

Agip (BBI) Limited
(formerly British-Borneo International Limited)

**DIRECTORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2000**

Registered Number: 2556415



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AGIP (BBI) LIMITED
(formerly British-Borneo International Limited)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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AGIP (BBI) LIMITED
(formerly British-Borneo International Limited)

BOARD OF DIRECTORS

Directors

A Belotti

R Borgognoni

R Prato

E Sganzerla

Company Secretary

D Fagan

Auditors

Arthur Andersen

AGIP (BBI) LIMITED
(formerly British-Borneo International Limited)

DIRECTORS' REPORT

The directors present their report and financial statements, together with the auditors' report, for the year ended 31 December 2000.

HIGHLIGHTS OF THE COMPANY'S ACTIVITIES

Principal activity

The company has interests in a number of onshore US production leases. In addition exploration and appraisal interests include the offshore licence 5/97 (Tranche H) in Ireland, licence interests in offshore Mauritania in West Africa and licence interests in Brazil.

Change of company name

On 14 December 2000, the company name changed from British-Borneo International Limited to Agip (BBI) Limited.

Results for the year

The results for the year and the proposed utilisation of reserves are set out on page 6 of the financial statements. There was a loss after tax for the year to 31 December 2000 of £12,076,000 (1999 loss after tax - £1,544,000).

During the year the company's parent company Agip Oil & Gas Limited (formerly British-Borneo Oil & Gas plc) was acquired by the Eni Group. As a result the oil and gas assets held by the company have been revalued during the year.

DIRECTORS

The following served as directors during the year:

A Belotti	(Appointed 11 May 2000)
R Borgognoni	(Appointed 11 May 2000)
A Gaynor	(Resigned 11 May 2000)
Dr P Hill	(Resigned 11 May 2000)
S Holliday	(Resigned 11 May 2000)
R Midmer	(Appointed 14 February 2000 / resigned 11 May 2000)
R Prato	(Appointed 11 May 2000)
E Sganzerla	(Appointed 11 May 2000)

None of the directors had any beneficial interest in the share capital of the company during the year.

AGIP (BBI) LIMITED
(formerly British-Borneo International Limited)

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 or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping 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.

SUPPLIER PAYMENT POLICY

It is the policy of the company to make payment to suppliers within thirty days of receipt of invoice.

DIVIDENDS

The directors are unable to recommend the payment of a dividend (1999 - £nil).

By order of the Board



D Fagan
Secretary

15 March 2001

AGIP (BBI) LIMITED
(formerly British-Borneo International Limited)

AUDITORS' REPORT

TO THE SHAREHOLDERS OF AGIP (BBI) LIMITED

We have audited the financial statements on pages 6 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 9.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 4 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

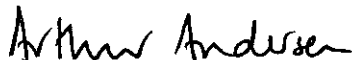
BASIS OF OPINION

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 circumstances of the company, 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 2000 and of the company's loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors
191 West George Street
GLASGOW
G2 2LB

15 March 2001

AGIP (BBI) LIMITED
(formerly British-Borneo International Limited)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2000

	Notes	2000 £'000	1999 £'000
Turnover		44	34
Depreciation and other amounts written off fixed assets		(125)	(58)
Revaluation of fixed assets	9	(6,673)	-
Other operating charges		(3,224)	(1,343)
Operating (loss)	3	(9,978)	(1,367)
Net financing costs			
Interest receivable and similar income	5	22	23
Interest payable and similar charges	6	(8)	-
Exchange losses		(250)	(200)
		(236)	(177)
Loss on ordinary activities before taxation		(10,214)	(1,544)
Tax on (loss) on ordinary activities	7	(1,862)	-
Loss on ordinary activities after taxation		(12,076)	(1,544)
Accumulated losses brought forward		(11,055)	(9,511)
Accumulated losses carried forward		(23,131)	(11,055)

There are no recognised gains or losses in either year other than the loss of that year.

There is no material difference between the results as disclosed in the profit and loss account and the result on a historical cost basis.

The current and prior year results have been derived wholly from continuing operations.

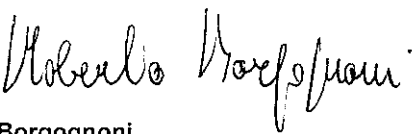
The notes on pages 10 to 14 form an integral part of these financial statements.

AGIP (BBI) LIMITED
(formerly British-Borneo International Limited)

BALANCE SHEET
AS AT 31 DECEMBER 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Intangible assets	8	-	7,293
Tangible assets	9	6,092	1
		<u>6,092</u>	<u>7,294</u>
Current assets			
Other debtors		11	34
Cash at bank and in hand		120	27
		<u>131</u>	<u>61</u>
Creditors – amounts falling due within one year			
Amounts owed to group undertakings		(22,818)	(15,639)
Other creditors		(1,918)	(1,571)
Accruals and deferred income		(1,556)	-
		<u>(26,292)</u>	<u>(17,210)</u>
Net current liabilities		(26,161)	(17,149)
Total assets less liabilities		<u>(20,069)</u>	<u>(9,855)</u>
Provisions for liabilities and charges	10	(1,862)	-
		<u>(21,931)</u>	<u>(9,855)</u>
Capital and reserves			
Called up equity share capital	12	1,200	1,200
Profit and loss account	13	(23,131)	(11,055)
		<u>(21,931)</u>	<u>(9,855)</u>

Approved by the Board on 15 March 2001
On behalf of the Board


R Borgognoni
Director

The notes on pages 10 to 14 form an integral part of these financial statements.

AGIP (BBI) LIMITED

(formerly British-Borneo International Limited)

STATEMENT OF ACCOUNTING POLICIES

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

CASH FLOW STATEMENT

In accordance with Financial Reporting Standard No. 1 (FRS1), 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 is given in the financial statements of the company's parent company, Eni SpA.

FINANCIAL STATEMENTS

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

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.

FIXED ASSETS

The company follows the full cost method of accounting under which all expenditure relating to the acquisition, exploration, appraisal and development of oil and gas interests is capitalised in one of two geographical pools: North America and International. The company has not incurred any expenditure outside of these geographical areas.

Intangible fixed assets, consisting of expenditure on significant new exploration areas and licences, are carried at cost pending determination of commercial reserves.

Capital expenditure relating to the cost pool is depreciated using the unit of production method based on proved developed gas and oil reserves at the balance sheet date. When there is a change in the estimated total recoverable proved developed reserves, 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 cost pool 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 changes in estimates utilised in the impairment review process.

DECOMMISSIONING COSTS

Provision is made for the cost of dismantling oil and gas facilities at the end of the producing life of each field. The company's policy for recording this provision complies with the requirements of FRS 12 'Provisions, contingent liabilities and contingent assets.' When changes occur in the estimated costs or in respect of any other factor relating to the calculation, the effect of such changes is accounted for in the current period profit and loss account.

AGIP (BBI) LIMITED
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STATEMENT OF ACCOUNTING POLICIES

FOREIGN CURRENCIES

Transactions denominated in a foreign currency are converted to sterling at rates ruling at the date of the transaction. Assets and liabilities 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 unless related to a specific project when the gain or loss is capitalised.

CORPORATION TAX

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

DEFERRED CORPORATION TAX

Provision is made for deferred corporation tax, only where it is expected that a taxation liability will arise in the foreseeable future, at current rates of tax on timing differences between profits stated in the accounts and profits computed for UK corporation tax purposes. If deferred tax assets exceed deferred tax liabilities no deferred tax asset is recognised.

TURNOVER

Turnover represents the company's share of oil, condensates and gas production sold.

AGIP (BBI) LIMITED
(formerly British-Borneo International Limited)

NOTES TO THE FINANCIAL STATEMENTS

1 Parent undertakings

The company's immediate parent undertaking is Agip Oil & Gas Limited (formerly British-Borneo Oil & Gas plc).

The company's ultimate parent undertaking, Eni SpA, a company incorporated in Italy, will produce consolidated financial statements for the year ended 31 December 2000 which will be available from Eni SpA – Agip Divisione Esplorazione e Produzione, Direzioni e Uffici, Via Emilia 1, 20097, San Donato Milanese, PO Box 12069, (20100) Milano. The company's intermediate parent undertaking, Agip Oil & Gas Limited, has undertaken to provide or procure sufficient funds as and when necessary to allow Agip (BBI) Limited to continue its operations for at least 12 months from the date of the financial statements.

The parent company of the largest and smallest group into which the company is consolidated is Eni SpA.

An intermediate parent undertaking, Agip Ventures plc, has undertaken to provide or procure sufficient funds as and when necessary to allow Agip (BBI) Limited to continue its operations for at least twelve months from the date of the financial statements.

The company has taken advantage of the exemptions regarding controlled subsidiaries contained in FRS 8, the financial statements of the parent company being available as stated above.

2 Analysis of turnover and loss before tax

In the opinion of the directors all business is in oil and gas exploration and production. No segmental disclosure is considered necessary beyond that given in the profit and loss account and notes. Aggregate turnover and all other items resulting in the operating loss for the financial year are derived from continuing operations.

3 Operating (loss)

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

	2000 £'000	1999 £'000
Depreciation charged on tangible fixed assets	125	58
Auditors' remuneration – audit services	-	4

The audit fee for the company has been borne by the parent company, Agip Oil & Gas Limited.

4 Directors and employees

The only employees of the company during the year were the directors who received no remuneration (1999 - £nil).

5 Interest receivable and similar income

	2000 £'000	1999 £'000
Bank interest receivable	22	23

AGIP (BBI) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

6 Interest payable and similar charges

	<u>2000</u> £'000	<u>1999</u> £'000
Bank interest payable	<u>8</u> <u>8</u>	<u>-</u> <u>-</u>

7 Taxation

The charge for the year comprises:

	<u>2000</u> £'000	<u>1999</u> £'000
Corporation tax		
Deferred tax charge (see note 11)	1,862	-
	<u>1,862</u>	<u>-</u>

There was no charge to current corporation tax during the year (1999 - £Nil) because of the availability of losses for tax purposes.

8 Intangible fixed assets

	<u>International</u> £'000
Cost	
At 1 January 2000	7,293
Transfers to tangible assets	<u>(7,293)</u>
At 31 December 2000	<u>-</u>
Net book value	
At 31 December 2000	<u>-</u>
At 31 December 1999	<u>7,293</u>

AGIP (BBI) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

9 Tangible fixed assets

	Oil & Gas			
	North America	International	Other	Total
		£'000	£'000	£'000
Cost or valuation				
At 1 January 2000	192	10,212	2	10,406
Additions	-	5,596	-	5,596
Disposals	-	-	(2)	(2)
Revaluation of assets	(192)	(16,885)	-	(17,077)
Transfers from intangible assets	-	7,293	-	7,293
At 31 December 2000	-	6,216	-	6,216
Depreciation				
At 1 January 2000	192	10,212	1	10,405
Charge for year	-	124	1	125
Disposals	-	-	(2)	(2)
Revaluation of assets	(192)	(10,212)	-	(10,404)
At 31 December 2000	-	124	-	124
Net Book Value				
At 31 December 2000	-	6,092	-	6,092
At 31 December 1999	-	-	1	1

Oil and gas properties have been revalued based on external engineer reserve valuations. The effect of the revaluation has resulted in an allocation against accumulated depreciation with the residual value being allocated against cost, as shown above. The resulting revaluation deficit has been charged against the current year profit and loss account.

In accordance with FRS 11, an impairment review was carried out as at 31 December 2000 based on assessments of the future net cash flows calculated by utilising the company's estimate of remaining proved reserves at 31 December 2000, the company's assessment of future oil prices, the company's estimates of future capital and operating costs, including decommissioning costs, required for recovering those remaining proved reserves, a US dollar/sterling exchange rate of 1.5873 US dollars to the pound and a discount factor of 7.3%, corresponding to the company's cost of capital. The review, which was performed on a field by field basis, indicated no deficiency.

10 Provisions and contingent liabilities

Deferred taxation

	2000
	£'000
At 1 January 2000	-
Provided in the year	1,862
At 31 December 2000	1,862

AGIP (BBI) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

11 Deferred corporation tax

Deferred corporation tax calculated at the rate of 30% (1999 – 30%) for which provision has been made in the financial statements amounted to:

	Provided		Unprovided	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Accelerated capital allowances	(3,776)	-	-	(1,292)
Unutilised United Kingdom corporation tax losses	1,053	-	-	-
Other timing differences	861	-	-	861
Deferred tax (liability) / asset	<u>(1,862)</u>	<u>-</u>	<u>-</u>	<u>(431)</u>

As a result of the acquisition of the British-Borneo group by Eni, the directors are of the opinion that this liability is likely to crystallise in the foreseeable future.

12 Called up equity share capital

	2000	1999
	£'000	£'000
Authorised, allotted and fully paid £1 ordinary equity shares	<u>1,200</u>	<u>1,200</u>

13 Reserves

	Profit and loss account £'000
At 1 January 2000	(11,055)
Loss for the year	(12,076)
At 31 December 2000	<u>(23,131)</u>

14 Reconciliation of movements in shareholders' funds

	2000	1999
	£'000	£'000
Opening shareholders' funds	(9,855)	(8,311)
Loss for the financial year	(12,076)	(1,544)
Closing shareholders' funds	<u>(21,931)</u>	<u>(9,855)</u>

15 Commitments

The company has interests in various consortia engaged in exploration of oil and gas. As a member of these consortia, the company is committed to pay its share of the costs of exploration, which may involve capital expenditure in 2001 of approximately £0.6 million (2000 - £nil).

AGIP (BBI) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

16 Prior year comparative

The prior year comparative information was audited by a firm other than Arthur Andersen. Certain balances in the prior year have been reclassified to ensure consistency of presentation