

ENI FORTIES LIMITED
(formerly AGIP FORTIES LIMITED)

**DIRECTORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2003**

Registered Number: 1452037



ENI FORTIES LIMITED
(formerly AGIP FORTIES LIMITED)

DIRECTORS AND REGISTERED OFFICE

BOARD OF DIRECTORS

M Giulianelli
J Michell
D Thomas

SECRETARY AND REGISTERED OFFICE

D Fagan
Ebury Bridge House
10 Ebury Bridge Road
LONDON SW1W 8PZ

AUDITORS

PricewaterhouseCoopers LLP
32 Albyn Place
ABERDEEN AB10 1YL

REGISTERED IN ENGLAND NO: 1452037

ENI FORTIES LIMITED
(formerly AGIP FORTIES LIMITED)

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 2003.

Principal activity

The company's principal activity is the exploration for and production of oil and gas reserves. The principal area of activity is in the United Kingdom Continental Shelf. The company's principal asset, a share in the Forties oil field, was sold during 2003. The directors do not anticipate the company to trade in the foreseeable future.

Change of company name

On 10 April 2003, the company name changed from Agip Forties Limited to Eni Forties Limited

Results for the year

The results for the year are set out on page 5 of the financial statements. A loss for the year to 31 December 2003 of £912,000 (2002 profit - £602,000) was transferred (from) / to reserves.

Dividends

The directors do not recommend the payment of a dividend (2002 - £nil).

Directors

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

- On 21 August 2003, G Ferrara resigned as a director
- On 21 August 2003, M Giulianelli was appointed as a director

The directors' interests in Loan Notes of group companies were as follows:

	<u>31 December 2002</u>	<u>31 December 2003</u>
	<u>Number of Loan Notes Beneficial</u>	<u>Number of Loan Notes Beneficial</u>
Eni Investments plc (formerly Agip Investments plc) Loan Notes of £1 each		
D Thomas	<u>34,236</u>	<u>34,236</u>

Other than as set out above, no director had any interest, beneficial or non-beneficial, in the share capital of the company or any other UK group company at the dates stated or had any material interest during the year in any significant contract with the company or any subsidiary.

DIRECTORS' REPORT

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit and loss for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2003. The directors also confirm that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records which 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 1985. 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.

Auditors

A resolution to dispense with the obligation to appoint auditors on an annual basis pursuant to Section 386 of the Companies Act 1985 (as amended) was passed on 28 October 2003 and consequently PricewaterhouseCoopers LLP is deemed reappointed as the company's auditors for the next financial year.

Elective Regime

In addition, the company has dispensed with the requirement to hold Annual General Meetings or to lay accounts before the company in General Meeting pursuant to Sections 366A and 252 of the Companies Act 1985 (as amended) respectively.

By order of the Board



D Fagan
Secretary

16 March 2004

ENI FORTIES LIMITED
(formerly AGIP FORTIES LIMITED)

INDEPENDENT AUDITORS' REPORT

Independent auditors' report to the members of Eni Forties Limited (formerly Agip Forties Limited)

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

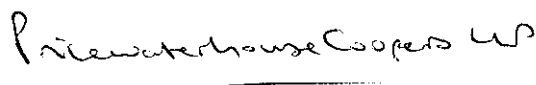
Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
ABERDEEN

16 March 2004

ENI FORTIES LIMITED
(formerly AGIP FORTIES LIMITED)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003

	<i>Notes</i>	2003 £'000	2002 £'000
Turnover	3	490	2,562
Change in stocks		21	(21)
		511	2,541
Depreciation	9	(104)	(272)
Other operating charges		(831)	(1,605)
		(935)	(1,877)
Operating (loss) / profit		(424)	664
Interest payable and similar charges	6	(32)	(61)
Interest receivable and similar income		2	(1)
Loss on sale of tangible fixed assets	8	(192)	-
(Loss) / profit on ordinary activities before taxation		(646)	602
Tax on (loss) / profit on ordinary activities	7	(266)	-
(Loss) / profit for the financial year	13	(912)	602

The results above have been derived wholly from discontinued operations.

Note of historical cost profit and losses
for the year ended 31 December 2003

	2003 £ 000	2002 £ 000
(Loss) / profit on ordinary activities before taxation	(646)	602
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	-	139
Realisation of fixed asset revaluation gains of previous years	676	-
Historical cost profit on ordinary activities before taxation	30	741
Historical cost (loss) / profit for the year retained after taxation	(236)	741

ENI FORTIES LIMITED
(formerly AGIP FORTIES LIMITED)

BALANCE SHEET
AS AT 31 DECEMBER 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	9	-	1,570
Current assets			
Stocks	10	-	123
Other debtors		10	215
Amounts owed by group undertakings		2,244	2,478
Corporation tax		-	72
		<u>2,254</u>	<u>2,888</u>
Creditors – amounts falling due within one year			
Corporation tax		(184)	-
Other creditors		-	(119)
Accruals and deferred income		-	(68)
		<u>(184)</u>	<u>(187)</u>
Net current assets		<u>2,070</u>	<u>2,701</u>
Total assets less current liabilities		<u>2,070</u>	<u>4,271</u>
Provisions for liabilities and charges	11	-	(1,289)
Net assets		<u>2,070</u>	<u>2,982</u>
Capital and reserves			
Called up equity share capital	12	11	11
Revaluation reserve	13	-	676
Profit and loss account	13	2,059	2,295
Equity shareholder's funds		<u>2,070</u>	<u>2,982</u>

Approved by the Board on 16 March 2004
On behalf of the Board


M. Giulianelli
Director

STATEMENT OF ACCOUNTING POLICIES

A summary of the principal accounting policies which have been applied throughout the year is listed below.

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets and in accordance with applicable accounting standards.

The financial statements have also been prepared in accordance with the Statement of Recommended Practice (SORP), "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities", with the exception of the following:

- a) The depreciation policy followed (see below) is that set out in US Financial Accounting Standard No. 19. This policy is followed in order to be consistent with that adopted for oil and gas properties by the rest of the Eni SpA group and is also considered to be the industry standard.
- b) The company values overlifts of product stocks at market value in accordance with the SORP. However, underlifts are valued at cost of production and not market price. This policy is adopted as it is considered more prudent not to recognise profit on a transaction before lifting by the customer has taken place.

Financial statements

The company acts as a participant in consortia involved in the exploration and exploitation of oil and gas in the UK sector of the North Sea.

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 the consortia as governed by their joint operating agreements.

Tangible fixed assets

The tangible fixed assets include 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 development is completed.

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.

An impairment review is carried out at each year end in accordance with FRS 11. This review is based on assessments of the future net cash flows for each field, calculated by utilising the company's estimate of proved reserves at year end, together with the company's estimates of future oil prices, future capital and operating costs and future decommissioning costs, required for recovering these remaining proved reserves. The calculations are performed using year end exchange rates and a discount factor is applied based on the company's cost of capital. Reversals of previously recorded impairment deficits are recognised only if supported by permanent changes in estimates utilised in the impairment review process.

STATEMENT OF ACCOUNTING POLICIES

Stocks

Warehouse stocks 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.

Decommissioning costs

The estimated cost of dismantling and restoring the production and related facilities at the end of the economic life of each field is recognised in full at the commencement of oil and gas production. The amount recognised is the present value of the estimated future restoration cost. An offsetting tangible fixed asset is also recognised. The asset is depreciated on a unit of production basis. Changes to the present value of the estimated future restoration cost are accounted for as adjustments to the provision and the fixed asset.

Foreign currencies

Transactions denominated in a foreign currency are converted to sterling at rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated at the rates ruling at the balance sheet date. The resulting exchange gains or losses are dealt with through the profit and loss account.

Taxation

Corporation tax payable is provided on taxable profits at the current rate of taxation.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted. Deferred tax is measured on a non-discounted basis.

Turnover

Turnover represents the company's share of oil, condensates and gas production sold and is stated exclusive of value added tax and similar levies.

NOTES TO THE FINANCIAL STATEMENTS

1 Parent undertakings

The company's immediate parent undertaking is Eni UKCS Limited (formerly Agip (UKCS) Limited).

The company's ultimate parent undertaking, Eni SpA, a company incorporated in Italy, will produce consolidated financial statements for the year ended 31 December 2003 which will be available from Eni SpA – Exploration & Production Division, 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 SpA.

2 Cash flow statement and related party transactions

In accordance with Financial Reporting Standard No. 1 (FRS 1), the company is exempt from the requirements of this standard to provide a cash flow statement as a consolidated statement which meets the requirements of this standard will be given in the financial statements of the company's parent company, Eni SpA.

The company has taken advantage of the '90% owned subsidiary' exemption within Financial Reporting Standard 8 not to disclose related party transactions with other members of the group.

3 Segmental reporting

In the opinion of the directors all business is in oil and gas exploration and production within the UK Continental Shelf. No segmental disclosure is considered necessary beyond that given in the profit and loss account and notes.

4 Directors and employees

None of the directors received any emoluments in respect of their services to the company during the year (2002 - £nil) and the company had no employees (2002 – none).

5 Auditors remuneration

The audit fee for the company has been borne by the intermediate parent company, Eni AOG Limited (formerly Agip Oil & Gas Limited).

6 Interest payable and similar charges

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Unwinding of discount in relation to decommissioning provision (Note 11)	<u>32</u>	<u>61</u>
	<u>32</u>	<u>61</u>

NOTES TO THE FINANCIAL STATEMENTS

7 Taxation

	<u>2003</u>	<u>2002</u>
	£'000	£'000
UK corporation tax at 40% (2002 – 37.12%)		
Current	-	-
Prior year	<u>266</u>	<u>-</u>
	<u>266</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the period is higher (2002 – lower) than the standard rate of corporation tax applicable to oil and gas exploration companies in the UK of 40% (2002 – 37.1%). The differences are explained below:

	<u>2003</u>	<u>2002</u>
	£'000	£'000
(Loss) / profit on ordinary activities before taxation	(646)	602
Taxation on (loss) / profit on ordinary activities before taxation @ 40% (37.1% - 2002)	(258)	223
Effect of:		
Capital allowances (higher) / lower than depreciation	(125)	7
Expenditure not tax deductible – loss on disposal	77	-
Group relief surrendered to / (claimed from) other group companies	306	(230)
Adjustments to tax charge in respect of prior years	<u>266</u>	<u>-</u>
Current tax charge for the year	<u>266</u>	<u>-</u>

The company has agreed to surrender, for no consideration, taxation losses under Section 402 Taxes Act 1988 to other group companies sufficient to cover any UK taxable profits of the group for the year.

8 Loss on sale of tangible fixed assets

During 2003 the company's interest in the Forties field was sold resulting in a loss on sale of £192,000 (2002 – nil).

NOTES TO THE FINANCIAL STATEMENTS

9 Tangible fixed assets

	Producing assets £'000
Cost or valuation	
At 1 January 2003	2,305
Additions	75
Disposals	(2,380)
At 31 December 2003	-
	£'000
Depreciation	
At 1 January 2003	735
Charge for year	104
Disposals	(839)
At 31 December 2003	-
Net Book Value	
At 31 December 2003	-
At 31 December 2002	1,570

10 Stocks

	2003 £'000	2002 £'000
Materials and supplies	-	123

NOTES TO THE FINANCIAL STATEMENTS

11 Provision for liabilities and charges

Decommissioning

The company's interest in the Forties field was sold during the year and the company no longer has liability for its decommissioning. Therefore the decommissioning provision, calculated in accordance with FRS 12 'Provisions, contingent liabilities and contingent assets', was released.

	<u>2003</u> £'000
At 1 January 2003	1,289
Unwinding of discount	32
Disposals	<u>(1,321)</u>
At 31 December 2003	<u>-</u>

Deferred tax

The company's interest in the Forties field was sold during the year. In 2002 the unrecognised asset at 40% comprised the following:

	<u>2003</u> £'000	<u>2002</u> £'000
Accelerated capital allowances	-	(20)
Decommissioning	-	516
	<u>-</u>	<u>496</u>

12 Called up equity share capital

	<u>2003</u> £'000	<u>2002</u> £'000
Authorised £1 ordinary equity shares	<u>20</u>	<u>20</u>
Allotted and fully paid £1 ordinary equity shares	<u>11</u>	<u>11</u>

ENI FORTIES LIMITED
(formerly AGIP FORTIES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

13 Reserves

	Revaluation reserve	Profit and loss account	Total
	£'000	£'000	£'000
At 1 January 2003	676	2,295	2,971
Loss for the financial year	-	(912)	(912)
Transfer	(676)	676	-
At 31 December 2003	-	2,059	2,059

14 Reconciliation of movements in shareholder's funds

	2003	2002
	£'000	£'000
Opening equity shareholder's funds	2,982	2,380
(Loss) / profit for the financial year	(912)	602
Closing equity shareholder's funds	2,070	2,982

NOTES TO THE FINANCIAL STATEMENTS

15 Oil and gas exploration and production activities – unaudited

The data has been prepared in accordance with the provisions of the Statement of Recommended Practice "Accounting for Oil and Gas Exploration, Development and Decommissioning activities".

(a) *Capitalised costs relating to oil and gas exploration and production activities as at 31 December:*

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Proved properties	-	1,443
Unproved properties	-	862
Gross capitalised costs:	-	2,305
Accumulated depreciation and amortisation	-	(735)
Net capitalised costs	-	1,570

(b) *No pre-production costs in oil and gas exploration and production activities were incurred during the year ended 31 December 2003 (2002 – nil):*

(c) *Results of operations of oil and gas exploration and production activities (including related trading operations) for the year ended 31 December:*

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Turnover	490	2,562
Production costs	(256)	(837)
Depreciation and amortisation	(104)	(272)
Profit before allocable taxes	130	1,453
Allocable taxes	(52)	-
Results of operations from exploration and production	78	1,453

NOTES TO THE FINANCIAL STATEMENTS

15 Oil and gas exploration and production activities – unaudited (continued)

(d) *Net proved oil reserve quantities for the year ended 31 December:*

	2003 Oil Thousand Barrels	2002 Oil thousand barrels
Net proved reserves as at 1 January		
- proved developed reserves	800	985
- proved undeveloped reserves	-	-
	<u>800</u>	<u>985</u>
Changes during the year		
- production	(47)	(132)
- disposal	(753)	(53)
	<u>(800)</u>	<u>(185)</u>
Net proved reserves as at 31 December		
- proved developed reserves	-	800
- proved undeveloped reserves	-	-
	<u>-</u>	<u>800</u>

The reserve quantities have been determined by professional reservoir engineering personnel, utilising computer models based on reservoir information obtained during drilling and producing operations. The company had no gas reserves throughout 2003 and 2002.