

ENI BBI LIMITED

**DIRECTORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2005**

Registered Number: 2556415



**LD3
COMPANIES HOUSE**

LPVALGM2

**442
27/06/2006**

ENI BBI LIMITED

DIRECTORS AND REGISTERED OFFICE

BOARD OF DIRECTORS

A Chiarini
M Giulianelli
J Michell

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: 2556415

ENI BBI LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 2005.

Adoption of International Reporting Standards (IFRS)

Eni BBI Limited has adopted International Financial Reporting Standard (IFRS) in these financial statements. The adoption of IFRS has had no impact on the previously reported results and net assets of the company. The main changes to the financial statements were to presentation and disclosure. Please refer to the statement of accounting policies on page 9 for further details.

Principal activity

The company has interests in a number of onshore US production leases.

The operational performance of the company during the year was satisfactory and management anticipates that this will continue to be the status in the coming year.

Results for the year

The results for the year are set out on page 5 of the financial statements. A profit after tax for the year ended 31 December 2005 of £326,000 was transferred to reserves (2004 profit after tax - £25,317,000 was transferred to reserves).

Dividends

The directors do not recommend the payment of a dividend (2004 - £nil).

Directors

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

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 2005. 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

28 March 2006

INDEPENDENT AUDITORS' REPORT

Independent auditors' report to the members of Eni BBI Limited

We have audited the financial statements of Eni BBI Limited for the year ended 31 December 2005 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Change in Shareholder's Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union 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 International Standards on Auditing (UK and Ireland). 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 into 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 whether the financial statements have been 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with IFRS as adopted by the European Union, of the state of the company's affairs as at 31 December 2005 and of its profit and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Aberdeen
28 March 2006

ENI BBI LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	<i>Notes</i>	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
Other income	3	350	25,283
Foreign exchange gain		8	158
Other expenses		<u>(32)</u>	<u>(124)</u>
Operating profit	3	326	25,317
Taxation	4	<u>-</u>	<u>-</u>
Profit for the year from continuing operations		<u>326</u>	<u>25,317</u>

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

ENI BBI LIMITED

**STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Share Capital £000	Retained Deficit £ 000	Total Equity £ 000
Balance at 1 January 2004 brought forward	1,200	(26,609)	(25,409)
Profit for the year	-	25,317	25,317
Balance at 31 December 2004	1,200	(1,292)	(92)
Profit for the year	-	326	326
Balance at 31 December 2005	1,200	(966)	234

ENI BBI LIMITED

**BALANCE SHEETS
AS AT 31 DECEMBER 2005**

Assets	<i>Notes</i>	2005 £'000	2004 £'000
Current assets			
Trade and other receivables	5	34	1
Cash and cash equivalents	6	225	158
		<u>259</u>	<u>159</u>
Liabilities			
Current liabilities			
Amounts due to group companies		(25)	(251)
Net current assets/(liabilities)		<u>234</u>	<u>(92)</u>
Net assets /(liabilities)		<u>234</u>	<u>(92)</u>
Shareholders' equity			
Ordinary shares	7	1,200	1,200
Retained deficit	8	(966)	(1,292)
Total equity		<u>234</u>	<u>(92)</u>

Approved by the Board on 28 March 2006
On behalf of the Board


M Giulianelli
Director

ENI BBI LIMITED

**CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

	<i>Notes</i>	2005 £ '000	2004 £ '000
Cash flow from operating activities			
Cash generated from operations	10	<u>67</u>	<u>23</u>
Net cash from operating activities		<u>67</u>	<u>23</u>
Net cash from investing activities		<u>-</u>	<u>-</u>
Net cash from financing activities		<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents		<u>67</u>	<u>23</u>
Cash and cash equivalents at 1 January		<u>158</u>	<u>135</u>
Cash and cash equivalents at 31 December		<u>225</u>	<u>158</u>

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below:

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC Interpretations endorsed by the European Union (EU) and with those parts of the Companies Act, 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historic cost convention.

Changes in accounting policies

As of 1 January 2005, the accounting policies have been changed to comply with IFRS. The date of transition is 1 January 2004 and the comparative amounts have similarly been restated.

IFRS 1 – First time adoption of International Accounting Standards provides the basis upon which companies are to initially convert their financial statements to IFRS. IFRS 1 allows certain exemptions and options in respect of accounting and disclosure on transition to IFRS. The mandatory exceptions from retrospective application were:

- Estimates exception – estimates under IFRS at 1 January 2004 should be consistent with estimates made for the same date under previous UK GAAP, unless there is evidence that those estimates were in error
- Assets held for sale and discontinued operation exception – Management has applied IFRS 5 prospectively from 1 January 2005. Any assets held for sale or discontinued operations are recognised in accordance with IFRS 5 only from 1 January 2005.

The adoption of IFRS results in a number of presentation and format changes being required which have not had an effect on the previously reported profits or net assets of the company under UK GAAP. The main disclosure requirements impacting the company are:

Related party transactions

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

Deposits held with the Eni Coordination Centre are disclosed under the heading cash and cash equivalents.

Cash flow statement

The requirement to prepare a cash flow statement in accordance with International Accounting Standard (IAS) 7 – Cash flow statements, in particular the definition of cash and cash equivalents.

Dividends

In accordance with IAS 10 – Events after the Balance Sheet Date, proposed dividends can no longer be accrued at the balance sheet date.

Loans and receivables

Long term loans and receivables are carried at amortised cost in accordance with IAS 39.

ENI BBI LIMITED

STATEMENT OF ACCOUNTING POLICIES

Taxation

The tax expense represents the tax currently payable. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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.

ENI BBI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Parent undertakings

The company's immediate parent undertaking is Eni UK 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 2005 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 Directors and employees

None of the directors received any emoluments in respect of their services to the company during the year (2004 - £nil) and the company had no employees (2004 - none).

3 Operating profit

Operating profit is stated after charging / (crediting):

	2005 £ '000	2004 £ '000
Audit Fee	-	-
Waiver of intercompany debt	-	(25,261)

The audit fee for the company for the current and prior year has been borne by the immediate parent company, Eni UK Limited.

4 Taxation

The tax effect of the profit at the standard rate of corporation tax in the UK of 30% (2004 - 30%) is explained below:

	2005 £'000	2004 £'000
Profit before taxation	326	25,317
Taxation on profit @ 30% (30% 2004)	98	7,595
Capital allowances and other timing differences	-	37
Income not taxable	(73)	(7,577)
Utilisation of tax loss brought forward	(25)	-
Group relief claimed for no consideration	-	(55)
Current tax charge for the period	-	-

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

ENI BBI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5 Trade and other receivables

	2005 £ '000	2004 £ '000
Trade receivables	<u>34</u>	<u>1</u>

6 Cash and cash equivalents

	2005 £ '000	2004 £ '000
Cash at bank	<u>225</u>	<u>158</u>

7 Share capital

	Authorised		Allotted, called up and fully paid	
	2005 Number	2004 Number	2005 £ '000	2004 £ '000
Ordinary shares of £1 each	5,000	5,000	1,200	1,200

8 Retained earnings

	2005 £ '000	2004 £ '000
At 1 January	(1,292)	(26,609)
Profit for the year	<u>326</u>	<u>25,317</u>
At 31 December	<u>(966)</u>	<u>(1,292)</u>

9 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 will involve no capital expenditure in 2005 (2004 - Nil).

ENI BBI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10 Cash flow

Reconciliation of net profit to cash flow from operating activities

	2005 £ '000	2004 £ '000
Cash flow from operating activities		
Net profit	326	25,317
Adjustments for:		
Depreciation	-	124
Waiver of intercompany	-	(25,261)
Increase in trade & other receivables	(33)	(1)
Decrease in payables	(226)	(156)
Cash generated from continuing operations	67	23
Cash generated from operations	67	23