence

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

### Conclusions relating to going concern

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

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

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

### Reporting on other information

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

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

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

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

## INDEPENDENT AUDITORS' REPORT (continued)

### *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](http://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  
27 April 2020

# ENI UK LIMITED

## INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
	Notes	£'000	£'000
<b>Continuing operations</b>			
Revenue	2	175,143	226,521
Other income	6	56,398	50,212
<b>Total Revenue</b>		<b>231,541</b>	<b>276,733</b>
Other Service costs and expenses	7	(114,655)	(89,754)
Labour Cost	5	(27,376)	(28,611)
Depreciation, amortisation, impairments	12, 13	(83,938)	(33,150)
Exploration costs write off	3, 12	(27,610)	-
Gain on disposal of intangible assets	3	1,235	-
Gain on disposal of assets	3	4,614	-
<b>Operating (loss)/profit</b>	<b>3</b>	<b>(16,189)</b>	<b>125,218</b>
Interest receivable and similar income	8	2,345	2,251
Interest payable and similar charges	9	(13,658)	(10,042)
Impairment of investments	15	(22,782)	(9,160)
Loss on disposal of subsidiaries	15	(68,603)	-
Income from subsidiary undertakings	11	208,408	210,000
<b>Profit before taxation from continuing operations</b>		<b>89,521</b>	<b>318,267</b>
Taxation	10	18,060	(42,389)
<b>Profit for the year from continuing activities</b>		<b>107,581</b>	<b>275,878</b>

# ENI UK LIMITED

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

	Notes	2019 £'000	2018 £'000
<b>Profit for the year</b>		<b>107,581</b>	275,878
<i>Items that will not be reclassified to the income statement in subsequent periods</i>			
Actuarial (loss)/gain related to the pension scheme	24	(5,747)	12,071
Related tax on actuarial gain /(loss)	10, 20	2,299	(4,828)
		<b>(3,448)</b>	7,243
<b>Total comprehensive income for the year</b>		<b>104,133</b>	283,121

Total comprehensive income for the year is attributable to the equity holders.

# ENI UK LIMITED

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

	Share Capital £'000	Retained Earnings £'000	Shareholders' Equity £'000
Balance at 1 January 2018	250,000	176,171	426,171
Profit for the period	-	275,878	275,878
Other comprehensive income for the period	-	7,243	7,243
Total comprehensive income for the year	-	283,121	283,121
<b>Transactions with owners in their capacity as owners:</b>			
Dividends paid (£0.712 per share)	-	(178,000)	(178,000)
<b>Balance at 31 December 2018</b>	<b>250,000</b>	<b>281,292</b>	<b>531,292</b>
Profit for the period	-	107,581	107,581
Other comprehensive income for the period	-	(3,448)	(3,448)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>104,133</b>	<b>104,133</b>
<b>Transactions with owners in their capacity as owners:</b>			
Dividends paid (£1.1 per share)	-	(275,000)	(275,000)
<b>Balance at 31 December 2019</b>	<b>250,000</b>	<b>110,425</b>	<b>360,425</b>

**BALANCE SHEET  
AS AT 31 DECEMBER 2019**

	Notes	2019 £'000	2018 £'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	18	224,427	393,899
Trade and other receivables	17	113,351	58,420
Inventories	16	20,642	20,091
Current tax asset		425	-
		<b>358,845</b>	<b>472,410</b>
<b>Non-current assets</b>			
Property, plant and equipment	13	501,449	506,690
Right-of-use assets	14	21,571	-
Intangible assets	12	3,721	10,895
Investments	15	50,689	73,471
Other investments	15b	11,540	6,339
Deferred tax asset	20	162,726	153,786
Pension fund surplus	24	21,985	26,950
		<b>773,681</b>	<b>778,131</b>
<b>Total assets</b>		<b>1,132,526</b>	<b>1,250,541</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	124,444	94,226
Lease liabilities - short term	14	2,099	-
Current tax liability		-	13,494
		<b>126,543</b>	<b>107,720</b>
<b>Non-current liabilities</b>			
Lease liabilities - long term	14	20,964	-
Provisions	21	408,651	386,904
Deferred tax liability	20	215,943	224,625
		<b>645,558</b>	<b>611,529</b>
<b>Total liabilities</b>		<b>772,101</b>	<b>719,249</b>
<b>Shareholders' equity</b>			
Share capital	22	250,000	250,000
Retained earnings		110,425	281,292
<b>Total shareholders' equity</b>		<b>360,425</b>	<b>531,292</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,132,526</b>	<b>1,250,541</b>

The financial statements from page 18 to 53 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

Gian Luigi Ferrara

*gian luigi ferrara*  
gian luigi ferrara (Apr 27, 2020)

Director

27 April 2020

# ENI UK LIMITED

## CASHFLOW STATEMENT

	Notes	2019 £'000	2018 £'000
<b>Cash flow from operating activities</b>			
Profit for the year		107,581	275,878
<b>Adjustments for:</b>			
Depreciation, amortisation, impairments	12, 13	83,938	33,150
Unwind of discount on decommissioning provision	21	11,111	9,879
Exploration costs write off		27,610	-
(Gain)/Loss on disposal of intangible assets	12	(1,235)	36
(Gain)/Loss on disposal of business	3	(4,614)	-
Impairment of investments		22,782	9,160
Loss on disposal of subsidiaries		68,603	-
Dividends received from subsidiary undertakings	11	(208,408)	(210,000)
Finance charge on lease		1,213	-
Interest income	8	(1,563)	(1,715)
Interest expense	8, 9	1,333	4
Tax (income)/charge	10	(18,060)	42,389
Movement in pensions	24	(782)	180
Movement in provisions	21	(551)	(1,009)
<b>Changes in working capital excluding acquisitions / disposals:</b>			
Increase in inventories	16	(550)	(2,094)
(Increase)/decrease in trade and other receivables	17	(54,880)	16,738
Increase in trade and other payables	19	38,375	18,150
<b>Cash flows generated from operations</b>		<b>71,903</b>	<b>190,746</b>
Interest received		1,668	1,630
Interest paid		(342)	-
Interest and finance charges paid for lease liabilities		(1,000)	-
Tax paid		(11,249)	(26,748)
<b>Net cash generated from operating activities</b>		<b>60,980</b>	<b>165,628</b>
<b>Cash flow from investing activities</b>			
Dividends received from subsidiary undertakings	11	208,408	210,000
Disposal of investment in subsidiary		(67,090)	-
Disposal of business		(10,504)	-
Exploration costs additions	12	(25,444)	(6,640)
Proceeds from sales of intangible assets (farm outs)		6,175	-
Purchase of property, plant and equipment	13	(44,616)	(45,004)
Other investments	15	(5,201)	(3,798)
Decommissioning provision utilisation	21	(14,722)	(3,754)
<b>Net cash generated from investing activities</b>		<b>47,006</b>	<b>150,804</b>
<b>Cash flow from financing activities</b>			
Principal element of lease payments		(2,227)	-
Dividends paid to shareholders		(275,000)	(178,000)
<b>Net cash used in financing activities</b>		<b>(277,227)</b>	<b>(178,000)</b>
Net (decrease)/increase in cash and cash equivalents		(169,241)	138,432
<b>Cash and cash equivalents at 1 January</b>	18	<b>393,899</b>	<b>255,433</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies		(231)	34
<b>Cash and cash equivalents at 31 December</b>	18	<b>224,427</b>	<b>393,899</b>

## ENI UK 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, incorporated and domiciled in England.

The company is a participant in consortia involved in the exploration and exploitation of oil and gas in the UKCS. As a participant, the company receives from the operators, returns of income, expenditure, assets and liabilities of the consortia, the company's shares of which are incorporated into its accounting records. The financial statements reflect the company's share of each activity as a participant in consortia (note 15c).

#### Basis of preparation

These financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, IFRS IC Interpretations and the Companies Act 2006 as applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities that have been measured at fair value through profit or loss.

The financial statements have been prepared on a going concern basis as the directors are satisfied that the company has adequate internal resources to continue to operate for the foreseeable future. The company's forecasts and projections show that the company has sufficient financial resources, and has assets that are expected to generate free cash flow to the company.

See page 13 of the Directors' Report for further details.

The accounting policies have been applied consistently, other than where new policies have been adopted.

#### Adoption of new and revised Standards

The company applied for the first time standards, amendments and interpretations to existing standards, issued by the International Accounting Standards Board (IASB) and endorsed by the EU, which are relevant to the company and are effective for the annual accounting 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.

The nature and effect of the changes as a result of adoption of IFRS 16 are described below.

#### *IFRS 16 Leases*

The company had to change its accounting policies as a result of adopting IFRS 16. The company elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. It has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective right of use (ROU) is included in the balance sheet based on its nature.

The company had no contracts determined as lease under IFRIC 4 on adoption of IFRS 16.



## ENI UK LIMITED

### STATEMENT OF ACCOUNTING POLICIES (continued)

The effect of adopting IFRS 16 as at 1 January 2019 is, as follows:

	<b>£'000</b>
IFRS16 Operating lease commitments disclosed as at 31 December 2018	3,400
Discounted using the lessee's incremental borrowing rate of at the date of initial application	24,240
Lease liability recognised as at 1 January 2019	<u><b>24,240</b></u>
<i>Of which are:</i>	
Lease liabilities opening balance	25,077
Pre-payments	(837)
	<u><b>24,240</b></u>
<i>Of which are:</i>	
Current lease liabilities	2,014
Non-current lease liabilities	<u><b>22,226</b></u>

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application is 5.21%.

Other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the company.

#### Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

#### Consolidation

Consolidated financial statements have not been prepared for the company as it is a wholly owned subsidiary of Eni S.p.A., a company incorporated in Italy, which will prepare consolidated financial statements as stated in Note 1. The company has taken advantage of the exemption available under International Financial Reporting Standards to present separate financial statements in accordance with paragraph 10 IAS 27 (R). In addition, under section 400 of the Companies Act 2006 the company is exempt from the general requirement to prepare consolidated financial statements. This can be applied as the immediate parent is established under the laws of an EEA state (European Economic Area).

#### Property, plant and equipment

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

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

Office furniture, and office equipment and computer software are depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Office furniture	up to five years
Office equipment, computer systems and software	up to three years

## ENI UK LIMITED

### STATEMENT OF ACCOUNTING POLICIES (continued)

#### Intangible assets

##### (i) *Exploration and appraisal costs*

Exploration costs represent the company's share of expenditure by consortia and as operator on the exploration for oil and natural gas up to the date of any decision to exploit various finds. Where no decision has been made by the balance sheet date to exploit a find, the costs are accounted for in accordance with the successful efforts method. The cost of drilling exploratory wells is carried forward as an intangible asset if in the opinion of the directors there is a reasonable prospect of development of the related fields commencing within three years of commencement of drilling. Costs of exploratory dry holes are written off at the time that the wells are determined to be dry and all licence fees, geological and geophysical expenses are written off as incurred. Where a decision has been made to exploit a find, the exploration costs are carried forward. In the 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 first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is reclassified as property, plant and equipment. Exploration wells that are being drilled at the yearend are included in intangible assets as exploration and appraisal costs until the results of the drilling are determined.

Exploration costs written off during the year are presented in depreciation, amortisation and impairments in the income statement.

#### Leases

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the company under residual value guarantees
- the exercise price of a purchase option if the company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

## ENI UK LIMITED

### STATEMENT OF ACCOUNTING POLICIES (continued)

#### Leases (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment, vehicles and small items of office furniture.

#### Investments

Investments, including investments in subsidiaries, are shown at cost less any provision for impairment.

Other investments are accounted for as equity investment to be measured at fair value through other comprehensive income.

#### 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.

#### 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.

#### Impairment of non-financial assets

At the end of each reporting period, the company reviews the carrying amounts of its property, plant and equipment, intangible assets and those investments measured at cost, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Management has assessed its CGUs as being an individual field, which is the lowest level for which cash inflows are largely independent of those of other assets.

At the end of each reporting 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 UK LIMITED

### STATEMENT OF ACCOUNTING POLICIES (continued)

#### Inventories

Inventories consist of materials. Inventories are valued 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. Cost is determined by the weighted average method and comprises direct purchase costs, cost of production, transportation and manufacturing expenses. Net realisable value is determined by reference to prices existing at the balance sheet date. 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.

#### 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)<sup>1</sup> may be subject to cash pooling arrangements with the ultimate parent company Eni SpA<sup>2</sup>. 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)<sup>3</sup> 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.

#### Pensions

The company operates the Eni Group Personal Pension Plan (defined contribution pension arrangement) for all employees effective from 1 January 2016. The total costs of defined contribution pension arrangements are expensed as employment costs. The company has no further payment obligations once the contributions have been paid.

On 25 September 2015 the company announced the decision to close the Eni UK Limited Retirement Benefits Scheme (defined benefit scheme) to future accruals for both existing employees and new members effective from 31 December 2015. The company's defined benefit scheme 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.

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. Net interest is calculated by applying the discount rate to the net defined benefit asset or liability. Defined benefits costs are categorised as follows:

- Net interest expense or income
- Remeasurement

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, is 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.

---

<sup>1</sup> BESA is a Belgian regulated bank subject to the banking regulatory requirements.

<sup>2</sup> Although Eni SpA is not a financial institution, it performs its financial activities in a strong control environment, within specific Board approved limits.

<sup>3</sup> EFI is the company responsible for the centralised funding of some foreign Eni Group companies and for collecting their financial surpluses.

## ENI UK LIMITED

### STATEMENT OF ACCOUNTING POLICIES (continued)

#### Pensions (continued)

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

#### Foreign currencies

The company's functional and presentation currency is Sterling. All financial information has been rounded to the nearest thousand (£'000), unless otherwise indicated. Transactions denominated in a foreign currency are converted to Sterling 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 or losses are recognised in the income statement.

#### 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.

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.

#### Petroleum revenue tax

Petroleum revenue tax payable is provided on the taxable profits of fields subject to petroleum revenue tax at a rate of 0%. Provision for deferred petroleum revenue tax is made using the liability method. As petroleum revenue tax is largely specific to individual fields and field lives are finite, provision is made in full for those fields expected to pay significant tax. Provision is made for temporary timing differences in respect of capital and revenue expenditure and the decommissioning and restoration provision.

#### Revenue recognition

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

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

Revenues received under take-or-pay sales contracts in respect of undelivered volumes are accounted for as deferred income.

Other income represents the services provided to other group and affiliated companies in relation to the management of their producing and exploration activities in the UK, Ireland and Greenland (Denmark). Other income is recognised on an accrual basis.

Interest income is recognised on a time proportion basis.

Dividend income is recognised when the right to receive payment is established.

## ENI UK LIMITED

### STATEMENT OF ACCOUNTING POLICIES (continued)

#### **Over/underlift balances**

Lifting or off take 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.

#### **Dividends payments**

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

#### **Related party transactions**

The transactions with related parties are disclosed in each relevant note.

#### **Provisions**

Provisions are recognised when: (i) there is a present 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 restoration 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.

#### **Financial instruments**

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

##### *Financial assets*

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. With the exception of trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient, the company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. 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 revenue from contracts with customers.

The company classifies its financial assets in the following categories: Financial assets designated at fair value through OCI (equity instruments) and financial assets at amortised cost (debt instruments). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### *Financial assets at amortised cost (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 at amortised cost includes trade and other receivables.

## ENI UK LIMITED

### STATEMENT OF ACCOUNTING POLICIES (continued)

#### Financial instruments (continue)

##### *Impairment of financial assets*

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

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

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

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

##### *Financial liabilities*

##### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, loans and borrowings, 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 Financial Instruments are satisfied.

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

#### **Use of accounting estimates, judgements and assumptions**

The company's financial statements are prepared in accordance with IFRS. 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, intangible assets and those investments measured at cost, decommissioning provisions, pensions and other post-retirement 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. The effect in future periods of a change in an accounting estimate is not disclosed because estimating it is impracticable,

A summary of significant estimates is as follows:

##### *a) Oil and gas activities*

Engineering estimates of the company's oil and gas reserves are inherently uncertain. Although there are authoritative guidelines regarding the engineering criteria that must be met before estimated oil and gas reserves can be designated as "proved", the accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgement.

Oil and gas reserves have a direct impact on certain amounts reported in the financial statements. Estimated proved reserves are used in determining depreciation and depletion expenses and impairment expense. Depreciation rates on oil and gas assets using the units of production basis are determined from the ratio between the amount of hydrocarbons extracted in the quarter and proved developed reserves existing at the end of the quarter increased by the amounts extracted during the quarter. Estimates of oil and gas reserves are also used within impairment testing and timing of the decommissioning.

## STATEMENT OF ACCOUNTING POLICIES (continued)

### Use of accounting estimates, judgements and assumptions

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.

#### *a) Oil and gas activities (continued)*

- (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 non-financial assets*

The company assesses its property, plant and equipment, intangible assets and those investments measured at cost, for possible impairment if there are events or changes in circumstances that indicate the carrying values of the assets are not recoverable. 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 obligations is complex. It requires management to make estimates and judgements with respect to decommissioning 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 decommissioning 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).



## ENI UK LIMITED

### STATEMENT OF ACCOUNTING POLICIES (continued)

#### 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) 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, estimated retirement dates and mortality rates. The significant assumptions used to account for pensions and other post-retirement benefits are determined as follows:

- (i) 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;
- (ii) 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;
- (iii) 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
- (iv) 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.

#### *(e) Recovery of deferred tax assets*

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

# ENI UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Parent undertakings

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

The company's ultimate parent undertaking, Eni S.p.A., a company incorporated in Italy with registered office at Piazzale Enrico Mattei, 1 00144 Rome, will produce consolidated financial statements for the year ended 31 December 2019 which will be available from its website [www.eni.com](http://www.eni.com) or on request to Eni S.p.A., Via Emilia 1, 20097 San Donato Milanese (MI), Italy.

The parent company of the largest and smallest group into which the company is consolidated in Eni S.p.A.

### 2 Revenue

	<u>2019</u>	<u>2018</u>
	<u>£'000</u>	<u>£'000</u>
Oil	<b>99,345</b>	103,794
Gas	<b>59,617</b>	99,276
Other products	<b>16,181</b>	23,451
	<b>175,143</b>	226,521
	<u>2019</u>	<u>2018</u>
	<u>£'000</u>	<u>£'000</u>
<b>Affiliate companies</b>		
Eni Trading & Shipping S.p.A.	<b>164,981</b>	206,293
Third parties	<b>10,162</b>	20,228
	<b>175,143</b>	226,521

### 3 Operating (loss)/profit

Operating (loss)/profit is stated after charging / (crediting) the following amounts:

	<u>2019</u>	<u>2018</u>
	<u>£'000</u>	<u>£'000</u>
Auditors' remuneration		
-Audit of the company's financial statements	<b>158</b>	201
-Audit of the company's subsidiaries and affiliates	<b>71</b>	107
Exploration costs written off (note 12)	<b>27,610</b>	-
Depreciation (note 13)	<b>81,262</b>	46,059
Depreciation of right of use (note 14)	<b>2,669</b>	-
Impairment reversal of oil and gas properties (note 13)	-	(12,920)
Gain on disposal of business	<b>(4,614)</b>	-
(Gain) / loss on disposal of intangible assets	<b>(1,235)</b>	-

The 2019 audit fee are due to PricewaterhouseCoopers LLP while the 2018 were paid to Ernst&Young LLP.

During 2019, the company settled an outstanding payable amounting to £10.5m to Eni Trading and Shipping S.p.A. in relation to the disposal of the North Sea Gas and Power trading division, which completed in 2012. This settlement resulted in gain on disposal of asset of £4.6 million.

## ENI UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 4 Directors' remuneration

The directors' remuneration was as follows:

	<u>2019</u>	<u>2018</u>
	<u>£'000</u>	<u>£'000</u>
Emoluments	<u>2,449</u>	<u>2,309</u>
Total remuneration	<u>2,449</u>	<u>2,309</u>

No directors (2018 - none) had benefits accruing under the defined benefit pension scheme.

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

The key management personnel of the company comprise the Chairman, Vice Chairman and all the Executive directors. The compensation of key management personnel is set out above. There are no personnel, other than the directors, who have the authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the company. The directors do not believe that any other employees meet the definition of key management personnel under IAS 24 'Related party disclosures'.

The total remuneration covers remuneration in respect of services provided to other companies. A fair allocation to Eni UK Limited is:

	<u>2019</u>	<u>2018</u>
	<u>£'000</u>	<u>£'000</u>
Emoluments	<u>881</u>	<u>667</u>

A fair allocation of the highest paid director to Eni UK Limited would be £368,862 (2018: £383,712).

#### 5 Labour costs

	<u>2019</u>	<u>2018</u>
	<u>£'000</u>	<u>£'000</u>
Wages and salaries	<u>17,269</u>	16,690
Social security costs	<u>1,462</u>	1,533
Pension costs	<u>849</u>	1,872
Deferred bonus scheme	<u>56</u>	141
Other staff costs	<u>7,740</u>	8,375
	<u>27,376</u>	<u>28,611</u>

The average annual number, calculated on monthly average, of persons employed by the company during the year, excluding contracted staff and those employed on behalf of other group companies and third parties, was: 184 (179: 2018) of which management 36 (2018 - 32), administration 89 (2018 - 85) and operations 59 (2018 - 62). Of the total staff costs £4.1 million (2018 - £5.1 million) has been recharged to group companies or third parties.

## ENI UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 6 Other income

	2019	2018
	£'000	£'000
Sale of services - including transportation services		
<b>Parent company</b>		
Eni S.p.A. – Corporate	5,587	5,229
Eni S.p.A. – Exploration & Production	5,175	2,925
<b>Subsidiary companies</b>		
Eni AEP Limited	167	176
Eni Elgin / Franklin Limited	613	4,775
Eni Hewett Limited	15,365	12,395
Eni LNS Limited	71	111
Eni TNS Limited	6	67
Eni UKCS Limited	226	182
<b>Affiliate companies</b>		
Eni Australia Limited	164	159
Eni JPDA 03-13 Limited	154	146
Eni ULX Limited	646	99
Agip Caspian Sea BV	314	199
Eni UK Holding plc	317	233
Eni Pakistan Limited	292	160
Eni Oil Algeria Limited	94	117
Eni Angola Production BV	43	-
Eni BTC Limited	151	132
Eni Ireland B.V.	2,149	1,405
Eni International N.A. N.V. S.ar.l.	211	188
Eni International Resources Limited	2,233	2,264
Eni Denmark B.V.	59	802
Eni Investments plc	291	291
Eni Indonesia Limited	48	11
Lasmo Sanga Sanga	7	-
Eni Lasmo plc	989	880
Eni Trading & Shipping S.p.A.	8,146	2,892
Eni North Africa B.V.	1,280	3,674
Eni UHL Limited	5	9
Eni ULT Limited	71	9
Virginia Indonesia Co CBM Limited (50%)	80	67
VIC CBM Limited (50%)	80	68
Eni CBM Limited	85	79
Eni Mozambique Engineering Limited	606	726
Eni Côte d'Ivoire Limited	104	264
Eni India Limited	236	151
Eni Abu Dhabi Limited	618	-
Burren Energy plc	291	476
Eni Progetti Spa	1,733	1,802
Eni Cyprus Limited	79	26
Eni Insurance Designated Activity Co	223	3,969
Eni Montenegro BV	27	-
Burren Shakti Limited	80	-
<b>Third parties</b>	7,282	3,054
	<b>56,398</b>	<b>50,212</b>

## ENI UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 7 Other service costs and expenses

	<u>2019</u>	<u>2018</u>
	£'000	£'000
<b>Parent company</b>		
Eni S.p.A. – Exploration & Production	2,386	2,092
<b>Subsidiary companies</b>		
Eni Hewett Limited	12,945	9,731
<b>Affiliate companies</b>		
Eni Insurance Designated Activity Co	1,496	1,878
Eni Trading & Shipping S.p.A.	3,326	32
Eni International Resources Limited	15	311
Eni Servizi S.p.A.	25	4
Eni Progetti S.p.A.	-	368
<b>Third parties</b>	94,462	75,338
	<u>114,655</u>	<u>89,754</u>

Other service costs and expenses relating to third parties mainly represent the company's share of operating expenditure in its oil and gas joint operations.

#### 8 Interest receivable and similar income

	<u>2019</u>	<u>2018</u>
	£'000	£'000
Bank interest		
<b>Affiliate company</b>		
Eni Finance International S.A.	1,385	1,715
<b>Third parties</b>	178	-
Net interest on pension scheme (note 24)	782	377
Foreign exchange net gain	-	159
	<u>2,345</u>	<u>2,251</u>

#### 9 Interest payable and similar charges

	<u>2019</u>	<u>2018</u>
	£'000	£'000
Interest payable		
<b>Affiliate companies</b>		
Banque Eni S.A.	4	-
<b>Third parties</b>	339	163
Finance charges payable for lease liabilities (note 14)	1,213	-
Unwinding of discount on decommissioning provision (note 21)	11,111	9,879
Foreign exchange net loss	991	-
	<u>13,659</u>	<u>10,042</u>

# ENI UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 10 Taxation

The tax (credit)/charge for the year comprises:

<b>Income statement</b>			
		<b>2019</b>	<b>2018</b>
		<b>£'000</b>	<b>£'000</b>
<b>UK corporation tax</b>			
<b>Current tax at 40% (2018 - 40%)</b>			
- UK corporation tax on profit before taxation		<b>(1,997)</b>	39,418
- adjustment in respect of previous periods		<b>(740)</b>	(1,543)
Total current tax		<b>(2,737)</b>	37,875
<b>Deferred tax (note 20)</b>			
- current year		<b>(15,323)</b>	4,510
- deferred tax adjustment in respect of previous periods		-	-
		<b>(15,323)</b>	4,510
<b>Petroleum revenue tax at 0% (2018 - 0%)</b>			
- current tax		-	-
- current tax adjustment in respect of previous periods		-	4
		-	4
<b>Income tax (credit)/charge reported in the income statement</b>		<b>(18,060)</b>	42,389
<b>Statement of other comprehensive income (OCI)</b>			
		<b>2019</b>	<b>2018</b>
		<b>£'000</b>	<b>£'000</b>
<b>Deferred tax related to items recognised in OCI during the year</b>			
- Actuarial tax gains related to pension scheme (note 20)		<b>(2,299)</b>	4,828
<b>Deferred tax (credited)/charged to OCI</b>		<b>(2,299)</b>	4,828

### Factors affecting tax credit for the year

The tax assessed for the period is lower (2018 - lower) than the standard rate of corporation tax applicable to oil and gas exploration and production companies in the UK of 40% (2018 – 40%). The differences are explained below:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Profit before taxation</b>	<b>89,521</b>	318,267
Taxation on profit before tax at 40% (2018 - 40%)	<b>35,808</b>	127,307
Income not taxable	<b>(83,703)</b>	(83,987)
Expenditure not allowable for tax	<b>36,507</b>	5,176
Group relief claimed	<b>(1,396)</b>	(771)
Impact of different tax rates	<b>(1,544)</b>	(852)
Utilisation of recognised tax losses brought forward	-	-
Investment allowance	<b>(2,992)</b>	(2,781)
Adjustment to deferred tax in respect of previous periods	-	(163)
Adjustment to current tax in respect of previous periods	<b>(740)</b>	(1,542)
Adjustment to petroleum revenue tax in respect of previous periods	-	2
<b>Total tax (credit)/charge</b>	<b>(18,060)</b>	42,389

## ENI UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 11 Income from subsidiary undertakings

	2019 £'000	2018 £'000
Dividends received from subsidiaries	<b>208,408</b>	210,000

During 2019, the company received dividends from its wholly owned subsidiaries, Eni Elgin Franklin Limited of £145 million (2018: £180 million), Eni AEP Limited of £60 million (2018: £30 million) and Eni TNS Limited of £3.4 million (2018: nil).

#### 12 Intangible assets

	Exploration and evaluation 2019 £'000	Exploration and evaluation 2018 £'000
<b>Cost</b>		
At 1 January	104,528	97,888
Additions	25,607	6,640
Disposals	(4,940)	-
Transfer to property, plant and equipment	(223)	-
Exploration costs written off (note 3)	(31,240)	-
At 31 December	<b>93,732</b>	104,528
<b>Accumulated amortisation and impairment</b>		
At 1 January	93,633	93,622
Charge for year	8	11
Write off (note 3)	(3,630)	-
At 31 December	<b>90,011</b>	93,633
<b>Net book value</b>		
At 1 January	10,895	4,226
At 31 December	<b>3,721</b>	10,895

There was no impairment charge in 2019 (2018: £nil).

On 30 January 2019, the company completed a farm out of 8% participating interest in UKCS licence P1620 Block 22/19c to Equinor UK Limited, where Rowallan well was drilled. The consideration amounted to £1.3 million for past costs.

On 28 February 2019, the company completed a farm out of 40% participating interest in UKCS licence P1964, P1965 and P2443 in the Southern North Sea (Aspen well) to Total E&P UK Limited. The consideration amounted to £4.9 million including a carry of £2.9 million and past costs of £0.7million.

Major activity during the year comprised drilling of two operated exploration wells, namely "Rowallan well" in the Central North Sea and "Aspen well" in the Southern North Sea. Rowallan well was drilled between December 2018 and May 2019 and Aspen well was drilled between October 2019 and November 2019. Both wells were drilled within the planned time and budget, however did not contain the expected hydrocarbons. A net write off of exploration costs amounting to £27.6 million was recognised in the income statement in the year as a result of the unsuccessful wells.

Eni UK Limited also participated in a non-operated exploration well "Merida" (ConocoPhillips/ Chrysaor operated); the well was successful and tied to production in November 2019.

# ENI UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 13 Property, plant and equipment

	Oil and gas properties £'000	Short leasehold property and improvements £'000	Office equipment, fixtures and fittings £'000	Total £'000
<b>Cost</b>				
At 1 January 2018	2,128,569	2,282	9,334	2,140,185
Additions	44,927		77	45,004
Revision of decommissioning estimate	(20,740)		-	(20,740)
<b>At 31 December 2018</b>	<b>2,152,756</b>	<b>2,282</b>	<b>9,411</b>	<b>2,164,449</b>
Additions	47,046		334	47,380
Transfer from intangible assets	223		-	223
Revision of decommissioning estimate (note 21)	28,418		-	28,418
<b>At 31 December 2019</b>	<b>2,228,443</b>	<b>2,282</b>	<b>9,745</b>	<b>2,240,470</b>
<b>Accumulated depreciation</b>				
At 1 January 2018	1,613,220	2,282	9,118	1,624,620
Charge for the year (note 3)	45,958		101	46,059
Impairment reversal (note 3)	(12,920)		-	(12,920)
<b>At 31 December 2018</b>	<b>1,646,258</b>	<b>2,282</b>	<b>9,219</b>	<b>1,657,759</b>
Charge for the year (note 3)	81,126		136	81,262
<b>At 31 December 2019</b>	<b>1,727,384</b>	<b>2,282</b>	<b>9,355</b>	<b>1,739,021</b>
<b>Net book value</b>				
<b>At 31 December 2019</b>	<b>501,059</b>		<b>390</b>	<b>501,449</b>
At 31 December 2018	506,498		192	506,690

In 2019 there was no impairment reversal (2018: £12.9 million related to Jasmine field). The impairment reversal in 2018 arose mainly as a result of the higher gas prices and production profiles. This was recognised in the income statement as depreciation, amortisation and impairments.

The key assumptions in the annual impairment review were oil and natural gas prices, production and cost profiles, the inflation rate and the discount rate. The recoverable amount of the oil and gas assets is based on value in use and was determined at the level of the CGU. The key assumptions used in the impairment tests were an inflation rate from 2% to 1.9% (2018: 2.2% to 2%), pre-tax discount rate of 11.83% (2018: 7%) which is the Eni Group's average cost of capital based on the indicators assumed for the 4 year plan, and an average oil price of US\$67.34/bbl (2018: US\$73.5/bbl) based on the 4 year plan.



## ENI UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 14 Leases

The balance sheet shows the following amounts relating to lease:

##### Right of use assets

	<u>2019</u>
	<u>£'000</u>
<b>Cost</b>	
Building	
At 1 January 2019	<u>24,240</u>
At 31 December 2019	<u>24,240</u>
<b>Accumulated depreciation</b>	
Building	
At 1 January 2019	-
Charge for the year	<u>2,669</u>
At 31 December 2019	<u>2,669</u>
<b>Net book value</b>	
Building	
At 31 December 2019	<u>21,571</u>
At 1 January 2019	<u>24,240</u>

##### Lease liabilities:

	<u>2019</u>
	<u>£'000</u>
Current	<u>2,099</u>
Non-Current	<u>20,964</u>
Total	<u>23,063</u>

The company leases the office building. The lease contract is made for a period 10 years starting in February 2018.

Extension and termination options are included in the contract. These are used to maximise operational flexibility in terms of managing the asset used in the company operations.

The interest expense are included in the finance costs and amount to £1.2 million.

The total cash outflow for leases in 2019 was £3.2 million.

No additions to the right-of-use assets were during the 2019 financial year.

##### Leasing arrangement:

The property is leased to tenant with rentals payable quarterly. Lease payment do not includes other variable lease payments that depend on an index or rate.

Payments on lease of the building is as follows:

## ENI UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

	Years	£ 000
Within 1 year	2020	3,227
Between 2 and 4 years	2025	9,681
Between 5 and 7 years	2027	9,681
Later than 7 years	2028	269

#### 15 Investments

##### a) Investments in subsidiaries

	2019	2018
	£'000	£'000
At 1 January	691,526	691,526
Disposals	(94,969)	-
At 31 December	596,557	691,526
<b>Accumulated impairment</b>		
At 1 January	(618,055)	(608,895)
Charge for the year	(22,782)	(9,160)
Disposals	94,969	-
At 31 December	(545,869)	(618,055)
<b>Net book value</b>		
At 31 December	50,689	73,471

During 2019 the company recognised an impairment of £22.8 million in relation to its investment in Eni AEP Limited mainly as result of a dividend distribution to the company of £60 million (2018: £9.2 million impairment charge on Eni LNS Limited).

As part of a group reorganisation, the board of directors of the company approved on 30 September 2019 two Share Transfer Deeds and one Sale and Purchase Agreement with its affiliate Eni Lasmo Plc providing for the company to sell to Eni Lasmo Plc the entire share capital of:

1. Eni India Limited for a base consideration of £1 plus a consideration adjustment of \$25.6 million (£20.7 million) corresponding to the negative net equity value of the subsidiary on 30 September 2019. The consideration adjustment is the market value of the liabilities associated with a letter of support dated 15 August 2019 provided by the company to Eni India Limited.
2. Eni Côte d'Ivoire Limited for a base consideration of £1 plus a consideration adjustment of \$59.3 million (£47.9 million) corresponding to the negative net equity value of the subsidiary on 30 September 2019. The consideration adjustment is the market value of the liabilities associated with a letter of support dated 15 March 2019 provided by the company to Eni Côte d'Ivoire Limited.
3. Eni Mozambique Engineering Limited for a base consideration of £1.

As a result of the transfers of subsidiaries to Eni Lasmo Plc, the company derecognised £95 million of investment cost and impairment provision for Eni India Limited and recognised a loss on disposal of subsidiaries of £47.9 million for Eni Côte d'Ivoire Limited and £20.7 million for Eni India Limited in the income statement of the period.

## ENI UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 15 Investments (continued)

##### a) Investments in subsidiaries (continued)

As at 31 December 2019, the subsidiaries of the company are as follows:

Name of company Country of incorporation	Registered address	Description of shares held	Principal activity	Owner- ship	Functional Currency
Eni TNS Limited (Registered in Scotland)	Aberdeen**	Ordinary £1 shares	Oil company	100%	GBP
Eni AEP Limited (Registered in England & Wales)	Eni House*	Ordinary 25p shares	Oil company	100%	GBP
Eni Elgin / Franklin Limited (Registered in England & Wales)	Eni House*	Ordinary £1 shares	Oil company	100%	GBP
Eni Liverpool Bay Operating Company Limited (Registered in England & Wales)	Eni House*	Ordinary £1 shares	Oil company	100%	GBP
Eni UKCS Limited (Registered in England & Wales)	Eni House*	Ordinary £1 shares	Oil company	100%	GBP
Eni LNS Limited (Registered in England & Wales)	Eni House*	Ordinary £1 shares	Oil company	100%	GBP
Eni Hewett Limited (Registered in Scotland)	Aberdeen**	Ordinary £1 shares	Oil company	100%	GBP

\* Eni House, 10 Ebury Bridge Road, London SW1W 8PZ, England

\*\* 6 Queens Road, Aberdeen AB15 4ZT, Scotland

##### b) Other investments

On 21 December 2016, the ultimate parent company Eni S.p.A., through the company, entered into a Members Agreement with OGCI Climate Investments LLP, and members of the OGCI (The Oil and Gas Climate Initiative), a collaborative investment vehicle of 11 leading oil and gas companies representing one fifth of the world's oil and gas production, with the objective of developing and accelerating the commercial deployment of innovative low emissions technologies and identifying ways to cut the energy intensity of both transport and industry.

As at 31 December 2019, the total investments in OGCI Climate Investments LLP is £11.5 million (2018: £6.3 million). This investment is valued at cost, which is not materially dissimilar to the fair value of this investment.

##### c) Joint operations

The company's participating interests in joint operations as at 31 December 2019, identified by reference to their particular area or field name in the UKCS, are as follows:

<u>Area or Field</u>	<u>Operator</u>	<u>% interest</u>	<u>Type</u>
<b>Eni UK Limited</b>			
<b>Producing fields and facilities</b>			
Judy / Joanne	Chrysaor	33.00	Oil & Gas
Hewett / Dawn	Eni	24.66	Gas
Jade	Chrysaor	7.00	Oil & Gas
Jasmine	Chrysaor	33.00	Oil & Gas
<b>Pipelines and terminals</b>			
CATS Pipeline	CATS North Sea Limited	0.34	
GAEL (Southern Spur)	Ineos	15.20	
GAEL (Northern Spur)	Ineos	5.26	
<b>Development and predevelopment areas</b>			
Rowallan	Eni	32.00	Oil & Gas
Aspen	Eni	60.00	Oil & Gas

## ENI UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 16 Inventories

	2019	2018
	£'000	£'000
Materials	<b>20,642</b>	20,091

#### 17 Trade and other receivables

	2019	2018
	£'000	£'000
Trade receivables	<b>8,421</b>	8,380
Prepayments and accrued income	<b>2,565</b>	1,786
Amounts owed by related parties		
<b>Parent company</b>		
Eni S.p.A. Corporate	<b>3,266</b>	1,250
Eni S.p.A. – Exploration & Production	<b>1,208</b>	454
<b>Subsidiary companies</b>		
Eni UKCS Limited	<b>327</b>	64
Eni AEP Limited	<b>3,200</b>	558
Eni Elgin / Franklin Limited	<b>2,582</b>	1,704
Eni LNS Limited	<b>31</b>	644
Eni TNS Limited	<b>-</b>	18
Eni Hewett Limited	<b>5,490</b>	3,077
<b>Affiliate companies</b>		
Eni Australia Limited	<b>49</b>	63
Eni JPDA 03-13 Limited	<b>44</b>	53
Eni ULX Limited	<b>32,512</b>	21,863
Eni Oil Algeria Limited	<b>22</b>	13
Eni BTC Limited	<b>45</b>	40
Eni Ireland B.V.	<b>288</b>	78
Eni International N.A. N.V. S.a.r.l.	<b>73</b>	63
Eni International Resources Limited	<b>239</b>	446
Eni Denmark B.V.	<b>15</b>	9
Eni Investments plc	<b>47</b>	47
Eni Lasmo plc	<b>284</b>	-
Eni UK Holding plc	<b>123</b>	56
Burren Energy plc	<b>69</b>	120
Burren Shakti Limited	<b>80</b>	-
Eni Pakistan Limited	<b>94</b>	52
Eni Trading & Shipping S.p.A.	<b>44,482</b>	10,745
Lasmo Sanga Sanga Limited (Branch)	<b>-</b>	227
Eni Angola Production B.V.	<b>43</b>	-
Eni CBM Limited	<b>28</b>	26
Virginia Indonesia Co CBM Limited (50%)	<b>28</b>	29
VIC CBM Limited (50%)	<b>28</b>	29
Agip Caspian Sea B.V.	<b>154</b>	149
Eni North Africa B.V.	<b>189</b>	661
Eni Cyprus Limited	<b>57</b>	10
Eni ULT Limited	<b>3</b>	1
Eni UHL Limited	<b>3</b>	1
Eni Progetti	<b>362</b>	338
Eni Mozambique Engineering Limited	<b>894</b>	736
Eni Côte d'Ivoire Limited	<b>35</b>	34
Eni India Limited	<b>82</b>	100
Eni Abu Dhabi	<b>618</b>	-
Eni Montenegro BV	<b>27</b>	-
Other receivables	<b>5,244</b>	4,496
	<b>113,351</b>	58,420

# ENI UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 17 Trade and other receivables (continued)

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

The receivables from related parties arise mainly from sale transactions and are due one month after the date of sale. The receivables are unsecured in nature and bear no interest.

As of 31 December 2019, no trade receivables were written off nil (2018 - £nil).

Trade receivables of £nil (2018 - £nil) were past due but no expected credit loss provision was made.

As of 31 December 2019 related parties receivables of £2.2 million (2018 - £09 million) were past due but no expected credit loss provision was made. These relate to related parties for whom there is no history of default.

	2019			2018		
	£'000			£'000		
	Fully performing	Past due but not impaired	Total	Fully performing	Past due but not impaired	Total
Trade receivables	8,421	-	8,421	8,380	-	8,380
Related parties	97,503	2,182	99,685	42,893	865	43,758
Other debtors	5,245	-	5,245	6,282	-	6,282

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

	2019	2018
	£'000	£'000
Pounds	6,969	6,846
US Dollars	1,306	1,534
Euros	146	-

The carrying amounts of related parties receivables are denominated in the following currencies:

	2019	2018
	£'000	£'000
Pounds	89,110	43,381
US Dollars	10,552	354
Euro	23	23

Movements on the company's provision for expected credit losses of trade receivables are as follows:

	2019	2018
	£'000	£'000
<b>At 1 January</b>	-	-
Charge of the year	53	-
<b>At 31 December</b>	<b>53</b>	-

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The company does not hold any collateral security.

## ENI UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 17 Trade and other receivables (continued)

Credit risk is the potential exposure of the company and its subsidiaries to loss in the event of non-performance by a counterparty. The credit risk arising from the company's normal commercial operations is controlled according to guidelines established by the Eni Group. In addition, the company follows guidelines of the Eni S.p.A. treasury department on the choice of highly credit-rated counterparties in their use of financial and commodity instruments, including derivatives.

The company has not experienced material non-performance by any counterparty. As of 31 December 2019, the company has no significant concentrations of credit risk (2018 - £nil). The maximum exposure to credit risk is equal to the carrying amount of the trade and other receivables.

Prepayments and accrued income mainly includes hydrocarbon sales income not invoiced to the customers at the balance sheet date.

#### 18 Cash and cash equivalents

	<u>2019</u> £'000	<u>2018</u> £'000
Cash at bank and in hand		
<b>Affiliate company</b>		
Banque Eni S.A.	3,427	12,399
<b>Short term deposits – Affiliate company</b>		
Eni Finance International S.A	221,000	381,500
	<u>224,427</u>	<u>393,899</u>

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 0.66% and 0.93% for GBP deposit (2018 - 0.45% and 0.79%).

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

## ENI UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 19 Trade and other payables

	2019	2018
	£'000	£'000
<b>Current</b>		
Amounts owed to related parties		
<b>Parent company</b>		
Eni S.p.A. – Exploration & Production	6,884	6,359
<b>Subsidiary companies</b>		
Eni Elgin / Franklin Limited	-	253
Eni Hewett Limited	641	11,915
ENI LNS Limited	-	107
<b>Affiliate companies</b>		
Eni Trading & Shipping S.p.A.	3,218	15,264
Eni Trading & Shipping BV	-	72
Eni ULX Limited	26,048	38
Eni International Resources Limited	760	1,190
Eni International BV	36	-
Eni Mozambique Engineering Limited	549	-
Eni China BV	38	-
Eni Servizi S.p.A.	73	24
Eni Lasmo Plc.	3,406	454
Eni Progetti S.p.A.	1,911	1,017
Eni Insurance Designated Activity Co	1,496	-
Other creditors	47,426	6,280
Accruals	31,958	51,253
	<b>124,444</b>	<b>94,226</b>

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

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

#### 20 Deferred tax

Deferred tax is calculated in full on temporary differences using a tax rate of 40% (2018 - 40%) in respect of ring fence activity and 17% (2018 - 17%) in respect of non-ring fence activity. The movement on the deferred tax account is shown below:

	2019	2018
	£'000	£'000
<b>Total deferred tax</b>		
At 1 January	70,839	61,501
(Credit)/charge to the income statement	(15,323)	4,510
(Credit)/charge to equity	(2,299)	4,828
<b>At 31 December</b>	<b>53,217</b>	<b>70,839</b>

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.

# ENI UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 20 Deferred tax (continued)

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

#### Deferred tax liabilities

	<b>Accelerated Capital Allowances</b>	<b>Pension Provision</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 January 2019	214,822	10,530	225,352
Utilised during the year	(3,947)	(1,896)	(5,843)
<b>At 31 December 2019</b>	<b>210,875</b>	<b>8,634</b>	<b>219,509</b>

  

	<b>Accelerated Capital Allowances</b>	<b>Pension Provision</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 January 2018	215,519	6,024	221,543
(Utilised)/Provided during the year	(697)	4,506	3,809
<b>At 31 December 2018</b>	<b>214,822</b>	<b>10,530</b>	<b>225,352</b>

#### Deferred tax assets

	<b>Decommissioning</b>	<b>Insurance provision</b>	<b>Investment allowance</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 January 2019	(153,786)	(727)	-	(154,513)
(Utilised)/Provided during the year	(8,940)	153	(2,992)	(11,779)
<b>At 31 December 2019</b>	<b>(162,726)</b>	<b>(574)</b>	<b>(2,992)</b>	<b>(166,292)</b>

  

	<b>Decommissioning</b>	<b>Insurance provision</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 January 2018	(159,632)	(410)	(160,042)
Provided/(utilised) during the year	5,846	(317)	5,529
<b>At 31 December 2018</b>	<b>(153,786)</b>	<b>(727)</b>	<b>(154,513)</b>

Deferred tax assets have been offset against the deferred tax liabilities above with the exception of the deferred tax asset on the decommissioning provision. The net deferred tax liability to be disclosed as a non-current liability is therefore £215,943,000 (2018 – £224,625,000) for continued operations.

The deferred tax asset relating to decommissioning is £162,726,000 (2018 – £153,786,000) and is disclosed as a non-current asset.

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

	<b>2019 Unprovided amount</b>	<b>2018 Unprovided Amount</b>
	<b>£'000</b>	<b>£'000</b>
<b>Unrecognised tax losses carried forward</b>	<b>5,171</b>	<b>5,285</b>



## ENI UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

In 2019 and 2018, 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.

#### 21 Provisions

	<b>Decommissioning provision</b>	<b>Other provisions</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 January 2019	384,464	2,440	386,904
Decrease during the year	-	(604)	(604)
Utilised in the year	(17,178)	-	(17,178)
Revision of cost estimate (note 13)	28,418	-	28,418
Unwinding of discount (note 9)	11,111	-	11,111
<b>At 31 December 2019</b>	<b>406,815</b>	<b>1,836</b>	<b>408,651</b>

#### Decommissioning provision

A provision of £ 406.8 million (2018: £384.5 million) has been recognised for decommissioning costs relating to producing oil and gas fields in which the company is a participant. The provision 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 ranging from 1.19% to 2.35% (2018: 1.80% to 3.57%). The estimated life of field interests is between 2020 and 2040. The increase in cost estimates follows a detailed review by the joint operations consortia operators of expected decommissioning costs.

#### Other provisions

Other provisions relate to general risk, insurance and employee benefit plans.

#### 22 Share capital

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Allotted and fully paid £1 ordinary equity shares	<b>250,000</b>	250,000

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.

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

The company regularly reviews its capital structure on the basis of its expected capital requirements in order to achieve the defined strategic objectives and manages its capital accordingly. The company's capital structure fully satisfies its capital requirements and the company has no necessity or intention of altering the current position. Short and medium-term funding requirements are managed through the use of an intercompany facility with Eni Finance International S.A. Longer term funding or funding for a particularly large transaction may be sourced from a combination of using the existing facility with Eni Finance International S.A., parent or affiliated company loan, suitable long-term instruments, such as loans from third party, or by raising additional equity.

## ENI UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 23 Commitments

The company has interests in various consortia engaged in exploration, development and production of oil and gas. As a member of these consortia, the company is committed to pay its share of the costs of development. It is anticipated that capital expenditure in 2019 will be approximately £69.9 million (2018 - £71.1 million). In addition to development expenditure, the company is committed to pay its share of the costs of exploration, which may involve capital expenditure in 2019 of approximately £14.3 million (2018 - £9.7 million).

On 21 December 2016, the ultimate parent company Eni S.p.A., through the company, entered into a Members Agreement with OGCI Climate Investments LLP (the Oil and Gas Climate Initiative – Climate Investments), and members of OGCI- CI a collaborative investment vehicle of initially 7, and currently 11, leading oil and gas companies representing one fifth of the world's oil and gas production, with the objective of developing and accelerating the commercial deployment of innovative low emissions technologies and identifying ways to cut the energy intensity of both transport and industry by investing at least one billion US dollars (company share: \$100 million or £76 million) in the next ten years. The number of members participating to this initiative will not change the total capital contribution by each member. The creation of OGCI Climate Investments LLP shows the collective determination of the oil and gas industry to deliver technology on a large scale that will create a step change to help tackle the climate challenge.

#### 24 Pension scheme

On 25 September 2015 the company announced the decision to close the defined benefit arrangement to future accruals for both existing employees and new members effective from 31 December 2015. The scheme was replaced by the Eni Group Personal Pension Plan which is a defined contribution arrangement effective from 1 January 2016.

The company maintains defined benefit arrangement. The assets of the scheme are held in a separately administered fund.

##### *Pension fund surplus*

An actuarial evaluation, according to IAS 19 (as revised in 2011), has been carried out at 31 December 2019 by a qualified independent actuary. The principal assumptions made by the actuaries were:

	<u>2019</u>	<u>2018</u>
	%	%
Rate of compensation	-	-
Discount rate	<b>2.00</b>	2.90
Inflation assumption	<b>3.10</b>	3.30
Expected return on plan assets	<b>3.10</b>	3.30

The overall expected rate of return is calculated as the average of the expected rates of return for each asset sector, weighted in proportion to the actual asset allocation.

The scheme assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees are required to act in the best interests of the scheme's beneficiaries. The scheme is also subject to the requirements of the Pensions Act 2004.

Since the pension liability is adjusted to the consumer price index, the pension plan is exposed to inflation, interest rate risks and changes in the life expectancy for pensioners. As the plan assets include significant investments in quoted equity shares, the company is also exposed to equity market risk. Plan assets are generally managed by external asset managers pursuing investment strategies, defined by the company, with the aim of ensuring that assets are sufficient to pay the benefits. For this purpose, the investments are aimed at maximizing the expected return and limit the risk level through proper diversification.

None of the scheme's direct asset holdings are represented by the company's own transferable financial instruments nor property occupied by, or other assets used by, the company or affiliated companies. The liabilities of the scheme are measured by discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit method, which is an accrued benefits valuation method. The liabilities set out in this note have been calculated by an independent actuary based on membership information as at 1 April 2018. The liabilities have then been rolled forward to 31 December 2019. The results of the calculations and the assumptions adopted are shown below.

# ENI UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 24 Pension scheme (continued)

#### Pension and other post-retirement obligations

The amounts recognised in the balance sheet are determined as follows:

	2019 £'000	2018 £'000
Present value of funded obligations	(164,471)	(139,834)
Fair value of plan assets	186,456	166,784
Net asset recognised in the balance sheet	<b>21,985</b>	26,950

Plan assets do not include investments in real estate.

The amounts recognised in the income statement are as follows:

	2019 £'000	2018 £'000
Past service cost	-	557
Net interest income (note 8)	(782)	(377)
<b>Included in the income statement</b>	<b>(782)</b>	180

The amounts recognised in other comprehensive income are as follows:

	2019 £'000	2018 £'000
Re-measurements:		
Experience (gains) / losses, excluding amounts included in net interest income, on:		
Scheme liabilities	(263)	(3,216)
Plan assets	(17,441)	7,702
Gain/(loss) from changes in the financial assumptions for value of scheme liabilities	23,451	(16,557)
<b>Amounts recognised in other comprehensive income</b>	<b>5,747</b>	(12,071)

#### Analysis of the movement in fair value of plan assets

	2019 £'000	2018 £'000
Fair value of plan assets at 1 January	166,784	178,107
Return on plan assets, excluding amounts included as net interest income	4,800	4,354
Actuarial gain/(loss) on plan assets	17,441	(7,702)
Benefits paid from plan	(2,569)	(7,975)
<b>Fair value of plan assets at 31 December</b>	<b>186,456</b>	166,784

#### Analysis of the movement of benefit obligations

	2019 £'000	2018 £'000
Benefit obligation at 1 January	139,834	163,048
Current service cost	-	557
Interest cost	4,018	3,977
Actuarial loss/(gain) on benefit obligations	23,188	(19,773)
Benefits paid from plan	(2,569)	(7,975)
<b>Benefit obligation at 31 December</b>	<b>164,471</b>	139,834

## ENI UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 24 Pension scheme (continued)

##### Analysis of the movement in the balance sheet asset

	<b>2019</b>	2018
	<b>£'000</b>	£'000
At 1 January	<b>26,950</b>	15,059
Total credit/(charge) as above	<b>782</b>	(180)
Net actuarial (loss)/gain on plan assets and benefit obligations	<b>(5,747)</b>	12,071
At 31 December	<b>21,985</b>	26,950

The weighted average duration of the defined benefit obligation is 24 years (2018: 24 years).

The key risks which could significantly impact the balance sheet, and to a lesser extent the income statement are as follows:

- A reduction in the discount rate, which will increase the value placed on the Scheme's liabilities.
- An increase in price inflation.
- Improving life expectancy (lower mortality rates) resulting in benefits being paid for longer.

##### Sensitivity analysis on plan obligation at 31 December 2019

The table below shows the changes in the present value of liabilities as at 31 December 2019 of the Scheme as a result of changes in the principal assumptions:

<b>Present value of defined benefit obligation</b>			
	<b>Change in assumption</b>	<b>Increase in assumption</b>	<b>Decrease in assumption</b>
		<b>£'000</b>	<b>£'000</b>
Discount rate	0.5%	147,474	184,083
Inflation rate	0.5%	182,427	147,946
Life expectancy of all members	1 year	170,995	157,976

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

##### Composition of the fair value of plan assets

	<b>2019</b>		<b>2018</b>	
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
UK Equities (quoted)	<b>9,946</b>	<b>5%</b>	10,022	6%
Corporate Bonds (non-quoted)	<b>55,493</b>	<b>30%</b>	45,292	27%
Diversified Growth Funds (non-quoted)	<b>65,836</b>	<b>35%</b>	48,667	29%
Liability driven investment (non-quoted)	<b>53,191</b>	<b>29%</b>	62,714	38%
Cash (non-quoted)	<b>1,990</b>	<b>1%</b>	89	0%
<b>Total</b>	<b>186,456</b>	<b>100%</b>	166,784	100%

Plan assets are measured at fair value using level 1 and level 2 valuation techniques in both years.

There have been no transfers between fair value levels during the reporting period.

## ENI UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 25 Market risks

Market risks include foreign exchange rate risk, interest rate risk and operation risk.

##### Foreign exchange rate risk

Exchange rate risk derives from the fact that the company's operations are conducted in currencies other than GBP (in particular the US Dollar and Euro) and by the time lag existing between the recording of costs and revenues denominated in currencies other than the functional currency and the actual time of the relevant monetary transaction (transaction exchange rate risk). The transaction exchange rate risk arising from payables, receivables and accruals denominated in currencies other than the functional currency, is not considered to be material due to the fact that these will be realised within 30 days. Generally speaking, an appreciation of the US Dollar versus the GBP has a positive impact on the company's results of operations, and vice-versa. Effective management of exchange rate risk is performed at the group level, within the central finance department which matches opposite positions of the group operating subsidiaries and hedges net positions using derivatives (such as currency swaps, forwards and options). Commodity derivatives based on currencies other than the functional currency are subject to exchange rate risk, as their realisation time scenario is greater than 30 days.

During 2019 and 2018, the company had no long term commodity derivatives based on currencies other than GBP and no other commodity derivatives that are subject to foreign exchange risk.

##### Interest rate risk

Variations in interest rates affect the market value of financial assets and liabilities of the company. As with exchange rate risk, the company works in conjunction with the specialised finance companies of the Eni S.p.A. group to mitigate interest rate risk at a group level. The company does not consider this a material risk as it has no financial debts and no investments in interest bearing instruments.

##### Commodity risk

The company's results of operations are affected by changes in the prices of commodities.

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. The company does not have any significant outstanding financial instruments including derivatives as of 31 December 2019, which are subject to the changes in the price of commodities.

##### Liquidity and operation risk

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

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

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

## ENI UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### Liquidity and operation risks (continued)

As at 31 December 2019	Less than one year	More than one year
	£'000	£'000
Trade and other payables	114,256	20,964

  

As at 31st December 2018	Less than one year	More than one year
	£'000	£'000
Trade and other payables	91,705	-

The above financial liabilities will be settled on a gross basis.

#### Operation risk

The company's and its subsidiaries' activities present industrial and environmental risks and are therefore subject to extensive government regulations concerning environmental protection and industrial security.

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

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

#### 26 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 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 epidemic with serious repercussions on production. In early April, the members of the OPEC + cartel did reach an agreement on production cuts required by some of them to react to the effects of Covid-19.

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, also the ability to continue production in the North Sea. Employees and contractors have been working from home. 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 in the North Sea to pursue the same actions.

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