

Agip (BBI) Limited

**DIRECTORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2001**

Registered Number: 2556415



AGIP (BBI) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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AGIP (BBI) LIMITED

BOARD OF DIRECTORS

Directors

G Ferrara

R Lorato

J Michell

Company Secretary

D Fagan

Auditors

PricewaterhouseCoopers

AGIP (BBI) LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements, together with the independent auditors' report, for the year ended 31 December 2001.

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 licence interests in Brazil. During the year the company sold some of its licence interests in offshore Mauritania in West Africa to Agip Mauritania B.V. It is anticipated that the remaining interest will be sold by April 2002.

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 6 of the financial statements. A profit after tax for the year to 31 December 2001 of £705,000 (2000 loss after tax - £15,992,000) was transferred to reserves.

DIVIDENDS

The directors do not recommend the payment of a dividend (2000 - £nil).

DIRECTORS

The following served as directors during the year:

| | |
|--------------|-------------------------|
| A Belotti | (Resigned 10 May 2001) |
| R Borgognoni | (Resigned 10 May 2001) |
| G Ferrara | (Appointed 10 May 2001) |
| R Lorato | (Appointed 10 May 2001) |
| J Michell | (Appointed 10 May 2001) |
| R Prato | (Resigned 10 May 2001) |
| E Sganzerla | (Resigned 10 May 2001) |

None of the directors had any beneficial interest in the share capital of the company or any other UK group company during the year.

AGIP (BBI) 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.

AUDITORS

On 17 July 2001, Arthur Andersen resigned as auditors to the company. PricewaterhouseCoopers have been appointed as the new auditors. PricewaterhouseCoopers have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



D Fagan
Secretary

15 March 2002

Registered office:
Ebury Bridge House
10 Ebury Bridge Road
LONDON
SW1W 8PZ

AGIP (BBI) LIMITED

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AGIP (BBI) LIMITED

We have audited the financial statements which comprise of the profit and loss account, the balance sheet, the statement of total recognised gains and losses, statement of accounting policies and the related notes.

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.

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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
32 Albyn Place
ABERDEEN
AB10 1YL

15 March 2002

AGIP (BBI) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

| | Notes | 2001 £'000 | Restated 2000 £'000 |
|---------------------------------------------------------------|-------|-----------------|---------------------------|
| Turnover | 2 | - | 44 |
| | | - | 44 |
| Exploration costs and licence fees written off | 9 | (20,422) | (5,719) |
| Write down of fixed assets | | - | (6,673) |
| Other operating charges | | (1,283) | (3,225) |
| | | (21,705) | (15,617) |
| Operating loss | 3 | (21,705) | (15,573) |
| Gain on sale of fixed assets | 5 | 22,227 | - |
| Net financing costs | | | |
| Interest receivable and similar income | 6 | - | 22 |
| Interest payable and similar charges | 7 | - | (8) |
| Exchange losses | | - | (250) |
| | | - | (236) |
| Profit / (loss) on ordinary activities before taxation | | 522 | (15,809) |
| Tax on profit / (loss) on ordinary activities | 8 | 183 | (183) |
| Profit / (loss) on ordinary activities after taxation | 15 | 705 | (15,992) |
| Accumulated losses brought forward | | (27,047) | (11,055) |
| Accumulated losses carried forward | | (26,342) | (27,047) |

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2001

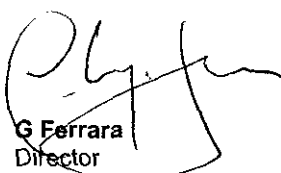
| | 2001 £'000 | Restated 2000 £'000 |
|----------------------------------------------------------------|----------------|---------------------------|
| Profit / (loss) for the financial year | 705 | (15,992) |
| Total recognised gains / (losses) relating to the year | 705 | (15,992) |
| Prior year adjustment – accounting policy change (see note 13) | (3,916) | |
| Total loss recognised since last annual report | (3,211) | |

AGIP (BBI) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2001

| | Notes | 2001 £'000 | Restated 2000 £'000 |
|--------------------------------------------------------|-------|------------------------|---------------------------|
| Fixed assets | | | |
| Intangible assets | 9 | <u>373</u> | <u>497</u> |
| | | 373 | 497 |
| Current assets | | | |
| Other debtors | | - | 11 |
| Cash at bank and in hand | | <u>153</u> | <u>120</u> |
| | | 153 | 131 |
| Creditors – amounts falling due within one year | | | |
| Amounts owed to group undertakings | | (25,423) | (22,818) |
| Other creditors | | (111) | (1,918) |
| Accruals and deferred income | | <u>(134)</u> | <u>(1,556)</u> |
| | | (25,668) | (26,292) |
| Net current liabilities | | (25,515) | (26,161) |
| Total assets less liabilities | | <u>(25,142)</u> | <u>(25,664)</u> |
| Provisions for liabilities and charges | 11 | - | (183) |
| | | <u>(25,142)</u> | <u>(25,847)</u> |
| Capital and reserves | | | |
| Called up equity share capital | 12 | 1,200 | 1,200 |
| Profit and loss account (deficit) | 14 | <u>(26,342)</u> | <u>(27,047)</u> |
| Equity shareholders' funds | | <u>(25,142)</u> | <u>(25,847)</u> |

Approved by the Board on 15 March 2002
On behalf of the Board


G Ferrara
Director

AGIP (BBI) LIMITED

STATEMENT OF ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently 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.

CASH FLOW STATEMENT

In accordance with Financial Reporting Standard No. 1 (FRS 1 Revised), 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.

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 has changed its method of accounting for fixed assets from the full cost method to the successful efforts method to be consistent with other group companies. The figures in the primary statements and notes have been restated to reflect the new policy. The effect of the restatement is shown in note 13.

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 five 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.

AGIP (BBI) LIMITED

STATEMENT OF ACCOUNTING POLICIES

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. 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.

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 financial statements and profits computed for UK corporation tax purposes.

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.

AGIP (BBI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Parent undertakings

The company's immediate parent undertaking is Agip Oil & Gas 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 2001 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 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 '90% owned subsidiary' exemption within Financial Reporting Standard 8 not to disclose related party transactions with other members of the group.

2 Analysis of turnover and profit before tax

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.

3 Auditors' remuneration

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

4 Directors and employees

None of the directors received any emoluments in respect of their services to the company during the year (2000 - £nil) and the company had no employees (2000 - none).

5 Gain on sale of fixed assets

This relates to the sale of the licence interests in Mauritania A and B.

6 Interest receivable and similar income

| | <u>2001</u> <u>£'000</u> | <u>2000</u> <u>£'000</u> |
|--------------------------|-----------------------------|-----------------------------|
| Bank interest receivable | <u>-</u> | <u>22</u> |
| | <u>-</u> | <u>22</u> |

AGIP (BBI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7 Interest payable and similar charges

| | 2001 £'000 | 2000 £'000 |
|-----------------------|---------------|---------------|
| Bank interest payable | - | 8 |
| | <u>-</u> | <u>8</u> |

8 Taxation

The charge for the year comprises:

| | 2001 £'000 | 2000 £'000 |
|-----------------------------------|---------------|---------------|
| Deferred tax charge (see note 11) | (183) | 183 |
| | <u>(183)</u> | <u>183</u> |

There was no charge to current corporation tax during the year (2000 - £nil) because of the availability of losses for tax purposes.

9 Intangible fixed assets

| | Total £'000 |
|------------------------------|------------------------|
| Cost | |
| At 1 January 2001 | - |
| Prior year adjustment | 6,216 |
| Restated at 1 January 2001 | 6,216 |
| Additions | 20,298 |
| At 31 December 2001 | <u>26,514</u> |
| Amounts written off | |
| At 1 January 2001 | - |
| Prior year adjustment | (5,719) |
| Restated at 1 January 2001 | (5,719) |
| Charge for the year | (20,422) |
| At 31 December 2001 | <u>(26,141)</u> |
| Net book value | |
| At 31 December 2001 | <u>373</u> |
| At 31 December 2000 restated | <u>497</u> |

AGIP (BBI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10 Tangible fixed assets

| | Total £'000 |
|-------------------------------------------------------------|----------------|
| Cost or valuation | |
| At 1 January 2001 | 6,216 |
| Prior year adjustment | (6,216) |
| At 1 January 2001 (restated) and at 31 December 2001 | - |
| Depreciation | |
| At 1 January 2001 | 124 |
| Prior year adjustment | (124) |
| At 1 January 2001 (restated) and at 31 December 2001 | - |
| Net book value | |
| At 31 December 2000 (restated) and at 31 December 2001 | - |

11 Provisions and contingent liabilities

Deferred taxation

| | 2001 £'000 |
|------------------------------|---------------|
| At 1 January 2001 | 1,862 |
| Prior year adjustment | (1,679) |
| At 1 January 2001 (restated) | 183 |
| Movement in the year | (183) |
| At 31 December 2001 | - |

Deferred corporation tax calculated at the rate of 30% (2000 – 30%) amounted to:

| | Unprovided 2001 £'000 | 2000 £'000 | Provided 2001 £'000 | 2000 Restated £'000 |
|--------------------------------------------------|-----------------------------|---------------|---------------------------|---------------------------|
| Accelerated capital allowances | - | - | - | (2,097) |
| Unutilised United Kingdom corporation tax losses | 2,979 | - | - | 1,053 |
| Other timing differences | 861 | - | - | 861 |
| Deferred tax asset / (liability) | 3,840 | - | - | (183) |

12 Called up equity share capital

| | 2001 £'000 | 2000 £'000 |
|---------------------------------------------------|---------------|---------------|
| Authorised £1 ordinary equity shares | 5,000 | 5,000 |
| Allotted and fully paid £1 ordinary equity shares | 1,200 | 1,200 |

AGIP (BBI) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13 Prior year adjustment

The company has changed its method of accounting for fixed assets from the full cost method to the successful efforts method to be consistent with other group companies. All the carrying values of the assets were reviewed on 1 January 2000 therefore the prior year adjustment does not affect periods prior to this date.

The impact of the new accounting policy is as follows:

| | 2001 £'000 | 2000 £'000 |
|-----------------------------------------------------------|-----------------|----------------|
| Profit and loss account | | |
| Increase in operating loss | 20,298 | 5,595 |
| Decrease in tax charge | - | (1,679) |
| Decrease in profit / Increase in loss for the year | <u>20,298</u> | <u>3,916</u> |
| Balance sheet | | |
| Decrease in tangible fixed assets | (20,298) | (5,595) |
| Decrease in deferred tax liability | - | 1,679 |
| Decrease in total net assets | <u>(20,298)</u> | <u>(3,916)</u> |

14 Reserves

| | Restated profit and loss account £'000 |
|----------------------------|----------------------------------------------------|
| At 1 January 2001 | (27,047) |
| Profit for the year | 705 |
| At 31 December 2001 | <u>(26,342)</u> |

15 Reconciliation of movements in shareholders' funds

| | 2001 £'000 | 2000 Restated £'000 |
|----------------------------------------|------------------------|---------------------------|
| Opening shareholders' funds | (25,847) | (9,855) |
| Profit / (loss) for the financial year | 705 | (15,992) |
| Closing shareholders' funds | <u>(25,142)</u> | <u>(25,847)</u> |

16 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 2002 of approximately £4.0 million (2001 - £0.6 million).