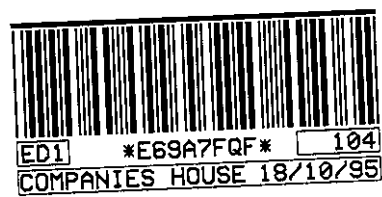


ENTERPRISE OIL ITALY LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 1994
Registration Number 2552899



ENTERPRISE OIL ITALY LIMITEDDIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 1994.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company is oil and gas exploration and production in Italy.

RESULT AND DIVIDEND

The loss after taxation for the year amounted to £0.3 million (1993: profit £0.2m). The directors do not recommend payment of a dividend.

FIXED ASSETS

Changes in fixed assets are set out in note 6 to the financial statements.

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the year were:

M J Pink	(appointed 13 December 1994)
V M Gaymer	(resigned 13 December 1994)
E J Harris	(resigned 13 December 1994)
G J Hearne	
I S Paterson	
J D West	
C Viotti	(appointed 13 December 1994)

G J Hearne, M J Pink, I S Paterson and J D West are directors of the parent company, Enterprise Oil plc, and their interests in the shares of that company are shown in its financial statements. The interests of C Viotti in the shares of Enterprise Oil plc were as follows:

<u>Shares</u>	<u>At Appointment Date</u>	<u>31 December 1994</u>
Ordinary shares of 25p each	Nil	Nil
<u>Options</u>	<u>At Appointment Date</u>	<u>31 December 1994</u>
Ordinary shares of 25p each	85,381	85,381

No director in office at the end of the year had any beneficial interest in the shares of the company or any fellow subsidiary company in the Enterprise Oil plc group.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Insurance has been arranged to cover directors' and officers' liability as defined by Section 310(3)(a) of the Companies Act 1985.

AUDITORS

In accordance with Section 385 of the Companies Act 1985 a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board


L E Ripley
Secretary

Grand Buildings
Trafalgar Square
LONDON WC2N 5EJ
5 April 1995

ENTERPRISE OIL ITALY LIMITEDSTATEMENT OF DIRECTORS' RESPONSIBILITIES

This statement is made for the purpose of distinguishing for shareholders the respective responsibilities of the directors and the auditors in relation to the financial statements.

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:

- use suitable accounting policies, consistently applied and supported by 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; and
- 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 maintaining adequate 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 taking all reasonable measures for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS, KPMG, TO THE MEMBERS OF
ENTERPRISE OIL ITALY LIMITED

We have audited the financial statements on pages 4 to 10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 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 as at 31 December 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG

Chartered Accountants
Registered Auditors

London
5 April 1995

ENTERPRISE OIL ITALY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1994

		<u>1994</u>	<u>1993</u>
	<u>Note</u>	<u>£m</u>	<u>£m</u>
TURNOVER	1	1.3	0.7
Cost of sales	2	(1.4)	(1.0)
GROSS LOSS	3	(0.1)	(0.3)
Administrative and selling expenses		(0.1)	-
OPERATING LOSS		(0.2)	(0.3)
Interest payable and similar charges	4	(0.1)	(0.1)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(0.3)	(0.4)
Tax credit on loss on ordinary activities	5	-	0.6
RETAINED (DEFICIT)/PROFIT FOR, AND TOTAL RECOGNISED GAINS AND LOSSES RELATING TO, THE FINANCIAL YEAR		(0.3)	0.2
		====	=====

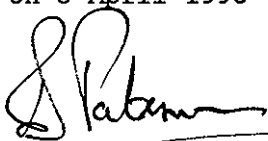
Continuing operations: all items dealt with in arriving at retained profit/(deficit) for 1994 and 1993 relate to continuing operations.

The notes on pages 6 to 10 form part of these financial statements.

ENTERPRISE OIL ITALY LIMITED
BALANCE SHEET AS AT 31 DECEMBER 1994

	<u>Note</u>	<u>1994</u>	<u>1993</u>
		fm	fm
FIXED ASSETS			
Tangible assets	6	23.7	20.7
		----	----
		23.7	20.7
		----	----
CURRENT ASSETS			
Debtors	7	1.5	1.1
Cash at bank and in hand		-	0.3
		----	----
		1.5	1.4
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(21.6)	(18.2)
		----	----
NET CURRENT LIABILITIES		(20.1)	(16.8)
		----	----
TOTAL ASSETS LESS CURRENT LIABILITIES		3.6	3.9
		----	----
NET ASSETS		3.6	3.9
		====	====
CAPITAL AND RESERVES			
Called-up share capital	10	0.1	0.1
Share premium account	11	3.6	3.6
Profit and loss account	11	(0.1)	0.2
		----	----
		3.6	3.9
		====	====

Approved by the Board of Directors
on 5 April 1995



I S Paterson

Director

The notes on pages 6 to 10 form part of these financial statements.

RS

ENTERPRISE OIL ITALY LIMITED
STATEMENT OF ACCOUNTING POLICIES

(a) Accounting convention

The financial statements have been prepared under the going concern concept based on assurance received from the parent company that it will, for the next financial year, make available such financial support as is necessary for the company to meet its liabilities as they fall due for payment, and under the historical cost convention and in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 5, "Reporting the Substance of transactions", which became effective in 1994. Prior year figures have not been restated in view of the immateriality of the adjustment concerned, which principally involves recognition of current assets and liability of joint ventures operated by the company.

(b) Joint ventures

The company's exploration, development and production activities are generally conducted in joint ventures with other companies. The financial statements reflect the relevant proportions of production, capital expenditure and operating costs applicable to the company's interests.

The effects of redeterminations of equity interests in joint ventures are accounted for when the outcome of the redetermination is known. In the case of producing fields, adjustments to past production entitlements arising therefrom are accounted for over the period of the adjustment to entitlements agreed with co-venturers.

(c) Turnover

Turnover in respect of petroleum activities represents the sales value of the company's share of petroleum production during the year, including the value of royalty oil taken in kind.

(d) Tangible fixed assets

All field development costs are capitalised as tangible fixed assets. Such costs relate to the acquisition and installation of production facilities and include development drilling costs, project-related engineering and technical service costs.

(e) Commercial reserves

Commercial reserves are proven and probable oil and gas reserves, as defined in the Exploration SORP.

(f) Ceiling tests

The net amounts at which fields either in production, under or being considered for development are recorded in the financial statements are assessed on a field-by-field basis against the likely future net revenues to be derived from the estimated remaining commercial reserves. A provision is made where the directors are of the opinion that recorded amounts are unlikely to be fully recovered from future net revenues.

(g) Depreciation

The capitalised costs of fields in production, together with anticipated future development costs calculated at price levels ruling at the balance sheet date, are depreciated field-by-field on a unit-of-production basis. Depreciation is calculated by reference to the proportion that production for the period bears to the total of estimated remaining commercial reserves at the beginning of the period.

Other fixed assets at cost, less estimated disposal values where significant, are depreciated on a straight-line basis over their estimated economic lives.

ENTERPRISE OIL ITALY LIMITED
STATEMENT OF ACCOUNTING POLICIES

(h) Foreign currencies

Transactions denominated in foreign currencies are translated and recorded at the relevant rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the rates of exchange ruling at the balance sheet date.

ENTERPRISE OIL ITALY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1 TURNOVER AND LOSS BEFORE TAXATION

The company's principal activity is oil and gas exploration and production and is conducted in Italy. The company's turnover and loss before taxation derive therefrom.

2 COST OF SALES

	<u>1994</u> £m	<u>1993</u> £m
Operating costs	0.6	0.6
Depreciation	0.8	0.4
	---	---
	1.4	1.0
	===	===

3 GROSS LOSS

None of the directors received any emoluments in respect of their services to the company during the year.

The auditors' remuneration in respect of the statutory audit was £4,000: (1993: £3,410). The company paid £22,000 to affiliates of the auditors in respect of fees for non audit work. (1993 : £6,000)

4 INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1994</u> £m	<u>1993</u> £m
Foreign currency exchange losses	0.1	0.1
	===	===

5 TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	<u>1994</u> £m	<u>1993</u> £m
UK corporation tax at 33%		
- current year	-	0.6
	===	===

The tax credit for 1993 represents the receipt for the surrender of tax losses for group relief purposes. No payment was received for tax losses surrendered in 1994.

6 TANGIBLE FIXED ASSETS

The movements in tangible fixed assets during the year were:

	At <u>1 January</u> <u>1994</u> £m	<u>Additions</u> £m	<u>Transfers</u> £m	At <u>31 December</u> <u>1994</u> £m
Cost:				
Development costs -				
Fields in production	6.8	-	0.3	7.1
Fields under development	14.3	3.8	(0.3)	17.8
	---	---	---	---
	21.1	3.8	-	24.9
	===	===	===	===
Depreciation:				
Development costs -				
Fields in production	(0.4)	(0.8)	-	(1.2)
	===	===	===	===
Net book value	20.7	3.0	-	23.7
	===	===	===	===

ENTERPRISE OIL ITALY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6 TANGIBLE FIXED ASSETS Continued

The company conducts the majority of its activities through unincorporated joint ventures, which are accounted for in accordance with accounting policy (b). At 31 December 1994, the joint ventures which principally affected the result and net assets of the company were those relating to the following oil and gas fields (the company's equity percentage in the ventures being shown in parentheses):

Monte Alpi (Grumento Nova concession) (14.00%)

7 DEBTORS

	<u>1994</u> £m	<u>1993</u> £m
Amounts due within one year		
Trade debtors	0.3	0.1
Amounts due from group undertakings	0.6	0.6
Other debtors	0.6	0.4
	----	----
	1.5	1.1
	=====	=====

8 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1994</u> £m	<u>1993</u> £m
Amounts owed to group undertakings	20.8	17.4
Accruals and deferred income	0.8	0.8
	----	----
	21.6	18.2
	=====	=====

9 PROVISION FOR LIABILITIES AND CHARGES

No provisions made for deferred tax were required during the current or previous year.

The full potential amounts of deferred tax at 31 December were:

	<u>1994</u> £m	<u>1993</u> £m
Accelerated capital allowances	1.1	0.5
	=====	=====

10 CALLED-UP SHARE CAPITAL

Share capital at 31 December

	<u>1994</u> £	<u>1993</u> £
Authorised, allotted, called-up and fully paid:		
Ordinary shares of £1 each	100,000	100,000
Preference shares of £1 each	36,002	36,002
	----	----
	136,002	136,002
	=====	=====

ENTERPRISE OIL ITALY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

11 SHAREHOLDERS' FUNDS

	<u>Share Capital</u>	<u>Share Premium</u>	<u>Profit & Loss Account</u>	<u>Total</u>
	£m	£m	£m	£m
At 1 January 1994	0.1	3.6	0.2	3.9
Retained loss for financial year	-	-	(0.3)	(0.3)
	---	---	---	---
At 31 December 1994	0.1	3.6	(0.1)	3.6
	===	===	===	===

12 CASH FLOW STATEMENT

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement.

13 COMMITMENTS

Commitments for future capital expenditure at 31 December were as follows:

	<u>1994</u>	<u>1993</u>
	£m	£m
Contracted but not accrued for in the financial statements	3.4	-
Authorised but not contracted for	8.9	8.0
	----	----
	12.3	8.0
	=====	=====

This amount principally relates to the development of oil and gas fields.

14 CONTINGENCIES

There were no significant contingent liabilities at 31 December 1994 other than those arising in the ordinary course of business in respect of the company's financing arrangements and its obligations as co-licensee, joint user of production, transportation and processing facilities and otherwise.

15 ULTIMATE PARENT COMPANY

The ultimate parent company is Enterprise Oil plc, registered in England and Wales. The group financial statements of Enterprise Oil plc may be obtained by writing to the registered office of the company.