

Agip Oil & Gas Limited
(formerly British-Borneo Oil & Gas plc)

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

Registered Number: 121798



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AGIP OIL & GAS LIMITED
(formerly British-Borneo Oil & Gas plc)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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AGIP OIL & GAS LIMITED
(formerly British-Borneo Oil & Gas plc)

BOARD OF DIRECTORS

Directors

A Donadelli

A Ianniello

M Mondazzi

A Pagani

E Sganzerla

Company Secretary

D Fagan

Auditors

Arthur Andersen

AGIP OIL & GAS LIMITED

(formerly British-Borneo Oil & Gas plc)

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 continues to carry on the business of financing developments by fellow group companies and of an investment company.

Change of company name

The company was re-registered as a private limited company on 18 December 2000 and the company name changed from British-Borneo Oil & Gas plc to British-Borneo Oil & Gas Ltd.

On 2 January 2001, the company name changed from British-Borneo Oil & Gas Limited to Agip Oil & Gas Limited.

Results for the year

There was a loss after tax for the year to 31 December 2000 of £312,480,000 (1999 profit after tax - £15,959,000). Dividends paid or proposed for the year amounted to £Nil (1999 - £97,000).

DIRECTORS

The following served as directors during the year:

M Beckett	(Resigned 20 November 2000)
A Belotti	(Appointed 11 May 2000 / resigned 20 November 2000)
A Donadelli	(Appointed 12 December 2000)
T Ellis	(Resigned 11 May 2000)
A Gaynor	(Resigned 11 May 2000)
P Hill	(Resigned 11 May 2000)
S Holliday	(Resigned 11 May 2000)
A Ianniello	(Appointed 12 December 2000)
R Midmer	(Appointed 26 January 2000 / resigned 11 May 2000)
M Mondazzi	(Appointed 11 May 2000)
A Pagani	(Appointed 11 May 2000)
E Parker	(Resigned 11 May 2000)
R Reid	(Resigned 20 November 2000)
M Rendle	(Resigned 20 November 2000)
E Sganzerla	(Appointed 11 May 2000)
I Thornley	(Resigned 11 May 2000)

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

AGIP OIL & GAS LIMITED
(formerly British-Borneo Oil & Gas plc)

DIRECTORS' REPORT

At the time of their resignations during 2000, the beneficial interests of the following directors and their families in the company were: -

		Ordinary shares held	
		At resignation	At 31.12.99
M Beckett	-		10,239
T Ellis	-		8,571
A Gaynor	-		649,405
P Hill	-		68,168
S Holliday	-		200
R Midmer	-		-
E Parker	-		54,751
R Reid	-		31,582
M Rendle	-		51,000
I Thornley	-		732

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.

DIVIDENDS

The directors are unable to recommend the payment of a dividend (1999 - £97,000).

SUPPLIER PAYMENT POLICY

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

CHARITABLE CONTRIBUTIONS

The sum of £4,800 was donated to charitable causes during 2000 (1999 - £3,300).

By order of the Board



D Fagan
Secretary

21 February 2001

AGIP OIL & GAS LIMITED
(formerly British-Borneo Oil & Gas plc)

AUDITORS' REPORT

TO THE SHAREHOLDERS OF AGIP OIL & GAS LIMITED

We have audited the financial statements on pages 6 to 16 which have been prepared under the historical cost convention and the accounting policies set out on page 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

21 February 2001

AGIP OIL & GAS LIMITED
(formerly British-Borneo Oil & Gas plc)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2000

	Notes	2000 £'000	1999 £'000
Other operating income		510	983
Administrative expenses		<u>(138,167)</u>	<u>(5,676)</u>
Operating (loss)	2	(137,657)	(4,693)
(Loss) on disposal of US operations	5	<u>(188,570)</u>	<u>-</u>
(Loss) on activities before financing		(326,227)	(4,693)
Net financing costs			
Interest receivable	6	48,839	32,728
Interest payable and similar charges	7	(32,633)	(12,257)
Realised and unrealised exchange (losses) / gains		<u>(2,459)</u>	<u>205</u>
		<u>13,747</u>	<u>20,676</u>
(Loss) / profit on ordinary activities before taxation		(312,480)	15,983
Tax on (loss) / profit on ordinary activities	8	<u>-</u>	<u>(24)</u>
(Loss) / profit on ordinary activities after taxation		(312,480)	15,959
Dividends paid and proposed		<u>-</u>	<u>(97)</u>
Retained (loss) / profit for the year		(312,480)	15,862
Accumulated reserves brought forward		51,533	35,671
Accumulated reserves carried forward		<u>(260,947)</u>	<u>51,533</u>

There are no recognised gains or losses in either year other than the (loss) / profit for 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 16 form an integral part of these financial statements.

AGIP OIL & GAS LIMITED
(formerly British-Borneo Oil & Gas plc)

BALANCE SHEET
AS AT 31 DECEMBER 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Tangible fixed assets	9	1,307	351
Investment in subsidiary undertakings	10	875,400	915,190
Fixed asset investments	11	6,262	8,035
		<u>882,969</u>	<u>923,576</u>
Current assets			
Trade debtors		1	133
Other debtors		102	82
Prepayments and accrued income		181	1,304
Quoted investments		-	1,686
Cash at bank and in hand		12,720	9,053
		<u>13,004</u>	<u>12,258</u>
Creditors – amounts falling due within one year			
Bank loans and intercompany borrowings	12 (1) (2)	(569,166)	(89,113)
Amounts owed to group undertakings		(87)	-
Other creditors		(182)	(890)
Taxation and social security		(119)	(92)
Accruals and deferred income		(5,510)	(10,931)
		<u>(575,064)</u>	<u>(101,026)</u>
Net current liabilities		<u>(562,060)</u>	<u>(88,768)</u>
Total assets less current liabilities		<u>320,909</u>	<u>834,808</u>
Creditors – amounts falling due after more than one year	13	-	(201,456)
Net assets		<u>320,909</u>	<u>633,352</u>
Capital and reserves			
Called up equity share capital	15	187,917	187,883
Share premium account	16	393,939	393,936
Profit and loss account	16	(260,947)	51,533
		<u>320,909</u>	<u>633,352</u>

Approved by the Board on 21 February 2001
On behalf of the Board


E Sganzerla - Director

The notes on pages 10 to 16 form an integral part of these financial statements.

AGIP OIL & GAS LIMITED
(formerly British-Borneo Oil & Gas plc)

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.

CONSOLIDATION

Consolidated financial statements have not been prepared for the company as it is a subsidiary of Eni SpA, a company incorporated in Italy, which has prepared consolidated financial statements as stated in note 1.

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 accounts of the company's parent company, Eni SpA.

FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost (or valuation) net of depreciation and any provision for impairment

Leasehold property and improvements, office equipment and computer software are depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold property and improvements	over residual life of lease (maximum forty years)
Office furniture	up to five years
Office equipment, computer systems and software	up to three years

Freehold land and assets in the course of construction are not depreciated.

INVESTMENTS

Quoted investments are shown at the lower of cost and market value. All quoted investments are listed on a recognised investment exchange.

All other fixed assets investments, including investments in subsidiaries, are shown at cost less any provision for impairment.

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.

AGIP OIL & GAS LIMITED
(formerly British-Borneo Oil & Gas plc)

STATEMENT OF ACCOUNTING POLICIES

OPERATING LEASES

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

AGIP OIL & GAS LIMITED
(formerly British-Borneo Oil & Gas plc)

NOTES TO THE FINANCIAL STATEMENTS

1 Parent undertakings

The company's ultimate parent undertaking, Ente Nazionale Idrocarburi (Eni), 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 Ventures plc, has undertaken to provide continuing financial support to the company to enable it to meet its financial obligations as they fall due for a period of at least twelve months from the date of these financial statements.

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

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 Operating (loss)

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

	2000 £'000	1999 £'000
Depreciation	458	197
Auditors' remuneration		
– audit services	60	134
– non audit services	8	-
Directors' emoluments, including pension contributions	2,977	1,523
Operating lease rentals		
– land and buildings	1,010	1,500
– plant and machinery	20	1,100
Amounts written off investments	<u>122,884</u>	<u>-</u>

Amounts written off investments includes £121,012,000 resulting from the revaluation of the investment in the UK subsidiaries as a consequence of the fair values attributed to the subsidiaries.

3 Directors' remuneration

The directors' remuneration was as follows:

	2000 £'000	1999 £'000
Emoluments	808	1,523
Compensation for loss of office	2,169	-
Fees	157	125
Total remuneration	<u>3,134</u>	<u>1,648</u>

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2000 £'000	1999 £'000
Emoluments	523	712
Compensation for loss of office	1,064	-
	<u>1,587</u>	<u>712</u>

AGIP OIL & GAS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

4 Staff costs

	<u>2000</u> £'000	<u>1999</u> £'000
Salaries and other benefits (including redundancy payments)	7,762	6,425
Social security costs	628	28
Pension contributions	431	398
	<u>8,821</u>	<u>6,851</u>

The average monthly number of persons employed by the company during the year, excluding contracted staff, was 31 (1999 - 54).

5 Loss on sale of US operations

The US operations were sold during the year resulting in a loss of £188,570,000.

6 Interest receivable

	<u>2000</u> £'000	<u>1999</u> £'000
Interest receivable on intercompany loans	48,352	32,728
Bank interest income	487	-
	<u>48,839</u>	<u>32,728</u>

7 Interest payable and similar charges

	<u>2000</u> £'000	<u>1999</u> £'000
Interest payable on intercompany loans	24,267	-
Bank interest payable	8,366	12,257
	<u>32,633</u>	<u>12,257</u>

8 Taxation

There was no charge to current United Kingdom corporation tax during the year (1999 - £24,000) because of the availability of losses for tax purposes.

AGIP OIL & GAS LIMITED
(formerly British-Borneo Oil & Gas plc)

NOTES TO THE FINANCIAL STATEMENTS

9 Tangible fixed assets

	Short leasehold property and improvements £'000	Office equipment fixtures and fittings £'000	Total £'000
Cost			
At 1 January 2000	492	749	1,241
Additions	1,334	80	1,414
Disposals	(492)	(629)	(1,121)
At 31 December 2000	<u>1,334</u>	<u>200</u>	<u>1,534</u>
Depreciation			
At 1 January 2000	464	426	890
Charge for year	104	354	458
Disposals	(492)	(629)	(1,121)
At 31 December 2000	<u>76</u>	<u>151</u>	<u>227</u>
Net book amount			
At 31 December 2000	<u>1,258</u>	<u>49</u>	<u>1,307</u>
At 31 December 1999	<u>28</u>	<u>323</u>	<u>351</u>

AGIP OIL & GAS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

10 Investments in subsidiary undertakings

	Shares in subsidiary undertakings		Net book value £'000	Loans to subsidiary £'000	Total £'000
	At cost £'000	Provision £'000			
At 1 January 2000	481,410	(1,200)	480,210	434,980	915,190
Additions / provisions during the year	2,591	(121,012)	(118,421)	270,237	151,816
Disposals during the year	(93,631)	-	(93,631)	(97,975)	(191,606)
At 31 December 2000	390,370	(122,212)	268,158	607,242	875,400

The company's investment in subsidiary undertakings throughout the year comprised all the ordinary equity share capital of the following companies:

Company Name	Country of registration	Activity
Brupex Limited	England	Investment holding and group financing
Agip (UKCS) Limited	England	Oil and gas exploration and production
Agip (BBI) Limited	England	Oil and gas exploration and production
Agip North Sea Limited	England	Oil and gas exploration and production
Agip Forties Limited	England	Oil and gas exploration and production
Agip Exploration & Production Limited	England	Oil and gas exploration and production
Agip Birch Limited	England	Oil and gas exploration and production
Agip Australia Limited	England	Oil and gas exploration and production
Agip Australia 91-13 Limited	England	Oil and gas exploration and production
British-Borneo Expro Limited	Bermuda	Oil and gas exploration and production
British-Borneo ZOCA 95-18 Limited	Jersey	Oil and gas exploration and production

During the year, the company sold its 86.4% interest in British-Borneo Exploration Inc. to Agip Petroleum Company Inc for a consideration of £3,036,000 cash and the forgiveness of intercompany debt amounting to £97,975,000. This resulted in a loss on disposal of £188,570,000.

Each subsidiary principally operates in the country of registration except for British-Borneo International Limited which has oil and gas interests worldwide, British-Borneo Expro Limited which principally operates in the UK, British-Borneo Australia Limited, British-Borneo Australia 91-13 Limited and British-Borneo ZOCA 95-18 Limited which principally operate in Australia.

At 31 December 2000 all of the above subsidiary undertakings were directly owned by the company except Agip Forties Limited which is wholly owned by Agip (UKCS) Limited. Agip Exploration & Production Limited, Agip Birch Limited, Agip Australia Limited and Agip Australia 91-13 Limited are all wholly owned by Agip (BBH) Limited.

Loans to subsidiaries have no fixed repayment terms and the company will not demand repayment whilst the borrowers remain direct or indirect subsidiaries of the company. Interest is charged at 3-month sterling and dollar LIBOR plus 0.65%.

AGIP OIL & GAS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

11 Fixed asset investments

	Quoted £'000	Unquoted £'000	Total £'000
Cost			
At 1 January 2000	6,330	1,705	8,035
Additions	-	99	99
At 31 December 2000	<u>6,330</u>	<u>1,804</u>	<u>8,134</u>
Amount written off			
At 1 January 2000	-	-	-
Written off	1,872	-	1,872
At 31 December 2000	<u>1,872</u>	<u>-</u>	<u>1,872</u>
Net book value			
At 31 December 2000	<u>4,458</u>	<u>1,804</u>	<u>6,262</u>
At 31 December 1999	<u>6,330</u>	<u>1,705</u>	<u>8,035</u>

The market value of quoted investments held by the company at 31 December 2000 is £4,458,000.

12 Bank and intercompany borrowings

(1) Bank borrowings

	2000 £'000	1999 £'000
Bank loans and overdrafts repayable within one year not by instalments	<u>459</u>	<u>89,113</u>
	<u>459</u>	<u>89,113</u>
Bank loans are denominated in:		
- Sterling	459	66
- Dollars	-	89,047
	<u>459</u>	<u>89,113</u>

The £150 million syndicated multicurrency revolving credit loan facility expiring on 28 February 2001 was fully repaid during 2000.

(2) Intercompany borrowings

	2000 £'000	1999 £'000
Intercompany loans, where interest is charged at a market rate of interest of 6.9%, repayable within one year not by instalments	<u>568,707</u>	<u>-</u>
Intercompany loans are denominated in:		
- US dollars	<u>568,707</u>	<u>-</u>

The company has not provided security for any loans on assets or future revenues.

AGIP OIL & GAS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

13 Creditors – amounts falling due after more than one year

	2000 £'000	1999 £'000
Bank loans as drawn under facility	-	199,100
Bank loans revalued for year end exchange rates	-	2,356
	<u>-</u>	<u>201,456</u>

The £200 million syndicated multicurrency revolving credit loan facility expiring on 20 May 2005 was fully repaid during 2000.

14 Deferred corporation tax

Deferred corporation tax calculated at the rate of 30% (1999 – 30%) for which no account has been taken in the financial statements amounted to:

	2000 Unprovided amount £'000	1999 Unprovided amount £'000
Accelerated capital allowances	128	105
Unutilised United Kingdom corporation tax losses	93	-
Deferred tax asset not recognised	<u>221</u>	<u>105</u>

15 Share capital

	Ordinary Shares 2000	2000 £'000	Ordinary Shares 1999	1999 £'000
Authorised (ordinary shares 50p each)				
At 1 January and 31 December	<u>500,000,000</u>	<u>250,000</u>	<u>500,000,000</u>	<u>250,000</u>
Allotted, called-up and fully paid (ordinary shares 50p each)				
At 1 January	375,766,664	187,883	375,317,115	187,658
Share options exercised during the year	<u>66,672</u>	<u>34</u>	<u>449,549</u>	<u>225</u>
At 31 December	<u>375,833,336</u>	<u>187,917</u>	<u>375,766,664</u>	<u>187,883</u>

Share options were exercised during the year by former employees prior to the completion of the purchase by Agip Ventures plc.

AGIP OIL & GAS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

16 Reserves

	Share premium £'000	Profit and loss account £'000	Total £'000
At January 2000	393,936	51,533	445,469
Increase in year	3	-	3
Loss for the year	-	(312,480)	(312,480)
At 31 December 2000	<u>393,939</u>	<u>(260,947)</u>	<u>132,992</u>

17 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings	
	2000 £'000	1999 £'000
Operating leases which expire:		
- within one year	-	500
- within two to five years	526	-
- in over five years	-	1,000
	<u>526</u>	<u>1,500</u>

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for lessee to pay all insurances, maintenance and repair costs.

18 Pension commitments

The company makes defined contributions to externally administered personal pension plans on behalf of staff.

The company also operates an occupational pension scheme for some of its UK employees, which includes both a defined benefits and a defined contributions section. In addition, there are various individual money purchase arrangements in place for other staff and executives. The assets of the occupational pension scheme are held separately from those of the company and are invested by independent fund managers appointed by the scheme trustees.

The last full actuarial valuation of the scheme was carried out as at 31 December 1998 and subsequently reviewed in December 1999. A further interim valuation as at 1 October 2000 was prepared for the trustees to review in anticipation of the eventual winding-up of the scheme. The interim valuation showed that, on the minimum funding requirement basis, the scheme assets are sufficient to cover 123% of the members' accrued leaving service benefits. Although the scheme is continuing for the moment there are only two active members remaining and the principal employer has indicated that it expects to trigger a winding-up of the scheme during 2001. Given the funding position, the company contributions to the scheme are currently suspended and likely to remain so.

Pension contributions paid during the year are shown in the profit and loss account (see note 4).

19 Prior year comparatives

The prior year comparative information was audited by a firm other than Arthur Andersen.