ENI AUSTRALIA LIMITED
ANNUAL REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020

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

Registered Number: 01020949

ENI AUSTRALIA LIMITED

DIRECTORS AND REGISTERED OFFICE

BOARD OF DIRECTORS

E Delfos
G L Ferrara
P D Hemmens
F Krekshi
R P Waterlow

SECRETARY AND REGISTERED OFFICE

R D'Abreo
Eni House
10 Ebury Bridge Road
London SW1W 8PZ

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
The Capitol
431 Union Street
Aberdeen
AB11 6DA
United Kingdom

REGISTERED IN ENGLAND NO: 01020949

STRATEGIC REPORT

The directors present their strategic report of Eni Australia Limited ("the company") for the year ended 31 December 2020.

Review of the business

Principal activities

The company's principal activities continue to be exploration, development and production of oil and gas reserves in Australia. Since 2019 the company is also involved in the development of multiple renewable projects and relevant investments are included in this report.

Results for the year

The results for the year are set out on page 9 of the financial statements. The loss for the financial year was $14,583,000 (2019: $10,650,000 loss). No dividend was paid during 2020 (2019: $nil).

Key performance indicators

Key performance indicators of the company are set out below:

	2020 $'000	2019 $'000	Variance $'000
Operating loss	(7,599)	(10,623)	3,024
Net loss after tax	(14,583)	(10,650)	(3,933)
Net assets	212,769	227,352	(14,583)

The directors consider the performance of the company to be in line with expectations. The Woollybutt oil field ceased production in 2012. The operating loss is lower by $3,024,000 in 2020 as the result of various optimisation initiatives which led to lower exploration studies and general administration expenses. Net loss after tax is higher mainly due to foreign exchange loss. Net assets decrease is due to the current year loss.

Operational performance and future development

Decommissioning

The Woollybutt decommissioning activities will continue in suspended monitoring phase until the full field P&A campaign in Q4 2021. Monitoring activities include annual remote operated vehicle (ROV) surveys and monthly satellite spill detection. In 2020 engineering definition and procurement plan development & implementation was carried out. The Woollybutt ROV survey in January 2020 showed the disconnectable single point mooring (DSPM) was no longer floating in the sea column and had sunk to rest on the sea floor. Mid Depth Buoy (MDB) #1 was found 30 August 2020 floating upside down on the surface after its mooring chains broke. MDB1 and MDB2 were successfully removed and scrapped in November 2020. The WBT abandonment cost estimate is expected to be reviewed in 2021 after receipt and evaluation of the tenders for the P&A campaign in the first half of 2021.

Pre-Development

NTRL-7: The Evans Shoal gas field (GIIP P50 value of 11.4 TCF, 100%) is held under the NT/RL-7 Retention Lease that was renewed for a second term on 24 April 2020 for a five year term that expires 23 April 2025. In 2020 the NT/RL-7 technical work was focussed on pre-feasibility studies aimed at commercialisation of the Evans Shoal gas resource and the commencement of a study of seismic attributes as per retention lease work commitments. In July 2020 Osaka Gas, previous titleholder in the block with a 10% interest, completed its withdrawal from the permit effective 31 October 2019. Eni Australia and Petronas increased their share on a pro rata basis and Eni Australia share increased from 65% to 72.22%.

Exploration

NT/RL-8: The retention lease contains the Blackwood gas accumulation and was granted on 14 June 2016. Monitoring of commercialisation, performing Geological and Geophysical (G&G) commitment studies and annual reporting activities have been undertaken during 2020.

Operational performance and future development (continued)

Renewables

Due to the outbreak of Covid-19, regulatory uncertainties on plant requirements (new Generator Performance Standards came into force in March, opposed by industry), resource constraints with System Control have delayed start and execution of commissioning and compliance testing. First commercial production expected in March 2021.

Both Batchelor and Manton Dam solar farms reached mechanical completion in September 2020. Outbreak of Covid-19 and unavailability of resources by Networks Operations (part of Power and Water Corporation) are significantly delaying connection of both plants to the grid, a pre-requisite to start commissioning and compliance testing. First commercial production is expected in Q4 2021.

Principal risks and uncertainties

Financial risk management

The directors periodically review the company's exposure to financial risks and set appropriate policies in order to mitigate the risks. The company is exposed to the following financial risks.

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

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

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

Financial risk: The company is not exposed to significant interest rate risks. The company is exposed to foreign exchange fluctuations relating to non-USD (mainly AUD) expenditures and receipts. Effective management of exchange rate risk is performed at the Eni Group level, within the central finance department which matches opposite positions of the group operating subsidiaries and hedges net positions using derivatives (such as currency swaps, forwards and options).

Business risk management

Operation risk: The company's operations present industrial and environmental risks and are therefore subject to extensive government regulations concerning environmental protection and industrial security. The broad scope of these activities involves a wide range of operational risks such as those of explosion, fire or leakage of toxic products, and production of non-biodegradable waste. Since exploration and production activities may take place on sites that are ecologically sensitive, each site requires a specific approach to minimise the impact on the related ecosystem, biodiversity and human health.

Impact of coronavirus (COVID-19)

The dramatic events caused by the COVID-19 pandemic during 2020 with the lockdown of entire economies and huge limitations on international commerce and travel triggered a collapse in hydrocarbon demand in a context of a structural oversupply of the oil market leading to an unprecedented reduction in hydrocarbon prices. These developments had negative, material effects on Eni group's results of operations and cash flow during 2020. Confronted with such a remarkable shortfall in the cash flows, management has taken a number of measures to preserve the liquidity of the Group, the ability to cover financial obligations that come due and to mitigate the impact of the crisis on the Group's net financial position.

Eni continues to assess the potential impact of coronavirus on the staff and operations and have implemented appropriate mitigation plans.

The company, as part of Eni Group UK companies, has 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.

Principal risks and uncertainties (continued)

Impact of coronavirus (COVID-19) (continued)

Going forward, management expects a moderate recovery in global energy consumption subject to the risks and uncertainties described above.

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

Brexit has no impact on the company, as it has limited activity in the United Kingdom.

Section 172(1) UK Companies Act 2006 ("Act") Statement

Directors

As part of their induction the Directors of the Company are 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 18 March 2020 and by the Directors of the company on 3 June 2020. The Eni Code of Ethics sets out the challenges of sustainable development and the need to take into consideration the interests of all stakeholders to clearly define the values that the company will accept, acknowledge and share as well the responsibilities it assumes, contributing to a better future. The Eni Code of Ethics is brought to the attention of every person or body having business relations with the company.

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 23 April 2020 and by the Directors of the company on 3 June 2020. Moreover, as an indirect subsidiary of Eni S.p.A the Board of Directors have adopted the Eni internal Regulatory System including Management System Guidelines which sets out internal policies to achieve a high standard of business conduct. All Board of Directors decisions are taken with regard to section 172 of the Act.

Community and the Environment

Eni's mission inspired by the UN 2030 Agenda, represents the transformation path taken by the company to play a defining role in the global process towards a low carbon future, promoting access to energy efficiently and sustainably for everyone.

This mission confirms Eni's commitment to an energy transition that is also socially fair and organically integrating the 17 SDGs to which Eni intends to contribute, exploiting new business opportunities.

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

gian luigi ferrara

gian luigi ferrara (May 14, 2021 08:47 GMT+1)

Gian Luigi Ferrara
Director
14 May 2021

The directors present their report and the audited financial statements of the company for the year ended 31 December 2020.

Directors

The present directors of the company are listed on page 1 and have held office throughout the year and up to the date of signing the financial statements with the following exceptions:

- F Polo resigned as a director on 8 June 2020
- M Giusto resigned as a director on 6 August 2020
- P D Hemmens was appointed as a director on 6 August 2020
- F Krekshi was appointed as a director on 8 June 2020
- M Trezza was resigned as a director on 30 October 2020
- R P Waterlow was appointed as a director on 8 December 2020

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

Future developments

Future developments of the company are detailed in the strategic report. The operational performance of the company has been as expected and management anticipates that it will continue to improve in the coming year.

Dividends

No dividend was paid during the year (2019 – $nil).

Branches outside the UK

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

Post balance sheet events

There is no post balance sheet event to report.

Going concern

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 at least twelve months from the date of signing the financial statements. Refer to the Basis of preparation in the Statement of accounting policies for more details.

Statement of directors' responsibilities in respect of the financial statements

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

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

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

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

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

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

Prompt payment policy

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

Streamlined Energy and Carbon Reporting

The Government introduced a 'Streamlined Energy and Carbon Reporting (SECR) Framework whereby large unquoted companies are obliged to report their UK energy use and associated greenhouse gas emissions as a minimum relating to gas, electricity and transport fuel, as well as an intensity ratio and information relating to energy efficiency action, through their annual reports.

The company is not in scope for reporting on this matter, as it has no energy use and associated greenhouse gas emissions in the UK.

The company does not have personnel nor office in the UK. Eni UK Limited is the service provider of the company in the area of management, technical support, finance, legal advisory and corporate services in the UK. The UK energy use and associated greenhouse gas emissions of Eni UK Limited, service provider to the company are disclosed in the Annual report and financial statements of Eni UK Limited.

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

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

Riordan D'Abreo
Riordan D'Abreo (May 14, 2021 08:38 GMT+1)

R D'Abreo
Secretary

14 May 2021

Independent auditors' report to the members of Eni Australia Limited

Report on the audit of the financial statements

Opinion

In our opinion, Eni Australia Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2020; the statement of comprehensive income and the statement of changes in equity for the year then ended; the statement of accounting policies; and the notes to the financial statements.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the members of Eni Australia Limited (continued)

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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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 2020 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Independent auditors' report to the members of Eni Australia Limited (continued)

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the failure to comply with the relevant tax regulations in the jurisdictions in which the company operates, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- enquiry of management and the company's in-house legal team, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud
- enquiry of staff in the company's tax function to identify any instances of non-compliance with laws and regulations
- reviewing minutes of meetings of those charged with governance
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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
14 May 2021

ENI AUSTRALIA LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note(s)	2020 $'000	2019 $'000
Revenue	2	**75**	-
Other income	3	**18,546**	20,235
Total revenue		**18,621**	20,235
Other service costs and expenses	*4*	**(2,498)**	(4,924)
Labour costs	*7*	**(19,874)**	(21,642)
Depreciation and amortisation	*11,12*	**(3,848)**	(4,292)
Operating loss	5	**(7,599)**	(10,623)
Interest receivable and similar income	8	**169**	2,515
Interest payable and similar expenses	9	**(6,705)**	(3,843)
Loss before taxation		**(14,135)**	(11,951)
Tax (charge)/credit on loss	*10*	**(448)**	1,301
Loss for the financial year		**(14,583)**	(10,650)
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive loss for the year		**(14,583)**	(10,650)

All results are from continuing operations and are attributable to the equity holder.

ENI AUSTRALIA LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Share Capital $ 000	Capital Contribution Reserve $ 000	Accumulated Losses $ 000	Total Shareholders' Equity $ 000
Balance at 1 January 2019		32,199	496,500	(350,697)	178,002
Total comprehensive loss for the year		-	-	(10,650)	(10,650)
Capital contribution		-	60,000	-	60,000
Balance at 31 December 2019		**32,199**	**556,500**	**(361,347)**	**227,352**
Total comprehensive loss for the year		-	-	(14,583)	(14,583)
Balance at 31 December 2020	*21*	**32,199**	556,500	**(375,930)**	212,769

ENI AUSTRALIA LIMITED (Registered number: 01020949)

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note(s)	2020 $'000	2019 $'000
Assets			
Current assets			
Inventories	13	**2**	2
Trade and other receivables	14	**5,179**	5,800
Cash and cash equivalents	15	**14,192**	5,110
		19,373	10,912
Non-current assets			
Intangible assets	11	**247,266**	247,287
Property, plant and equipment	12, 18	**76,951**	57,148
Deferred tax asset	19	**18,103**	19,733
		342,320	324,168
Total assets		**361,693**	335,080
Liabilities			
Current liabilities			
Trade and other payables	16	**9,961**	8,577
Borrowings	17	**79,831**	40,215
Provisions	18, 20	**1,668**	1,271
		91,460	50,063
Non-current liabilities			
Provisions	18, 20	**57,464**	57,665
Total liabilities		**148,924**	107,728
Total shareholders' equity			
Share capital	21	**32,199**	32,199
Capital contribution reserve		**556,500**	556,500
Accumulated losses		**(375,930)**	(361,347)
Total shareholders' equity		**212,769**	227,352
Total shareholders' equity and liabilities		**361,693**	335,080

The financial statements from page 9 to 29 were approved by the Board on 12 March 2021 and were signed by an authorised director on behalf of the Board, at a later date.

On behalf of the Board

gian luigi ferrara
gian luigi ferrara (May 14, 2021 08:47 GMT+1)

G L Ferrara
Director
14 May 2021

STATEMENT OF ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year is set out below.

General Information

The company is a private limited liability company, by shares, incorporated and domiciled in England, United Kingdom. The company is wholly owned by Eni International BV, which is a 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 66 countries and employs around 31,000 people. Eni S.p.A. is listed on the Milan and New York Stock Exchanges.

The company acts as a participant in consortia involved in the exploration and exploitation of oil and gas in Australia. As a participant, the company receives from the operators, returns of income, expenditure, assets and liabilities of the consortia, the company's share of which are incorporated into its accounting records. The financial statements reflect the company's share of each activity as a participant in consortia as governed by their joint operating agreement.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

The net asset position at 31 December 2020 was $212,769,000 (2019: $227,352,000).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 has obtained confirmation from its intermediate parent company Eni International B.V., that it will provide adequate financial support to enable the company to meet its obligations for a period of at least one year from the date of approval of these financial statements. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to:

(a) the requirements of IFRS 7 Financial Instruments: Disclosures;
(b) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements:
(c) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
   (i) paragraph 79(a)(iv) of IAS 1;
   (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
   (iii) paragraph 118(e) of IAS 38 Intangible Assets.
(d) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135c-135e of IAS 36, Impairment of Assets;
(e) the requirements of IAS 7 Statement of Cash Flows;
(f) The requirements of paragraph 24(b) of IFRS 6 Exploration for and Evaluation of Mineral Resources to disclose the operating and investing cash flows arising from the exploration for and evaluation of mineral resources;
(g) the requirements of paragraph 91 – 99 of IFRS 13 Fair Value Measurement;
(h) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
(i) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to standards not yet effective;
(j) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures; and
(k) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

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

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

New and amended standards adopted
The company has applied the following standards and amendments for the first time for the annual reporting commencing on 1 January 2020:

- Definition of material – amendments to IAS 1 and IAS 8
- Definition of a business – amendments to IFRS 3
- Interest rate benchmark reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised conceptual framework for financial reporting

Basis of preparation (continued)

- Annual improvements to IFRS standards 2018-2020 cycle.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are note expected to have a material on the entity in the current and future periods and on foreseeable future transactions.

New standards and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 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.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the asset. Property, plant and equipment are depreciated on a straight line basis over its estimated useful life as follows:

• Office assets, fixtures and fittings	4 - 20 years
• IT hardware	3 - 10 years

Property, plant and equipment includes oil and gas properties representing the company's share of expenditure in respect of exploration, appraisal and development costs of fields where a decision to exploit their reserves has been made, field development programme approval has been granted and capital expenditure incurred when the fields are in production. Interest costs incurred during the development stage of fields are capitalised from the date at which field development programme approval is granted until production commences.

These assets, except proven mineral interests, are depreciated using the unit of production method based on proved developed oil and gas reserves for each field in production at the balance sheet date. 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.

Intangible assets – exploration and appraisal costs

Exploration costs represent the company's share of expenditure by consortia and previously as operator on the exploration of the sea bed for oil and natural gas up to the date of any decision to exploit various finds.

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

Where a decision has been made to exploit a find, the exploration costs are carried forward. In the period after a decision has been made to exploit a find but before field development programme approval has been granted, any pre-development costs that are incurred are also capitalised and carried forward. When field development programme approval is granted, the exploration and pre-development costs of that field are reclassified as oil and gas properties within property, plant and equipment. Exploration wells that are being drilled at the year-end are included in non-current assets as exploration and appraisal costs until the results of the drilling are determined.

Exploration rights

Payments for exploration rights in connection with a right to explore (or their extension) in an exploration area are now accounted for in the same way as other exploration costs. Consequently they are capitalised as intangible assets pending determination of whether the exploration and appraisal activities in the reference areas are successful or not whereas previously the capitalised costs were amortised over the license period.

Unproved exploration rights are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine that the discovery is economically viable based on a range of technical and commercial considerations and that sufficient progress is being made on establishing development plans and timing. If no future activity is planned or the exploration rights have expired, the carrying value is written off through the income statement.

Exploration rights (continued)

In the event of a discovery of proved reserves (i.e. upon recognition of proved reserves and internal approval for development), the entire balance of the related exploration rights, initially recognised as unproved, is transferred to "proved exploration rights" in intangible assets. From the commencement of production, proved exploration rights are amortised according to the unit of production method (UoP) over total proved reserves. This policy has been adopted retrospectively. The company has recognised deferred tax assets related to tax losses to offset the deferred tax liabilities on all exploration assets, when applicable.

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 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 joint operations, and its share of joint operation expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the company and their amount can be measured reliably.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Inventories

Inventories consist of materials and supplies. Inventories are stated at the lower of cost and net realisable value and represent the company's share of stocks 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.

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 amounts of cash and subject to an insignificant risk of changes in value.

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

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

1. BESA is a Belgian regulated bank subject to the banking regulatory requirements.
2. Although Eni S.p.A is not a financial institution, it performs its financial activities within specific Board approved limits.
3. EFI is the company responsible for the centralised funding of some foreign Eni Group companies and for collecting their financial surpluses.

Foreign currencies

Transactions denominated in a foreign currency are converted to US Dollars at rates ruling at the date of the transaction. All financial information has been rounded to the nearest thousand ($'000), unless otherwise indicated. 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 statement of comprehensive income with the exception of differences arising on the consolidation of branches held in foreign currencies, which are taken directly to reserves.

The functional and reporting currency of the company is US Dollars as the majority of its assets and transactions are US dollar denominated. The year-end exchange rate in AUD Dollars is 0.77235 (2019 – 0.70184).

Taxation

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

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of intangible assets. Deferred tax assets and liabilities are offset only to the extent that the timing of their reversal coincides. 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 resource rent tax

Petroleum resource rent tax is provided on the taxable profits of fields subject to petroleum resource rent tax at a rate of 40% (2019 – 40%). Provision for deferred petroleum resource rent tax is made using the liability method. As petroleum resource rent tax is largely specific to individual fields and field lives are finite, provision is made in full for those fields expected to pay significant tax. Provision is made for temporary differences in respect of capital and revenue expenditure and the decommissioning and restoration provision.

Other income

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

Provisions

Provisions are recognised when: (i) there is a current obligation (legal or constructive), as a result of a past event; (ii) it is probable that the settlement of that obligation will result in an outflow of resources embodying economic benefits; and (iii) the amount of the obligation can be reliably estimated. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date or to transfer it to third parties at that time.

Decommissioning provision

The estimated cost of dismantling the production and related facilities and site restoration at the end of the economic life of each field is recognised in full as a decommissioning provision when the asset is installed as the ground/environment is disturbed at the field location. The amount recognised is the present value of the estimated future decommissioning cost, and an offsetting entry to property, plant and equipment is also recognised. The increase in the provision with the passage of time (unwinding of discount) is recognised as interest expense. The asset is depreciated on a unit of production basis. Changes to the present value of the estimated future decommissioning cost are accounted for as adjustments to the provision and property, plant and equipment.

Financial instruments

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

Financial assets - Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The company's financial assets held at amortised cost includes trade and other receivables.

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

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

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

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

Financial liabilities
Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial recognition date and only if the conditions in IFRS 9 are satisfied.

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

Leases

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.

Leases (continued)

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.

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.

Pension

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable for the year are charged in the statement of comprehensive income.

Use of accounting estimates, judgements and assumptions

The company's financial statements are prepared in accordance with FRS101. These require the use of estimates and assumptions that affect the assets, liabilities, revenues and expenses reported in the financial statements, as well as amounts included in the notes thereto, including discussion and disclosure of contingent liabilities. Estimates made are based on complex or subjective judgements, past experience and other assumptions deemed reasonable in consideration of the information available at the time. The accounting policies and areas that require the most significant judgements and estimates to be used in the preparation of the financial statements are in relation to the accounting for oil and natural gas activities, specifically in the determination of proved and proved developed reserves, impairment of property, plant and equipment and intangible assets, decommissioning provision and recovery of deferred tax assets. Although the company uses its best estimates and judgements, actual results could differ from the estimates and assumptions used.

A summary of significant estimates follows:

a) Oil and gas activities

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

Use of accounting estimates, judgements and assumptions (continued)

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

Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection, or other improved recovery techniques, for supplementing the natural forces and mechanisms of primary recovery will generally be included as proved developed reserves only after testing by a pilot project, or after the operation of an installed programme, has confirmed through production response that increased recovery will be achieved.

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, that is, prices and costs as at the date that the estimate is made.

(i) Reservoirs are considered proved if reserves that can be economically produced are supported by either actual production or conclusive formation tests. The area of a reservoir considered proved includes: (a) that portion delineated by drilling and defined by gas-oil or oil-water contacts, if any, or both, and; (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.

(ii) Reserves that can be produced economically through the application of improved recovery techniques (such as fluid injection) are generally only included in the proved classification if successful testing by a pilot project, or the operation of an installed programme in the reservoir, provides support for the engineering analysis on which the project or programme was based.

(iii) Estimates of proved reserves do not include the following: (a) crude oil, natural gas and natural gas liquids that may become available from known reservoirs but are classified separately as indicated additional reserves; (b) crude oil, natural gas and natural gas liquids, the recovery of which is subject to reasonable doubt because of uncertainty as to geology, reservoir characteristics, or economic factors; and (c) crude oil, natural gas and natural gas liquids that may be recovered from oil shales, coal and other such sources.

b) Impairment of assets
Eni assesses its property, plant and equipment and intangible assets for possible impairment if there are events or changes in circumstances that indicate the carrying values of the assets are not recoverable. Such indicators include changes in the company's business plans, changes in commodity prices leading to unprofitable performance and, for oil and gas properties, significant downward revisions of estimated proved reserve quantities.

Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation and technology improvements on operating expenses, production profiles and the outlook for global or regional market supply and demand conditions for crude oil, natural gas, commodity chemicals and refined products, and the discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

c) Decommissioning provision
Obligations to remove property, plant and equipment and restore land or seabed require significant estimates in calculating the amount of the obligation and determining the amount required to be recorded at present value in the financial statements. Estimating future decommissioning obligations is complex. It requires management to make estimates and judgements with respect to removal obligations that will come to term many years into the future and contracts and regulations are often unclear as to what constitutes removal. In addition, the ultimate financial impact of environmental laws and regulations is not always clearly known as asset removal technologies and costs constantly evolve in the countries where the company operates, as well as political, environmental, safety and public expectations. The subjectivity of these estimates is also increased by the accounting method used that requires entities to record the value of a liability for decommissioning obligations in the period when it is incurred (typically, at the time, the asset is installed at the production location). The recognised decommissioning obligations are based on future retirement cost estimates and incorporate many assumptions such as: expected recoverable quantities of crude oil and natural gas, abandonment time, future inflation rates and the discount rate.

Use of accounting estimates, judgements and assumptions (continued)

d) 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 statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the company will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, oil and natural gas prices, reserves, operating costs, decommissioning costs, capital expenditure, dividends and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. 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.

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 2020, which will be available from its website (www.eni.com) or on request to Eni S.p.A., Via Emilia 1, 20097 San Donato Milanese, Italy.

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

2 Revenue

	2020 $'000	2019 $'000
Solar electricity production	**75**	-

3 Other income

	2020 $'000	2019 $'000
Recharges to group undertakings and other income	**18,546**	20,235

4 Other service costs and expenses

	2020 $'000	2019 $'000
Other service costs and expenses	**2,498**	4,924
	2,498	4,924

Other service costs and expenses include gross parent company costs of $6,304,000 (2019: $13,883,000) prior to capitalisation and recharge to partner. The reduction in other service costs are due to optimisation initiatives, which lead to lower exploration studies and lower general administration cost.

5 Operating loss

Operating loss is stated after charging the following amounts in relation to the branch, included within other service costs and expenses:

	2020 $'000	2019 $'000
Depreciation and amortisation (note 11 and note 12)	**3,560**	4,292
Auditors' remuneration		
- Audit of the company's financial statements	**27**	116

6 Directors' remuneration

The directors' emoluments were as follows. The emoluments include deferred bonus of $61,000 (2019 - $326,000).

	2020 $'000	2019 $'000
Emoluments	**1,428**	2,092

The amounts for remuneration include the following in respect of the highest paid director:

	2020 $'000	2019 $'000
Emoluments	**808**	1,418

7 Labour costs

	2020 $'000	2019 $'000
Wages and salaries	**17,679**	19,483
Other pension costs	**2,195**	2,159
	19,874	21,642

The average monthly number of persons employed by the company during the year, excluding contracted staff, was 91 (2019 – 94). The wages and salaries include redundancy expenditures for $nil (2019- $79,000).

8 Interest receivable and similar income

	2020 $'000	2019 $'000
Group company – Interest receivable	**-**	28
Bank interest income	**169**	2,487
	169	2,515

Third parties interest receivable and similar income include $nil foreign exchange gain (2019 - $2,431,000).

9 Interest payable and similar expenses

	2020 $'000	2019 $'000
Unwinding of discount on decommissioning provision (note 20)	**1,012**	1,827
Other interest payable – group company	**1,054**	1,835
Interest on finance lease recognised under IFRS16 (note 18)	**(25)**	179
Other interest – third parties bank charges	**4,664**	2
	6,705	3,843

Other interest - third parties include $4,396,000 (2019 - $nil) foreign exchange loss.

10 Tax on loss

	2020 $'000	2019 $'000
Current tax		
UK corporation tax	-	-
Foreign tax – current year	-	-
Foreign tax – prior year adjustment	-	-
Total current tax	-	-
Deferred foreign tax	**1,630**	(762)
Petroleum Resource Rent Tax	**(1,182)**	(539)
Total tax	**448**	(1,301)

Factors affecting tax charge/ (credit) for the year

The tax assessed for the period is higher (2019 - higher) than the standard rate of corporation tax applicable to oil and gas exploration and production companies in the UK non-ring fence tax of 19% (2019 - 19%). The differences are explained below:

	2020 $'000	2019 $'000
Loss before taxation	**(14,135)**	(11,951)
Loss before tax at 19 % (2019 – 19%)	**(2,686)**	(2,271)
Income not taxable	**(2)**	(131)
Expenditure not allowable for tax	**589**	520
Group relief surrendered	**1,321**	37,223
Deferred foreign tax	**1,630**	(762)
Petroleum revenue resource tax	**(1,182)**	(539)
Movement in deferred tax not recognised	**417**	(35,341)
Unrecognised loss carried forward	**361**	-
Total Tax	**448**	(1,301)

11 Intangible assets

Exploration and appraisal costs

	$'000
Cost	
At 1 January 2020	274,137
Additions	218
At 31 December 2020	**274,356**
Accumulated amortisation	
At 1 January 2020	26,850
Charge for the year (note 5)	239
At 31 December 2020	**27,090**
Net book value	
At 31 December 2020	**247,266**
At 31 December 2019	247,287

12 Property, plant and equipment

	Renewables	Oil & gas properties	Office Equipment and other	Right of use assets	Total
	$'000	$'000	$'000	$'000	$'000
Cost					
At 1 January 2020	38,451	204,987	12,993	5,589	262,020
Change of estimate (note 20)	-	1,104	-	-	1,104
Additions	17,802	311	-	4,216	22,329
Disposals	-	-	(308)	-	(308)
At 31 December 2020	**56,253**	**206,402**	**12,685**	**9,805**	**285,145**
Accumulated depreciation					
At 1 January 2020	-	192,888	10,474	1,510	204,872
Charge for the year (note 5)	-	1,104	1,090	1,414	3,608
Disposals	-	-	(287)	-	(287)
At 31 December 2020	**-**	**193,992**	**11,277**	**2,924**	**208,193**
Net book value					
At 31 December 2020	**56,253**	**12,410**	**1,408**	**6,881**	**76,952**
At 31 December 2019	38,451	12,099	2,519	4,079	57,148

13 Inventories

	2020	2019
	$'000	$'000
Materials and supplies	**2**	2

14 Trade and other receivables

	2020	2019
	$'000	$'000
Amounts owed by group undertakings	**3,409**	3,704
Other debtors	**1,376**	1,704
Prepayments and accrued income	**394**	392
	5,179	5,800

15 Cash and cash equivalents

	2020 $'000	2019 $'000
Cash at bank and in hand		
Group undertaking – current account	**3,588**	1,203
Third parties – current account	**10,604**	3,907
	14,192	5,110

16 Trade and other payables

	2020 $'000	2019 $'000
Trade creditors	**3,732**	388
Amounts owed to parent company	**3,640**	3,571
Amounts owed to group undertakings	**486**	17
Other creditors	**1,111**	1,356
Accruals and deferred income	**992**	3,245
	9,961	8,577

17 Borrowings

	2020 $'000	2019 $'000
Short term borrowing		
Group undertaking	**79,831**	40,215

18 Leases

Right of use	**2020 $'000**
Cost	
At 1 January 2020	**5,589**
Additions	**4,216**
At 31 December 2020	**9,805**
Accumulated depreciation provision	
At 1 January 2020	1,510
Charge for the year	1,414
At 31 December 2020	**2,924**
Net Book Value	
At 31 December 2020	**6,881**
At 31 December 2019	4,079

Lease Liabilities	**2020 $'000**
Current	874
Non-current	6,265
	7,139

18 Leases (continued)

The company leases office space and land for solar plants. The lease contracts end between 2025 and 2054.

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

The interest expense is included in the finance costs and amount to $25,000. The interest is negative due to the adjustments from the changes in estimates and commencement date related to prior year. In addition, interest expense amounting to $9,000 are capitalised.

The rent payments are made monthly. Lease payments do not include other variable lease payments that depend on an index or rate.

Payments on leases are as follows:

	Years	$'000
Within 1 year	2021	874
Between 2 and 4 years	2025	2,621
Between 5 and 7 years	2027	1,048
Later than 7 years	2028	2,596

19 Deferred tax asset

Deferred tax is calculated in full on temporary differences using a tax rate of 19% (2019 – 17%) in respect of UK non-ring fence activity, 30% (2019 – 30%) in respect of corporate tax and 28% (2019 – 28%) in respect of Petroleum Revenue Resource Tax on assets held in Australia noting that the PRRT is deductible from corporate tax. The movement on the deferred tax account is as shown below:

Deferred corporation tax

	2020 $'000	2019 $'000
At 1 January	**(19,733)**	(18,971)
Charged/ (credited) to the statement of comprehensive income	**1,630**	(762)
At 31 December	**(18,103)**	(19,733)

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

Deferred tax liabilities	**Accelerated Capital Allowances $ '000**	**Total $ '000**
At 1 January 2019	72,112	72,112
Charged to the statement of comprehensive income	-	-
At 1 January 2020	72,112	72,112
Charged to the statement of comprehensive income	-	-
At 31 December 2020	**72,112**	**72,112**

19 Deferred tax asset (continued)

Deferred tax assets	Decommissioning Provision $ '000	Tax losses $ '000	Total $ '000
At 1 January 2019	18,971	72,112	91,083
Credited to the statement of comprehensive income	762	-	762
At 1 January 2020	19,733	72,112	91,845
Charged to the statement of comprehensive income	(1,630)	-	(1,630)
At 31 December 2020	**18,103**	**72,112**	**90,215**

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 $nil (2019 - $nil) for continued operations. The deferred tax asset relating to decommissioning is $18,103,000 (2019 - $19,733,000) and is disclosed as a non-current asset.

If the prior year had been prepared on the same basis the net deferred tax asset in the 2019 balance sheet would have been $19,733,000. The 2019 balance sheet has not been restated as the directors do not consider the impact to be material. There is no impact on net assets, cash or profit or loss for the year.

The deferred corporation tax asset calculated at the rate of 19% (2019 - 17%) which was not recognised in the financial statements amounted to:

	2020 unprovided amount $'000	2019 unprovided amount $'000
Accelerated capital allowances carried forward	**158,310**	105,644
Unrecognised tax losses carried forward – UK	**11,078**	8,816
	169,388	114,460

	2020 unprovided amount $'000	2019 unprovided amount $'000
Unrecognised tax losses carried forward – Australia	**195,727**	113,846

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.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%.Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the unrecognised deferred tax asset by $53,491,000.

20 Provisions

	Leave provision	Decommissioning Provision	Insurance Provision	Milestone payment (Renewables)	Lease Liabilities (note 18)	Make Good Provision	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2020	4,537	49,327	248	640	4,184	-	58,936
Unwinding of discount	-	1,012	-	-	-	-	1,012
Change in estimate (note 12)	-	1,104	-	-	-	-	1,104
Charge for the year	933	-	(23)	65	4,292	340	5,607
Utilised in the year	-	(6,190)	-	-	(1,337)	-	(7,527)
At 31 December 2020	**5,470**	**45,253**	**225**	**705**	**7,139**	**340**	**59,132**

Leave provision

The provision of $5,470,000 relates to annual leave and long service leave owed to employees. Employees will be entitled to long service leave after ten years of service, however they will be entitled to a pro-rata payment after seven years of service if the employee terminates his/her employment with the company, $1,668,000 of the leave provision is a current liability.

Decommissioning provision

A provision of $45,253,000 has been recognised for decommissioning costs remaining relating to producing oil fields in which the company was 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 of 1.06% (2019 – 2.35%). The project for decommissioning of Woollybutt commenced in 2012 and is expected to be completed in 2022 (2019: 2018 and 2019).

Insurance provision

The provision of $225,000 relates to insurance premiums to be imposed on the company by its oil insurance provider.

Milestone payment

The provision for milestone payment relates to the payment based on achieving certain Grid Stability Curtailment under the milestone review period as stipulated by contract. The review period starts from 1 month after the Commercial Operations Date ending on the date falling 12 months later.

Lease

The lease provision of $7,139,000 includes leases of land for solar plant in Northern Territory $3,140,000 and Office building of $3,999,000.

Make Good

The make good provision of $340,000 relates to the restoration costs of the office building lease.

21 Share capital

	2021 '000	2020 '000
Allotted and fully paid £1 ordinary equity shares	**£20,000**	£20,000
US Dollar equivalent	**$32,199**	$32,199

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

22 Capital commitments

The company has interests in various consortia engaged in exploration and development of oil and gas. As a member of these consortia, the company is committed to pay its share of the costs of development. Currently there is no capital expenditure commitment for development in 2021 (2020 – $nil). The company plans to invest in 2021 $0.9 million in development study for Evans Shoal and $6.9 million in the development of Solar farms in the Northern Territory.

In addition to development expenditure, the company is committed to pay its share of the costs of exploration, which is estimated to involve capital expenditure in 2021 of approximately $0.6 million (2019 – $0.7 million).

23 Joint operations

Name of licence	Place of operation	Interest held as at 31 December 2020	Interest held as at 31 December 2019
AC/P-21 (Ashmore Cartier area)	Australia	-	60%
WA-25-L (Woollybutt Production field – Carnarvon Basin)	Australia	65%	65%
NT/RL8 – (Bonaparte Basin, previously NT/P68)	Australia	100%	100%
NT/RL7 – (Bonaparte Basin, previously NT/P48)	Australia	72.22%	65%
WA-22-L East Spar Field, North of Wollybutt)	Australia	-	65%