

**ENI AUSTRALIA LIMITED  
ANNUAL REPORT  
AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2014**

**REGISTERED OFFICE**

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

**Registered Number: 01020949**

THURSDAY



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COMPANIES HOUSE

**ENI AUSTRALIA LIMITED**

**DIRECTORS AND REGISTERED OFFICE**

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**BOARD OF DIRECTORS**

F Polo  
E Delfos  
R Pasqua  
P Hemmens

**SECRETARY AND REGISTERED OFFICE**

F Dal Bello  
Eni House  
10 Ebury Bridge Road  
London SW1W 8PZ

**STATUTORY AUDITOR**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

**REGISTERED IN ENGLAND NO: 01020949**

# ENI AUSTRALIA LIMITED

## STRATEGIC REPORT

The directors present their strategic report of the company for the year ended 31 December 2014.

### Review of the business

#### Principal activities

The company's principal activity continues to be exploration, development and production of oil and gas reserves in Australia.

#### Results for the year

The results for the year are set out on page 6 of the financial statements. The loss for the financial year was \$42,028,000 (2013 – \$160,196,000 loss).

#### Key performance indicators

Key performance indicators of the company are set out below:

|                    | 2014<br>\$'000 | 2013<br>\$'000 | Variance<br>\$'000 |
|--------------------|----------------|----------------|--------------------|
| Revenue            | -              | -              | -                  |
| Operating loss     | (117,052)      | (185,807)      | 68,755             |
| Net loss after tax | (42,032)       | (160,196)      | 118,164            |
| Net assets         | 55,293         | 88,825         | (33,532)           |

The directors consider the performance of the company to be in line with the expectations. No revenue is reported as Woollybutt oil field has been in decommissioning since May 2012. Operating losses have decreased due to lower exploration expenditures incurred in 2014. Net assets have decreased in 2014 due to the write off of Blackwood 2, classified as unsuccessful wells.

#### Operational performance

The Woollybutt oil field (Permit WA-25-L with 65% company interest) was shutdown on 16 May 2012 for "end of production life". Woollybutt field decommissioning is currently estimated to complete at the end of 2015.

The exploration activity for the period to December 2014 included the granting of Retention Lease NT/RL7 over the Evans Shoal gas field. Post the successful drilling of Evans Shoal North-1 in late 2013, work has been focused on post-well studies as well as building a new integrated reservoir model.

Blackwood-2 well in NT/P68, concluded in early January 2014, investigated 190m of reservoir section. Gas shows while drilling were present in the uppermost part of the reservoir, but no gas flowed during the drill-stem test, mainly due to poor reservoir quality. Therefore, the well was plugged and abandoned (P&A) with gas shows. The well operations were successful, with the acquisition of good quality log data and the recovery of 60m core from the reservoir section.

In NT/P68, the company decided to exercise the option, already included in the farm-in agreement with JV partners, to withdraw from the Heron Area after drilling the first exploration well. The structure was considered not to have residual valuable potential. Eni Australia maintain 50% equity over the Blackwood area.

In the AC/P21, the company planned to commence the drilling of Numisia-1 (commitment well) in early January 2014. However analysis of geotechnical site survey data indicated that sea-floor conditions required extensive pre-loading once the rig was on location to ensure stable conditions under each leg before drilling could commence. Subsequently it was deemed unsafe to drill Numisia-1 using the Ensco 104 jack-up rig during cyclone season. Therefore the Ensco 104 was demobilised. Evaluation of the upside potential of the Vesta oil field continued during 2014 using the Pantheon MAZ 3D seismic data.

## ENI AUSTRALIA LIMITED

### STRATEGIC REPORT

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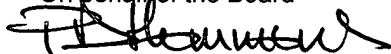
Exploration studies were carried out in WA-362-P and WA-363-P. The studies were aimed at trying to prove up the potential for an active petroleum system to be present in this outer Carnarvon Basin environment as well as look at the potential for a deeper oil source in the area.

In WA-48R (Hurricane Field) the work programme consists primarily of a seismic stratigraphic study using existing seismic volumes to review the likelihood of stratigraphically-trapped hydrocarbon accumulations in the Permit.

#### **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 company has adopted the most stringent standards, in accordance with Eni Group requirements, for the evaluation and management of industrial and environmental risks.

On behalf of the Board



**P. Hemmens**

Director

12 March 2015

# ENI AUSTRALIA LIMITED

## DIRECTORS' REPORT

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The directors present their report and the audited financial statements of Eni Australia Limited ("the company") for the year ended 31 December 2014.

### Future developments

The company's principal activity continues to be exploration, development and production of oil and gas reserves in Australia. Detailed future developments are discussed in the Strategic Report.

### Dividends

No dividend was paid during the year (2013 – \$nil).

### Branches outside the UK

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

### Financial instruments

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

### Directors

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

- R Pasqua was appointed as a director on 24 September 2014
- O Chacon resigned as a director on 24 September 2014
- L Ciarrocchi resigned as a director on 13 February 2014
- F Polo was appointed as a director on 13 February 2014

Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union 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.

## ENI AUSTRALIA LIMITED

### DIRECTORS' REPORT

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

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

#### Provision of information to auditor

The directors, as at the date of this report, have confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditor is 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 auditor is aware of that information.

#### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

By order of the Board

  
F Dal Bello  
Secretary

12 March 2015

## INDEPENDENT AUDITOR'S REPORT

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### Independent auditor's report to the members of Eni Australia Limited

We have audited the financial statements of Eni Australia Limited for the year ended 31 December 2014 which comprise the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity, the Balance Sheet, the Cash Flow Statement, the Statement of Accounting policies and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

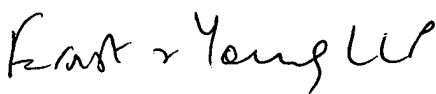
### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



William Testa (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

12 March 2015

# ENI AUSTRALIA LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

|   | Notes  | 2014<br>\$'000   | 2013<br>\$'000   |
|---|--------|------------------|------------------|
| Other income  | 2      | 74,109           | 52,684           |
| <b>Total revenue</b>                                |        | <b>74,109</b>    | <b>52,684</b>    |
| Other service costs and expenses                    | 3      | (23,384)         | (26,625)         |
| Labour costs  | 6      | (60,758)         | (44,011)         |
| Depreciation, amortisation and impairments          | 10, 11 | (39,497)         | (60,998)         |
| Exploration costs written off                       | 10     | (67,522)         | (106,857)        |
| <b>Operating loss</b>                               | 4      | <b>(117,052)</b> | <b>(185,807)</b> |
| Interest payable and similar charges                | 7      | (1,221)          | (545)            |
| Interest receivable and similar income              | 8      | 189              | 638              |
| <b>Loss before taxation</b>                         |        | <b>(118,084)</b> | <b>(185,714)</b> |
| Taxation  | 9      | 76,052           | 25,518           |
| <b>Loss for the year</b>                            |        | <b>(42,032)</b>  | <b>(160,196)</b> |
| Other comprehensive income for the year, net of tax |        | -                | -                |
| <b>Total comprehensive loss for the year</b>        |        | <b>(42,032)</b>  | <b>(160,196)</b> |

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



# ENI AUSTRALIA LIMITED

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

|                                       | Share<br>Capital | Capital<br>Contribution<br>Reserve | Retained<br>Deficit | Shareholders'<br>Equity |
|---------------------------------------|------------------|------------------------------------|---------------------|-------------------------|
|                                       | \$ 000           | \$ 000                             | \$ 000              | \$ 000                  |
| Balance at 1 January 2013             | 32,199           | 301,000                            | (224,178)           | 109,021                 |
| Capital contribution received         |                  | 140,000                            |                     | 140,000                 |
| Total comprehensive loss for the year | -                | -                                  | (160,196)           | (160,196)               |
| Balance at 31 December 2013           | 32,199           | 441,000                            | (384,374)           | 88,825                  |
| Capital contribution received         | -                | 8,500                              | -                   | 8,500                   |
| Total comprehensive loss for the year | -                | -                                  | (42,032)            | (42,032)                |
| <b>Balance at 31 December 2014</b>    | <b>32,199</b>    | <b>449,500</b>                     | <b>(426,406)</b>    | <b>55,293</b>           |

During the year, the parent company Eni International B.V. made a capital contribution of \$8,500,000 (2013 - \$140,000,000).



**BALANCE SHEET  
AS AT 31 DECEMBER 2014**

|   | Notes | 2014<br>\$'000 | 2013<br>\$'000 |
|---|-------|----------------|----------------|
| <b>Assets</b>                                     |       |                |                |
| <b>Current assets</b>                             |       |                |                |
| Inventories                                       | 12    | 6,310          | 9,068          |
| Trade and other receivables                       | 13    | 30,291         | 71,191         |
| Cash and cash equivalents                         | 14    | 31,275         | 33,103         |
|   |       | <u>67,876</u>  | <u>113,362</u> |
| <b>Non current assets</b>                         |       |                |                |
| Intangible assets                                 | 10    | 139,516        | 235,996        |
| Property, plant and equipment                     | 11    | 8,883          | 10,532         |
| Deferred tax asset                                | 17    | 22,058         | 22,725         |
|   |       | <u>170,457</u> | <u>269,253</u> |
| <b>Total Assets</b>                               |       | <u>238,333</u> | <u>382,615</u> |
| <b>Liabilities</b>                                |       |                |                |
| <b>Current liabilities</b>                        |       |                |                |
| Trade and other payables                          | 15    | 38,973         | 101,390        |
| Borrowings  | 16    | 62,017         | 33,509         |
|   |       | <u>100,990</u> | <u>134,899</u> |
| <b>Non current liabilities</b>                    |       |                |                |
| Deferred tax liability                            | 17    | 19,593         | 95,874         |
| Provisions  | 18    | 62,457         | 63,017         |
|   |       | <u>82,050</u>  | <u>158,891</u> |
| <b>Total Liabilities</b>                          |       | <u>183,040</u> | <u>293,790</u> |
| <b>Shareholders' equity</b>                       |       |                |                |
| Share capital                                     | 19    | 32,199         | 32,199         |
| Capital contribution reserve                      |       | 449,500        | 441,000        |
| Retained deficit                                  |       | (426,406)      | (384,374)      |
| <b>Total shareholders' equity</b>                 |       | <u>55,293</u>  | <u>88,825</u>  |
| <b>Total shareholders' equity and liabilities</b> |       | <u>238,333</u> | <u>382,615</u> |

The financial statements from page 6 to 27 were approved by the Board on 12 March 2015

On behalf of the Board

R Pasqua  
Director

ENI AUSTRALIA LIMITED

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2014**

|   | Notes | 2014<br>\$'000  | 2013<br>\$'000   |
|---|-------|-----------------|------------------|
| <b>Cash flows from operating activities</b>                   |       |                 |                  |
| Net loss for the year   |       | (42,032)        | (160,196)        |
| <b>Adjustments for:</b>                                       |       |                 |                  |
| Tax charge for the year                                       | 9     | (76,052)        | (25,518)         |
| Loss on disposal of assets                                    | 10,11 | 28              | -                |
| Depreciation and amortisation                                 | 10,11 | 39,497          | 61,348           |
| Exploration costs written off                                 | 10    | 67,522          | 106,857          |
| Interest receivable and similar income                        | 8     | (189)           | (638)            |
| Interest payable and similar charges                          | 7     | 1,221           | 545              |
| <b>Change in working capital:</b>                             |       |                 |                  |
| Decrease in inventories                                       | 12    | 2,758           | 7,353            |
| Decrease / (Increase) in trade and other receivables          | 13    | 40,900          | (18,949)         |
| (Decrease) / Increase in trade and other payables             | 15    | (63,437)        | 10,280           |
| Exploration expenditure                                       | 10    | -               | -                |
| <b>Cash used in operating activities</b>                      |       | <b>(29,784)</b> | <b>(18,918)</b>  |
| Interest paid   | 7     | (590)           | (268)            |
| Interest received   | 8     | 189             | 638              |
| Tax received  |       | 443             | 1,500            |
| <b>Net cash used in operations activities</b>                 |       | <b>(29,742)</b> | <b>(17,048)</b>  |
| <b>Cash flows from investing activities</b>                   |       |                 |                  |
| Purchase of intangible assets                                 | 10    | (8,840)         | (103,584)        |
| Purchase of property, plant and equipment                     | 11    | (251)           | (488)            |
| Proceeds from sale of assets                                  |       | -               | -                |
| <b>Net cash used in investing activities</b>                  |       | <b>(9,091)</b>  | <b>(104,072)</b> |
| <b>Cash flows from financing activities</b>                   |       |                 |                  |
| Capital contribution received                                 | 21    | 8,500           | 140,000          |
| Receipts against short term borrowings                        | 16    | 28,508          | 13,503           |
| <b>Net cash generated from financing activities</b>           |       | <b>37,008</b>   | <b>153,503</b>   |
| <b>Net (decrease) / increase in cash and cash equivalents</b> |       | <b>(1,825)</b>  | <b>32,383</b>    |
| <b>Cash and cash equivalents at 1 January</b>                 | 14    | <b>33,103</b>   | <b>721</b>       |
| Effects of exchange rate on cash and cash equivalent          |       | (3)             | (1)              |
| <b>Cash and cash equivalents at 31 December</b>               | 14    | <b>31,275</b>   | <b>33,103</b>    |

## **STATEMENT OF ACCOUNTING POLICIES**

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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 limited liability company incorporated and domiciled in the UK. The company acts as a participant in a 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 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 as governed by their joint operating agreement.

### **Basis of preparation**

These financial statements have been prepared in accordance with IFRS as adopted by the European Union, IFRIC Interpretations and the Companies Act 2006 as applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared on a going concern basis.

### **Adoption of new and revised Standards**

The company applied for the first time following 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 2014:

- IFRS 11 'Joint Arrangements', overhauls the accounting for joint ventures (now called joint arrangements), in particular, the transition from equity method to proportionate consolidation for investments in jointly controlled entities (referred to as joint operations under IFRS 11). The company previous methods of accounting for its joint arrangements continue to be appropriate under IFRS 11;
- Amendments to IFRS 10, IFRS 11 and IFRS 12. These amendments are effective for annual accounting periods beginning on or after 1 January 2014 and provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. These amendments did not have a material impact on the disclosures in these financial statements;
- IFRS 12 'Disclosure of Interests in Other Entities', requires extensive disclosures enabling users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the entity's financial statements. This amendment did not have a material impact on these financial statements;
- IAS 27, 'Separate Financial Statements', amendments triggered by IFRS 10 'Consolidated Financial Statements' and IFRS 12 to the portion of IAS 27 that addresses the accounting for consolidated financial statements. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements. These amendments did not have a material impact on these financial statements;
- IAS 28, 'Investments in Associates and Joint Ventures', effective for the periods beginning on or after 1 January 2014. IAS 28 sets out the requirements for the application of the equity method of accounting for investments in associates and joint ventures. This amendment did not have a material impact on these financial statements;
- IAS 32, 'Financial Instruments: Presentation', clarifies some of the requirements for offsetting financial assets and financial liabilities on balance sheet. This amendment did not have a material impact on these financial statements;
- IAS 36, 'Impairment of assets', this amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal; This amendment did not have a material impact on these financial statements;
- IAS 39, 'Financial Instruments: Recognition and Measurement', clarifying novation of derivatives and continuation of hedge accounting. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments did not have a material impact on these financial statements;

**STATEMENT OF ACCOUNTING POLICIES**

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**Adoption of new and revised Standards (continued)**

- IFRIC 21, 'Levies', clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This amendment did not have a material impact on these financial statements; and
- Improvements to IFRSs 2009-2011 cycle, the key relevant amendments are to IAS 1 'Presentation of Financial Statements' which clarifies the disclosure requirements around comparative information and IAS 16 'Property, Plant and Equipment', which clarifies that the major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory and IAS 32 'Financial Instruments: Presentation' which removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. These amendments did not have a material impact on these financial statements.

The following standards and interpretations, relevant to the company, have been issued by the IASB, but have not been endorsed by the EU for their application to become mandatory. The adoption of these new standards, amendments and interpretations is not expected to have a material impact on the company's financial statements:

- IFRS 9 'Financial Instruments', effective for the annual accounting periods beginning on or after 1 January 2018. IFRS 9 amends the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on a financial asset, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS39;
- IFRS 15 'Revenue from Contracts with Customers', effective for the annual accounting periods beginning on or after 1 January 2017. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes';
- Amendments to IFRS 10 and IAS 28, in relation to sale or contribution of assets between an investor and its associate or joint venture, effective for the annual accounting periods beginning on or after 1 January 2016;
- Amendments to IFRS 11, accounting for acquisitions of interests in joint operations, effective for the annual accounting periods beginning on or after 1 January 2016;
- Amendments to IAS 16 and IAS 38, clarification of acceptable methods of depreciation and amortisation, effective for the annual accounting periods beginning on or after 1 January 2016;
- Amendments to IAS 19 and improvements to IFRSs 2010-2012 and 2011-2013 cycles, with an effective date for the annual accounting periods beginning on or after 1 July 2014;
- Amendments to IAS 27, equity method in separate financial statements, effective for the annual accounting periods beginning on or after 1 January 2016; and
- Annual improvements to IFRSs 2012-2014 cycle, with an effective date for the annual accounting periods beginning on or after 1 January 2016.

**Revenue**

Revenue represents the company's share of oil, condensate and gas production sold and is stated exclusive of value added tax and similar levies. Revenue is recognised when the amount can be reliably measured, and it is probable that future economic benefits will flow to the company. The company recognises revenue on its share of oil, condensates, and gas production sold when the product has reached the processing terminal. Interest income is recognised on a time proportion basis. Other operating income comprises revenue from the provision of services, and other miscellaneous income. This income is recognised when the services are provided.

Revenues from crude oil and natural gas production from properties in which the company has an interest together with other producers are recognised on the basis of the company's net working interest in those properties (entitlement method). Differences between the company's net working interest volume and actual production volumes are recognised at current prices at period end.

# ENI AUSTRALIA LIMITED

## STATEMENT OF ACCOUNTING POLICIES

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### Financial instruments

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet. Loans and receivables are carried at amortised cost using the effective interest method.

### Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due, according to the original terms. The amount of the provision is recognised in the statement of comprehensive income.

### Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### Related party Disclosures

The company has complied with the requirements of International Accounting Standard ("IAS") 24 – Related party disclosures in these financial statements. Transactions with related parties are disclosed in each relevant note.

### 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 at the commencement of oil and gas production as a decommissioning provision. 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.

### 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 | 3 years |
| • IT hardware                          | 2 years |

**STATEMENT OF ACCOUNTING POLICIES**

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**Property, plant and equipment (continued)**

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.

**Proved oil and gas reserves**

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, gilsonite and other such sources.

## **ENI AUSTRALIA LIMITED**

### **STATEMENT OF ACCOUNTING POLICIES**

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#### **Proved oil and gas reserves (continued)**

##### **Proved developed oil and gas reserves**

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 undeveloped oil and gas reserves**

All other proved reserves which do not meet the definition of proved developed reserves.

##### **Probable oil and gas reserves**

Probable reserves are additional reserves that are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves. These reserves are estimated to have equal to or more than 50% chance of being technically and economically producible.

##### **Possible oil and gas reserves**

Possible reserves are additional reserves which analysis and geoscience and engineering data suggest are less likely to be recovered than probable reserves. These reserves are estimated to have a significant but equal to or less than 10% chance of being technically and economically producible.

#### **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 the company's current bank accounts and cash short-term deposits with an original maturity of three months or less. Deposits held with Eni Finance International S.A. are included in this classification.

#### **Foreign currencies**

Transactions denominated in a foreign currency are converted to US Dollars at rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated at the rates ruling at the balance sheet date. The resulting exchange gains 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 0.81873 (2013 – 0.89418).

#### **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.



**STATEMENT OF ACCOUNTING POLICIES**

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**Taxation (continued)**

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 substantively 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%. 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.

**Operating leases**

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

**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 IFRS. 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, pensions and other post-retirement benefits, and recognition of environmental liabilities. 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:

**STATEMENT OF ACCOUNTING POLICIES**

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**Use of accounting estimates, judgements and assumptions (continued)**

**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 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.

**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.

# ENI AUSTRALIA 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, will produce consolidated financial statements for the year ended 31 December 2014 which will be available from Eni S.p.A, Direzioni e Uffici, Via Emilia 1, 20097, San Donato Milanese, PO Box 12069, (20100) Milano.

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

### 2 Other income

|   | 2014<br>\$'000 | 2013<br>\$'000 |
|---|----------------|----------------|
| <b>Recharges to affiliate companies</b> |                |                |
| Eni Australia B.V.                      | 29,405         | 29,658         |
| Eni JPDA 03-13 Limited                  | 2,164          | 1,737          |
| Eni Timor Leste S.p.A.                  | 664            | 734            |
| Eni JPDA 06-105 Pty Ltd                 | 36,323         | 20,037         |
| Eni JPDA 11-106 B.V.                    | 2,163          | 600            |
| Eni Ivory Coast Limited                 | 91             | -              |
| <b>Third parties</b>                    | 3,299          | (82)           |
|   | <u>74,109</u>  | <u>52,684</u>  |

### 3 Other service costs and expenses

|                            | 2014<br>\$'000 | 2013<br>\$'000 |
|----------------------------|----------------|----------------|
| <b>Parent company</b>      |                |                |
| Eni S.p.A.                 | 12,106         | 17,908         |
| <b>Affiliate companies</b> |                |                |
| Eni Insurance Limited      | -              | 1,845          |
| <b>Third parties</b>       | 11,728         | 6,872          |
|                            | <u>23,384</u>  | <u>26,625</u>  |

# ENI AUSTRALIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 4 Operating loss

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

|   | 2014<br>\$'000 | 2013<br>\$'000 |
|---|----------------|----------------|
| Depreciation and amortisation                 | 39,497         | 61,348         |
| Foreign exchange ( loss )/(gain)              | (1,457)        | 6,228          |
| Loss on disposal of assets                    | 29             | -              |
| Auditors' remuneration                        |                |                |
| - Audit of the company's financial statements | 112            | 21             |
| Operating lease charges                       | 3,749          | 4,271          |

### 5 Directors' remuneration

The director's emoluments were as follows:

|            | 2014<br>\$'000 | 2013<br>\$'000 |
|------------|----------------|----------------|
| Emoluments | 739            | 847            |

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

|            | 2014<br>\$'000 | 2013<br>\$'000 |
|------------|----------------|----------------|
| Emoluments | 739            | 847            |

### 6 Labour costs and employee information

|                    | 2014<br>\$'000 | 2013<br>\$'000 |
|--------------------|----------------|----------------|
| Wages and salaries | 56,480         | 40,993         |
| Pension costs      | 4,278          | 3,018          |
|                    | 60,758         | 44,011         |

The average monthly number of persons employed by the company during the year, excluding contracted staff, was 222 (2013 – 198).

### 7 Interest payable and similar charges

|  | 2014<br>\$'000 | 2013<br>\$'000 |
|--|----------------|----------------|
| Unwinding of discount on decommissioning provision (note 18) | 632            | 277            |
| Other interest payable – third parties                       | 589            | 268            |
|  | 1,221          | 545            |

# ENI AUSTRALIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 8 Interest receivable and similar income

|               | 2014<br>\$'000 | 2013<br>\$'000 |
|---------------|----------------|----------------|
| Bank Interest |                |                |
| Third parties | 189            | 638            |
|               | <u>189</u>     | <u>638</u>     |

### 9 Taxation

|                                     | 2014<br>\$'000  | 2013<br>\$'000  |
|-------------------------------------|-----------------|-----------------|
| <b>Current tax</b>                  |                 |                 |
| UK corporation tax                  | -               | -               |
| Foreign tax – current year          | -               | -               |
| Foreign tax – prior year adjustment | 4               | -               |
| <b>Total current tax</b>            | <u>-</u>        | <u>-</u>        |
| <b>Deferred foreign tax</b>         | <u>(75,613)</u> | <u>(24,018)</u> |
| <b>Petroleum Resource Rent Tax</b>  | <u>(443)</u>    | <u>(1,500)</u>  |
| <b>Total tax</b>                    | <u>(76,052)</u> | <u>(25,518)</u> |

#### Factors affecting tax charge for the year

The tax assessed for the period is lower (2013-higher) than the standard rate of corporation tax applicable to oil and gas exploration and production companies in the UK of 21.5% (2013- 23.25%). The differences are explained below:

|   | 2014<br>\$'000         | 2013<br>\$'000         |
|---|------------------------|------------------------|
| <b>Loss before taxation</b>                                 | <b>(118,084)</b>       | <b>(185,714)</b>       |
| Taxation on loss before tax at 21.5% (2013 – 23.25%)        | (25,388)               | (43,179)               |
| Deferred foreign tax  | (75,613)               | (24,018)               |
| Accelerated capital allowances and other timing differences | -                      | -                      |
| Adjustment to foreign tax in respect of prior period        | -                      | -                      |
| Petroleum revenue resource tax                              | (443)                  | (1,500)                |
| Movement in deferred tax not recognised                     | 23,154                 | 39,091                 |
| Unrecognised loss carried forward                           | 2,234                  | 4,088                  |
| Adjustment to foreign tax in respect of prior period        | 4                      | -                      |
| <b>Total Tax</b>  | <u><b>(76,052)</b></u> | <u><b>(25,518)</b></u> |

# ENI AUSTRALIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 10 Intangible assets

|  | 2014<br>\$'000 | 2013<br>\$'000 |
|--|----------------|----------------|
| <b>Cost</b>                                    |                |                |
| At 1 January                                   | 356,417        | 346,978        |
| Additions                                      | 8,840          | 103,584        |
| Exploration costs and licence fees written off | (67,522)       | (106,857)      |
| Change to decommissioning asset (note 18)      | (72)           | 12,922         |
| Disposals                                      | (594)          | (210)          |
| <b>At 31 December</b>                          | <b>297,069</b> | <b>356,417</b> |
| <b>Amortisation</b>                            |                |                |
| At 1 January                                   | 120,422        | 70,687         |
| Charge for year                                | 37,707         | 49,944         |
| Disposals                                      | (576)          | (210)          |
| <b>At 31 December</b>                          | <b>157,553</b> | <b>120,422</b> |
| <b>Net book value at 31 December</b>           | <b>139,516</b> | <b>235,996</b> |

### 11 Property, plant and equipment

|   | Oil & gas<br>properties<br>\$'000 | Office<br>equipment<br>\$'000 | Total<br>\$'000 |
|---|-----------------------------------|-------------------------------|-----------------|
| <b>Cost</b>                               |                                   |                               |                 |
| At 1 January 2013                         | 158,260                           | 15,735                        | 173,995         |
| Change to decommissioning asset           | 9,351                             | -                             | 9,351           |
| Additions                                 | 4                                 | 484                           | 488             |
| Disposals                                 | -                                 | (141)                         | (141)           |
| At 31 December 2013                       | 167,615                           | 16,078                        | 183,693         |
| Change to decommissioning asset (note 18) | (100)                             | -                             | (100)           |
| Additions                                 | 2                                 | 249                           | 251             |
| Disposals                                 | -                                 | (385)                         | (385)           |
| <b>At 31 December 2014</b>                | <b>167,517</b>                    | <b>15,942</b>                 | <b>183,459</b>  |
| <b>Depreciation</b>                       |                                   |                               |                 |
| At 1 January 2013                         | 158,260                           | 3,638                         | 161,898         |
| Charge for the year                       | 9,355                             | 2,049                         | 11,404          |
| Disposals                                 | -                                 | (141)                         | (141)           |
| At 31 December 2013                       | 167,615                           | 5,546                         | 173,161         |
| Charge for the year                       | (98)                              | 1,888                         | 1,790           |
| Disposals                                 | -                                 | (375)                         | (375)           |
| <b>At 31 December 2014</b>                | <b>167,517</b>                    | <b>7,059</b>                  | <b>174,576</b>  |
| <b>Net book value</b>                     |                                   |                               |                 |
| At 31 December 2014                       | -                                 | 8,883                         | 8,883           |
| At 31 December 2013                       | -                                 | 10,532                        | 10,532          |

# ENI AUSTRALIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 12 Inventories

|                        | 2014<br>\$'000 | 2013<br>\$'000 |
|------------------------|----------------|----------------|
| Materials and supplies | 6,310          | 9,068          |

### 13 Trade and other receivables

|  | 2014<br>\$'000 | 2013<br>\$'000 |
|--|----------------|----------------|
| Parent company                                     |                |                |
| Eni S.p.A.   | 44             | 191            |
| Affiliate companies                                |                |                |
| Eni US Operating Co Inc.                           | 1              | 25             |
| Eni International Resources Limited                | 515            | 1,519          |
| Eni S.p.A. – Corporate Division                    | 64             | 57             |
| Eni China B.V.                                     | 131            | 208            |
| Eni India Limited                                  | 19             | -              |
| Eni Australia B.V.                                 | 5,557          | 18,586         |
| Eni Adfin Spa                                      | 24             | 32             |
| Eni JPDA 03-13 Limited                             | 494            | 999            |
| Eni Gas and Power LNG Australia B.V.               | 838            | 837            |
| Eni Pakistan Limited                               | 91             | 19             |
| Eni PNG Limited                                    | -              | 7              |
| Eni Timor Leste S.p.A.                             | 124            | 15             |
| Eni JPDA 06-105 Pty Limited                        | 6,741          | 12,240         |
| Eni Indonesia Limited                              | 698            | 914            |
| Eni JPDA 11-106 B.V.                               | 696            | 2,267          |
| Eni Vietnam  | 452            | 344            |
| Eni Ivory Coast Limited (formerly Eni BBI Limited) | 91             | -              |
| Eni East Africa Spa                                | 230            | -              |
| Other debtors                                      | 10,244         | 30,232         |
| Prepayments and accrued income                     | 3,237          | 2,699          |
|  | 30,291         | 71,191         |

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

As of 31 December 2014, no trade receivables were impaired and no provision was made against them (2013 - \$nil). All trade and other receivables were fully performing and none were past due (2013 - \$nil).

NOTES TO THE FINANCIAL STATEMENTS

**13 Trade and other receivables (continued)**

The carrying amount of the company's trade and other receivables is denominated in the following currencies.

|                    | 2014<br>\$'000 | 2013<br>\$'000 |
|--------------------|----------------|----------------|
| US Dollars         | 13,307         | 11,818         |
| Euro               | 465            | 8,286          |
| Australian Dollars | 16,519         | 51,087         |
|                    | <u>30,291</u>  | <u>71,191</u>  |

The carrying amount of related parties receivables is denominated in the following currencies.

|                    | 2014<br>\$'000 | 2013<br>\$'000 |
|--------------------|----------------|----------------|
| US Dollars         | 13,307         | 11,822         |
| Euro               | 464            | 6,899          |
| Australian Dollars | 3,066          | 19,539         |
|                    | <u>16,837</u>  | <u>38,260</u>  |

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

Credit risk is the potential exposure of the company 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. The company has not experienced material non-performance by any counterparty. As of 31 December 2014 the company has no significant concentrations of credit risk. The maximum exposure to credit risk is equal to the carrying amount of the trade and other receivables.

**14 Cash and cash equivalents**

|   | 2014<br>\$'000 | 2013<br>\$'000 |
|---|----------------|----------------|
| <b>Cash at bank and in hand</b>               |                |                |
| <b>Affiliate company</b>                      |                |                |
| Banque Eni S.A.                               | 8,719          | -              |
| Third parties                                 | 22,556         | -              |
| <b>Short term deposit – Affiliate company</b> |                |                |
| Eni Finance International S.A.                | -              | 33,103         |
|   | <u>31,275</u>  | <u>33,103</u>  |

The effective interest rate on short-term deposits was 0.01% during 2013. There were no short-term deposits in 2014 (2013- \$33,103,000).

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



# ENI AUSTRALIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 15 Trade and other payables

|  | 2014<br>\$'000 | 2013<br>\$'000 |
|--|----------------|----------------|
| Trade creditors                                    | 18,438         | 50,789         |
| Amounts owed to related parties                    |                |                |
| <b>Parent company</b>                              |                |                |
| Eni S.p.A. - Division E&P                          | 5,621          | 8,260          |
| <b>Affiliate companies</b>                         |                |                |
| Eni International Resources Limited                | 601            | 357            |
| Eni JPDA 06-105 Pty Ltd                            | -              | 610            |
| Eni Australia B.V.                                 | 3              | 7,803          |
| Eni Ivory Coast Limited (formerly Eni BBI Limited) | 11             | -              |
| Eni UK Ltd.  | 72             | -              |
| Other Creditors                                    | 7,703          | 14,587         |
| Accruals and deferred income                       | 6,524          | 18,984         |
|  | <u>38,973</u>  | <u>101,390</u> |

Amounts owed to related parties are in respect of the provision of consultancy and other general services. The company believes that the carrying amounts are a reasonable approximation to the fair value.

### 16 Borrowings

|  | 2014<br>\$'000 | 2013<br>\$'000 |
|--|----------------|----------------|
| Short term borrowing                               |                |                |
| Affiliate company – Eni Finance International S.A. | 62,017         | 33,509         |

### 17 Deferred tax

Deferred tax is calculated in full on temporary differences using a tax rate of 20% (2013 – 20%). The movement on the deferred tax account is as shown below:

#### Total deferred tax

|   | 2014<br>\$'000 | 2013<br>\$'000 |
|---|----------------|----------------|
| At 1 January                                      | 73,149         | 97,167         |
| Credited to the statement of comprehensive income | (75,614)       | (24,018)       |
| <b>At 31 December</b>                             | <u>(2,465)</u> | <u>73,149</u>  |

NOTES TO THE FINANCIAL STATEMENTS

17 Deferred tax (continued)

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<br>Capital<br>Allowances<br>\$ '000 | Other<br>\$ '000 | Total<br>\$ '000 |
|---|---|------------------|------------------|
| At 1 January 2013                                   | 50,412  | 60,974           | 111,386          |
| Charged to the statement of<br>comprehensive income | (10,453)  | (5,059)          | (15,512)         |
| At 1 January 2014                                   | 39,959  | 55,915           | 95,874           |
| Charged to the statement of<br>comprehensive income | (40,941)  | (35,340)         | (76,281)         |
| Transferred to deferred tax assets                  | 982   | -                | 982              |
| <b>At 31 December 2014</b>                          | <b>-</b>  | <b>20,575</b>    | <b>20,575</b>    |

| Deferred tax assets   | Decommissioning<br>Provision<br>\$ '000 | Accelerated<br>Capital<br>Allowances<br>\$ '000 | Other<br>\$ '000 | Total<br>\$ '000 |
|---|---|---|------------------|------------------|
| At 1 January 2013   | 14,219                                  | 1,176   | (1,177)          | 14,218           |
| Charged / (credited) to the<br>statement of comprehensive<br>income | 8,506                                   | (1,176)   | 1,177            | 8,507            |
| At 1 January 2014   | 22,725                                  | -   | -                | 22,725           |
| Charged / (credited) to the<br>statement of comprehensive<br>income | (667)                                   | -   | -                | (667)            |
| Transferred from deferred tax<br>liabilities                        | -                                       | 982   | -                | 982              |
| <b>At 31 December 2014</b>  | <b>22,058</b>                           | <b>982</b>                                      | <b>-</b>         | <b>23,040</b>    |

Deferred tax assets have been offset against the deferred tax liabilities above. The net deferred tax liability to be disclosed as a non-current liability is therefore \$19,593,000 (2013 - \$95,874,000). The deferred tax asset relating to decommissioning is \$22,058,000 (2013 - \$22,725,000) and is disclosed as a non-current asset. The deferred corporation tax asset calculated at the rate of 20% (2013 - 20%) which was not recognised in the financial statements amounted to:

|  | 2014<br>unprovided<br>amount<br>\$'000 | 2013<br>unprovided<br>amount<br>\$'000 |
|--|--|--|
| Accelerated capital allowances carried forward | 154,692                                | 153,295                                |
| Unrecognised tax losses carried forward        | 7,825                                  | 56,621                                 |
|  | <b>162,518</b>                         | <b>209,916</b>                         |

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.

NOTES TO THE FINANCIAL STATEMENTS

18 Provisions

|                                | Leave<br>provision<br>\$'000 | Decommissioning<br>\$'000 | Insurance<br>Provision<br>\$'000 | Total<br>\$'000 |
|--------------------------------|------------------------------|---------------------------|----------------------------------|-----------------|
| At 1 January 2014              | 5,990                        | 56,810                    | 217                              | 63,017          |
| Unwinding of discount (note 7) | -                            | 632                       | -                                | 632             |
| Change in estimate             | 542                          | (172)                     | 566                              | 936             |
| Utilised in the year           | -                            | (2,128)                   | -                                | (2,128)         |
| <b>At 31 December 2014</b>     | <b>6,532</b>                 | <b>55,142</b>             | <b>783</b>                       | <b>62,457</b>   |

**Leave provision**

The provision of \$6,532,000 (2013 - \$5,990,000) relates to annual leave and long leave service owed to employees. Employees will be entitled to long leave service 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.

**Decommissioning provision**

A provision of \$55,142,000 (2013 - \$56,810,000) 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 1.978% (2013 - 1.01%). The project for decommissioning commenced in 2012 with expected completion in 2016.

**Insurance provision**

The provision of \$783,000 (2013 - \$217,000) relates to insurance premiums to be imposed on the company by its oil insurance provider.

19 Share capital

|   | 2014<br>'000    | 2013<br>'000 |
|---|-----------------|--------------|
| Allotted and fully paid £1 ordinary equity shares | <b>£20,000</b>  | £20,000      |
| US Dollar equivalent                              | <b>\$32,199</b> | \$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.

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.

The capital structure of the company is presented in the balance sheet. 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.

NOTES TO THE FINANCIAL STATEMENTS

20 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. It is anticipated that this will involve capital expenditure in 2015 of \$0.5 million (2014 – \$nil).

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 2015 of approximately \$4.6 million (2014 – \$28million).

21 Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

|  | <b>Land and Buildings</b> |               |
|--|---------------------------|---------------|
|  | <b>2014</b>               | <b>2013</b>   |
|  | <b>\$'000</b>             | <b>\$'000</b> |
| Not later than one year                          | <b>3,304</b>              | 3,479         |
| Later than one year and no later than five years | <b>14,433</b>             | 14,528        |
| Later than five years                            | <b>3,313</b>              | 7,284         |
|  | <b>21,050</b>             | 25,291        |

22 Market risk

Foreign exchange rate risk

Exchange rate risk derives from the fact that operations are conducted in currencies other than the US Dollar (in particular the Australian Dollar, Pound Sterling and Euro) and due to 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 payable and receivable accruals in currencies 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. An appreciation of the Australian Dollar versus the US Dollar would have a negative impact on the results of operations, and vice-versa. Effective management of exchange rate risk is performed at the Group level, within the central finance department, which matches opposite positions of the Group operating subsidiaries and hedges net positions using derivatives (such as currency swaps, forwards and options). At the balance sheet date the company does not hold any derivative instruments designed to manage exchange rate risk.

At 31 December 2014, if the Australian Dollar, Euro, and GB Pound had weakened by 10% against the US Dollar with all over variables held constant, post-tax profit for the year would have been \$149,000 lower (2013 - \$1,509,000 lower). Net equity would have been \$149,000 lower (2013 - \$1,509,000 lower).

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 Group to mitigate interest rate risk at a group level. The company does not consider this a material risk as it has no long term financial debts and no investments in interest bearing instruments.

**23 Business risk**

**Commodity risk**

Eni Group results of operations are affected by changes in the prices of commodities. A decrease in oil, gas and product prices generally has a negative impact on the results of operations, and vice versa.

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 S.p.A. Group level. At 31 December 2014, a hypothetical negative change of 10% in oil prices with all other variables held constant, would imply post tax profit for the year would have been \$nil (2013 - \$nil).

**Liquidity risk**

Liquidity risk is the risk that suitable sources of funding for the company's business activities may not be available. The company has access to a wide range of funding at competitive rates through the capital markets and banks. 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 financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| <b>As at 31 December 2014</b>   | <b>Less than one year<br/>\$ '000</b> | <b>More than one year<br/>\$ '000</b> |
|---------------------------------|---------------------------------------|---------------------------------------|
| <b>Trade and other payables</b> | <b>32,445</b>                         | <b>-</b>                              |

Trade and other payables will be settled on a gross basis.

| <b>As at 31 December 2013</b>   | <b>Less than one year<br/>\$ '000</b> | <b>More than one year<br/>\$ '000</b> |
|---------------------------------|---------------------------------------|---------------------------------------|
| <b>Trade and other payables</b> | <b>82,406</b>                         | <b>-</b>                              |

Trade and other payables will be settled on a gross basis.

**Operational risk**

The company's 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.