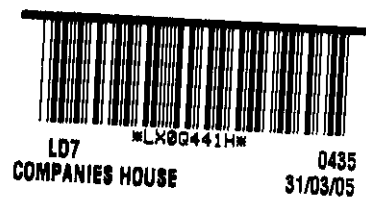


ENI BBI LIMITED

**DIRECTORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2004**

Registered Number: 2556415



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

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 2004.

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 2004 of £25,317,000 was transferred to reserves (2003 profit after tax - £1,324,000 was transferred to reserves).

Dividends

The directors do not recommend the payment of a dividend (2003 - £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 1 September 2004, D Thomas resigned as a director
- On 1 September 2004, A Chiarini was appointed as a director

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

	<i>31 December 2003</i>	31 December 2004 or date of resignation as a director
	<i>Number of Loan Notes Beneficial</i>	<i>Number of Loan Notes Beneficial</i>
Eni Investments plc Loan Notes of £1 each		
D Thomas	34,236	-

On 30 June 2004, D Thomas redeemed 23,440 of the above Loan Notes. The remaining 10,796 Loan Notes were transferred to his wife, Mrs S Thomas, on 22 July 2004.

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 2004. 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



A Chiarini
Director

14 March 2005

INDEPENDENT AUDITORS' REPORT

Independent auditors' report to the members of Eni BBI Limited

We have audited the financial statements on pages 5 to 11.

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 2004 and of its profit 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
14 March 2005

ENI BBI LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004**

	<i>Notes</i>	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
Other operating income	4	25,283	-
Depreciation	8	<u>(124)</u>	<u>(124)</u>
Operating profit / (loss)	4	25,159	(124)
Interest receivable and similar income	6	<u>158</u>	<u>1,448</u>
Profit on ordinary activities before taxation		25,317	1,324
Tax on profit on ordinary activities	7	<u>-</u>	<u>-</u>
Profit for the financial year	10	<u>25,317</u>	<u>1,324</u>

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

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

The company has no recognised gains and losses other than the profit above and therefore no separate statement of total gains and losses has been prepared

ENI BBI LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2004**

	Notes	2004 £'000	2003 £'000
Fixed assets			
Intangible assets	8	-	124
		-	124
Current assets			
Amounts owed by group undertakings		1	-
Cash at bank and in hand		158	135
		159	135
Creditors – amounts falling due within one year			
Amounts owed to group undertakings		(7)	(25,424)
Other creditors		(100)	(101)
Accruals and deferred income		(144)	(143)
		(251)	(25,668)
Net current liabilities		(92)	(25,533)
Total assets less liabilities		(92)	(25,409)
		(92)	(25,409)
Capital and reserves			
Called up equity share capital	9	1,200	1,200
Profit and loss account – deficit	10	(1,292)	(26,609)
Deficiency in equity shareholder's funds	11	(92)	(25,409)

Approved by the Board on 14 March 2005
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 set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention 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.

Fundamental accounting concept

The financial statements have been prepared under the going concern concept because Eni UK Limited, an intermediate parent undertaking, has undertaken to provide or procure sufficient funds as and when necessary to allow Eni BBI Limited to continue its operations for at least twelve months from the date of the financial statements.

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.

STATEMENT OF ACCOUNTING POLICIES

Intangible assets – exploration and appraisal costs

Exploration costs represent the company's share of expenditure by consortia and 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 costs 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 the balance sheet date. 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, and 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 tangible assets, and when production commences 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.

Exploration wells that are being drilled at the year end are included in fixed assets as drilling in progress until the results of the drilling are determined.

Intangible assets – interests acquired

The cost of acquisition of interests acquired in fields is allocated partly to the tangible fixed assets acquired and partly to intangible fixed assets. The cost of interests in fields in production is depreciated using the unit of production method based on proved developed oil and gas reserves at the balance sheet date. When there is a change in the estimated total recoverable reserves, the undepreciated cost is written off in proportion to the revised remaining reserves.

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.

NOTES TO THE FINANCIAL STATEMENTS

1 Parent undertakings

The company's immediate parent undertaking is now Eni UK Limited which purchased the company during the year from a fellow group company, Eni AOG 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 2004 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 information

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

4 Operating profit / (loss)

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

	<u>2004</u>	<u>2003</u>
	£'000	£'000
Waiver of intercompany liability	<u>25,261</u>	<u>-</u>

On 28 October 2004, Eni AOG Limited irrevocably waived, forgave and released Eni BBI limited of its obligation to repay the intercompany balance of £25,261,000,

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

5 Directors and employees

None of the directors received any emoluments in respect of their services to the company during the year (2003 - £nil) and the company had no employees (2003 - none).

NOTES TO THE FINANCIAL STATEMENTS

6 Interest receivable and similar income

	<u>2004</u> £'000	<u>2003</u> £'000
Exchange gains	<u>158</u>	<u>1,448</u>

7 Taxation

The tax effect of the profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2003 - 30%) is explained below:

	<u>2004</u> £'000	<u>2003</u> £'000
Profit on ordinary activities before taxation	25,317	1,324
Taxation on profit on ordinary activities before taxation @ 30% (30% 2003)	7,595	397
Accelerated capital allowances and other timing differences	37	-
Income not taxable – debt waiver	(7,577)	-
Group relief claimed for no consideration	<u>(55)</u>	<u>(397)</u>
Current tax charge for the period	<u>-</u>	<u>-</u>

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.

8 Intangible fixed assets

	<u>Total</u> £'000
Cost	
At 1 January and 31 December 2004	<u>1,364</u>
Amounts written off	
At 1 January 2004	1,240
Charge for the year	<u>124</u>
At 31 December 2004	<u>1,364</u>
Net book value	
At 31 December 2004	<u>-</u>
At 31 December 2003	<u>124</u>

ENI BBI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9 Called up equity share capital

	<u>2004</u> £'000	<u>2003</u> £'000
Authorised £1 ordinary equity shares	<u>5,000</u>	<u>5,000</u>
Allotted and fully paid £1 ordinary equity shares	<u>1,200</u>	<u>1,200</u>

10 Reserves

	Profit and Loss Account £'000
At 1 January 2004	(26,609)
Profit for the financial year	<u>25,317</u>
At 31 December 2004	<u>(1,292)</u>

11 Reconciliation of movements in shareholder's funds

	<u>2004</u> £'000	<u>2003</u> £'000
Deficiency in opening shareholder's funds	(25,409)	(26,733)
Profit for the financial year	<u>25,317</u>	<u>1,324</u>
Deficiency in closing shareholder's funds	<u>(92)</u>	<u>(25,409)</u>

12 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).

NOTES TO THE FINANCIAL STATEMENTS

13 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>2004</u> £'000	<u>2003</u> £'000
Gross capitalised costs:		
Unproved properties	<u>1,364</u>	<u>1,364</u>
	<u>1,364</u>	<u>1,364</u>
Accumulated depreciation and amortisation	<u>(1,364)</u>	<u>(1,240)</u>
Net capitalised costs	<u>-</u>	<u>124</u>

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

	<u>2004</u> £'000	<u>2003</u> £'000
Turnover	-	-
Production costs	-	-
Exploration and appraisal costs	-	-
Depreciation and amortisation	<u>(124)</u>	<u>(124)</u>
Profit before allocable taxes	<u>(124)</u>	<u>(124)</u>
Allocable taxes	<u>-</u>	<u>-</u>
Results of operations from exploration and production	<u>(124)</u>	<u>(124)</u>

(c) *Net proved oil and gas reserve quantities for the year ended 31 December:*

The company had no commercial reserves in both 2003 and 2004.