

ENI MOZAMBIQUE ENGINEERING LIMITED

***ANNUAL REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019***

REGISTERED OFFICE

**Eni House
10 Ebury Bridge Road
London SW1W 8PZ**

Registered Number: 9104675

ENI MOZAMBIQUE ENGINEERING LIMITED

DIRECTORS AND REGISTERED OFFICE

BOARD OF DIRECTORS

G Francheschini (Chairman), appointed on 10 December 2019
G Burri
M Trezza
P. Campelli (Managing Director), resigned on 09 February 2020
R Nigido (Managing Director), appointed on 10 February 2020
R Stallard, appointed on 24 May 2019

SECRETARY AND REGISTERED OFFICE

M Trezza
Eni House
10 Ebury Bridge Road
London SW1W 8PZ

INDEPENDENT AUDITOR

PricewaterhouseCoopers LLP
431 Union Street
Aberdeen
AB11 6DA

ENI MOZAMBIQUE ENGINEERING LIMITED

STRATEGIC REPORT

The directors present their strategic report of the company for the year ended 31 December 2019.

Review of the business

Principal activities

Eni Mozambique Engineering Limited (the company) is wholly owned by Eni Lasmo Plc which is an indirect subsidiary of Eni S.p.A., an integrated energy company operating in the oil and natural gas, electricity generation, petrochemicals, oil field services and engineering industries. Eni S.p.A. operates internationally in about 73 countries and employs around 33,000 people. Eni S.p.A. is listed on the Milan and New York stock exchanges. On 30 September 2019 the company was sold by Eni UK Limited to its affiliate company, Eni Lasmo plc..

The principal activity of the company is the provision of engineering and procurement services through service agreements entered into with Eni S.p.A., Coral FLNG SA and MRV (previously Eni East Africa) S.p.A. in relation to petroleum activities to be carried out in Mozambique.

The company's revenue is a result of procurement and engineering services provided to Eni S.p.A., Coral FLNG SA and MRV (previously Eni East Africa) S.p.A.

On the 8th of March 2017, a Branch of EME was set up in Paris, France. With the objective of allowing the mobilization of EME's personnel to France to the Contractor's offices (TECNIP) to follow up the engineering works of the Coral FLNG Execution Phase. Meanwhile and in relation to monitoring the construction of the Coral FLNG Execution phase in S. Korea, and after relevant discussions both with EME's management as well as Eni Spa, an advance PE (Permanent Establishment) ruling has been prepared with Deloitte S. Korea & submitted to the S. Korean tax authorities in order to clarify the legal status of EME in the country as a result of mobilizing its personnel to monitor the engineering and construction scopes performed by its personnel in the (SAMSUNG Heavy Industries) offices in Korea, after discussions with the relevant functions with Eni Spa a decision was made to register a Tax PE in Korea to represent the company's activity in country and fulfil all the local fiscal and financial compliance requirements, the Korean PE was registered from 01.01.2020.

Together (France & S. Korea) are the main locations where EME has started mobilizing its personnel to monitor contractor activities starting from the 3rd Quarter 2017. In addition to both locations mentioned earlier, EME has also mobilized some of its personnel in other locations necessary for monitoring contractor's and subcontractor's works in Japan, Singapore, USA and Norway. The table below summarizes EME's presence internationally during 2019 and the composition of its average workforce by contractual typology.

	UK	France	Korea	Japan	Singapore	Huston	Norway	Total
Eni SpA & EIRL	92	50	32	4	1	2	1	182
Partners	6	15	17	1	1	0	0	39
Contractors	36	5	51	0	6	0	1	99
	134	70	100	4	8	2	2	321

Future developments

The management foresees an increase in such services subject to the associated Ramp-Up of EME's task force dedicated to the execution phase of Coral FLNG project as well as the upstream activities associated with Rovuma LNG project during the next years 2020 – 2023. In 2020 EME's average headcount is expected to reach 373, up from an average head count of 321 in 2019.

Both short and medium term prospects for the company reflect the latest business assumptions directly related to the Development of the asset in Area 4 in the Republic of Mozambique.

STRATEGIC REPORT (CONTINUED)

Results for the year`

The results for the year are set out on page 10 of the financial statements. The company made a loss for the year of -£1,124 KGBP (2018-profit of £853 KGB). No dividend was paid in 2019 (2018 - £Nil).

Key performance indicators

Key performance indicators of the company are set out below:

	2019 £'000	2018 £'000
Revenue	96,313	105,837
Operating profit	463	3,617
Net (loss)/profit after tax	(1,124)	853
Net assets	-	1,124

Section 172(1) UK Companies Act 2016 (“Act”) Statement

Directors

As part of their induction a Director of the Company is informed of their Directors’ Duties with specific reference to section 172(1) (a-f) and if necessary can seek additional support and advice from an independent adviser to ensure that they are aware and know the likely consequences of any decision the company makes in the long term.

Stakeholders

The directors of the company believe it is fundamentally important that the values and principles which guide the company are clearly defined, both internally and externally, in order to ensure that all company activities are implemented in compliance with the relevant laws and in a context of fair competition, honesty, integrity, fairness and good faith which would promote the success of the company for the benefit of its members as a whole having regard the interests of all its stakeholders: shareholders, workforce, suppliers, customers, lenders, government/tax authorities, pension schemes/trustees, community and environment. These values are embedded in the Eni Code of Ethics, approved by the Board of Directors of its ultimate parent company, Eni S.p.A., on 23 November 2017 and by the Directors of the company on 28 March 2018. The Eni Code of Ethics sets out the challenges of sustainable development and the need to take into consideration the interests of all stakeholders to clearly define the values that the company will accept, acknowledge and share as well the responsibilities it assumes, contributing to a better future. The Eni Code of Ethics is brought to the attention of every person or body having business relations with the company.

Business Conduct

The Directors of the company believe that business has the responsibility to respect and support the fundamental human rights, as expressed in the Universal Declaration for Human Rights and the United Nations Guiding Principles on Business and Human Rights. The company is committed to maintaining and improving its practices to combat slavery and human trafficking violations in its operations and supply chain. These values are embedded in the Eni Modern Slavery Act Statement, approved by the Board of Directors of its ultimate parent company, Eni S.p.A., on 24 April 2019 and by the Directors of the company on 20 June 2019. Moreover, as an indirect subsidiary of Eni S.p.A the Board of Directors have adopted the Eni internal Regulatory System including Management System Guidelines which sets out internal policies to achieve a high standard of business conduct. All Board of Directors decisions are taken with regard to section 172 of the Act.

Shareholders

The Board of Directors consider and only approve items of business that would promote the success of the company and in the best interests of the company, the company’s immediate shareholders, the ultimate parent Eni S.p.A and its stakeholders.

Community and the Environment

In line with Sustainable Development Goal 8 adopted by Eni S.p.A., the ultimate parent company, one of the company’s aim is to incentivise lasting, inclusive and sustainable economic growth.

STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties

The company, like other companies in the engineering sector, operates in an environment subject to inherent risks. The company aims to mitigate risks and manage and control the exposure where possible. The principal risks and uncertainties to the company are:

Credit risk: The potential exposure of the company to loss in the event of non-performance by counterparty. The credit risk is regarded as limited as those balances are mainly due from parent and affiliated companies.

Liquidity risk: The risk that suitable sources of funding for the company's business activities may not be available. The company has access to funding at competitive rates through the group banking institution, Eni Finance International S.A., and also has support from the ultimate parent company, Eni S.p.A. if required. The company believes it has access to sufficient funding to meet currently foreseeable borrowing requirements.

Financial risk: The Company is not exposed to significant interest rate risks. The company is exposed to foreign exchange fluctuations relating to non-GBP (mainly EUR & USD) expenditures. Effective management of exchange rate risk is performed at the Eni Group level, within the central finance department which matches opposite positions of the group operating subsidiaries and hedges net positions using derivatives (such as currency swaps, forwards and options).

Operation risk: The risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and system or external events. Operation risks are inherent in the company's business activities. It is not cost effective to attempt to eliminate all operational risks and in any event it would not be possible to do so. Losses from operation risks of small significance are expected to occur and are accepted as part of the normal course of business. Those of material significance are rare and the company seeks to reduce the likelihood of these in accordance with its risk appetite, following Eni group guidelines.

Impact of coronavirus (COVID-19): The emergence and spread of the virus Covid-19 in early 2020 has affected business and economic activities in China and elsewhere. The subsequent rapid spread to a growing number of countries around the world triggered a profound correction in the prices of oil and other energy commodities due to the sudden drop in consumption because of increasingly stringent measures adopted by governments to contain the pandemic with serious repercussions on production.

The short-term trend in oil and gas prices will depend predominantly on the timing of containment of the spread of the pandemic and the ways in which the crisis will be managed. In the worst-case scenario, the pandemic could cause a global recession with significant negative consequences on hydrocarbon demand and commodity prices. This development would have significant effects on the Company's results, cash flow, liquidity and business prospects, including the returns for the shareholder.

Eni group and the Company maintained a high degree of financial flexibility in order to deal unforeseen events and significant reductions of the scenarios capable to mitigate the impact of a price downturn, even of considerable proportions. Eni continue to assess the potential impact of coronavirus on our staff and operations and have implemented appropriate mitigation plans.

The company as part of Eni Group UK companies, have adopted the most stringent standards, in accordance with Eni S.p.A. Group requirements, for the evaluation and management of the aforementioned risks in line with the Eni Group's Management System Guidelines.

Impact on the United Kingdom's exit from the European Union: Having formally left the European Union on 31 January 2020, the UK is now in a transition period scheduled to last until 31 December 2020, pending further negotiations with the EU over the future trading relationship and security co-operation. During the transition period, EU law will (for the most part) continue to apply in the UK as before. Eni has set up a task force to monitor developments and consider further how best to minimise the impact of Brexit on its business going forward, as further information becomes available.

On behalf of the Board

R Nigido
Managing Director

Ruggiero Nigido
Ruggiero Nigido (May 11, 2020)

11th May 2020

DIRECTORS' REPORT

Directors

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

- Gabriele Franceschini was appointed as a Director on 10 December 2019
- Stefano Maione resigned as a Director on 13 September 2019
- Adriano Mongini was appointed as a Director on 13 September 2019 and resigned on 10 December 2019
- Silvia Masi resigned as a Director on 24 May 2019
- Paolo Campelli resigned as a Director on 09 February 2020
- Ruggero Nigido was appointed as a Director on 10 February 2020
- Rosalyn Stallard was appointed as a Director on 24 May 2019

Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Going concern

The directors are satisfied that the company has adequate financial resources, including access to Eni group financial resources, to continue to operate for the foreseeable future and meet its obligations as they fall due.

The company's forecasts and projections demonstrate that its assets are expected to generate free cash flow over the 12 months from the date of this report. If there is a sustained lower oil price, that is not offset by operating cost or capital expenditure savings, the cash flow or liquidity shortages will be balanced by the company's participation in the group cash pooling arrangements and the availability of funds and lines of credit to Eni Spa.

As a consequence, the directors have a reasonable expectation that the company is well placed to manage its business risks and generate sufficient funds to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Financial risks

The discussion of financial risk has been presented within the strategic report on page 4.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial 12 month period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements

DIRECTORS' REPORT (CONTINUED)

Statement of directors' responsibilities in respect of the financial statements (continued)

unless they are satisfied that they 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Subsequent Events

The company part of the wider Eni group is a dedicated company of scope for Eni's activities in the development of Area 4 activities in Mozambique, providing mainly engineering and project management services. The company is reliant on the group for continuance of its operations.

The emergence and spread of the virus Covid-19 in early 2020 has affected business and economic activities in China and around the world, including UK. The subsequent rapid spread to a growing number of countries around the world triggered a profound correction in the prices of oil and other energy commodities due to the sudden drop in consumption because of increasingly stringent measures adopted by governments to contain the epidemic with serious repercussions on production. In early April, the members of the OPEC + cartel reached an agreement on production cuts required by some of them to react to the effects of Covid-19, however, oil and gas prices continue to be under significant pressure of over-supply and other factors.

The short-term trend in oil and gas prices will depend predominantly on the timing of containment of the spread of the pandemic and as well as the ways in which the crisis will be managed. In a possible worst-case scenario, the pandemic could cause a global recession with significant negative consequences on hydrocarbon demand and commodity prices. This development would have significant effects on the company's results, cash flow, liquidity and business prospects, including the returns for the shareholder. However, Eni group and the company maintain a high degree of financial flexibility in order to deal with unforeseen events and significant reductions in oil and gas prices and demand, which the directors consider to be sufficient to mitigate the impact of such a worst-case scenario.

Eni group and the company are continually monitoring developments in the Oil & Gas sector related to Covid-19 and market conditions.

ENI MOZAMBIQUE ENGINEERING LIMITED

DIRECTORS' REPORT (CONTINUED)

Independent Auditor

Due to the Eni Group policy of rotating auditors every nine years, Ernst & Young LLP were not re-appointed by the Company. Following a formal tender process by the Eni Group, PricewaterhouseCoopers Italy were selected as their replacement in Italy and as group auditors. PricewaterhouseCoopers LLP indicated their willingness to act as auditors of the Company for the year ended 31 December 2019 and their appointment was approved at a directors' meeting and general meeting. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

By order of the Board

M Trezza
Secretary


Mila Trezza (May 11, 2020)

11th May 2020

ENI MOZAMBIQUE ENGINEERING LIMITED

Independent auditors' report to the members of ENI Mozambique Engineering Limited

Report on the audit of the financial statements

Opinion

In our opinion, ENI Mozambique Engineering Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); And
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the statement of comprehensive income, the statement of changes in shareholders' equity for the year then ended; the statement of accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

ENI MOZAMBIQUE ENGINEERING LIMITED

Independent auditors' report to the members of ENI Mozambique Engineering Limited (CONTINUED)

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on pages 5-6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; Or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; Or
- certain disclosures of directors' remuneration specified by law are not made; Or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Kevin Reynard (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
11th May 2020

ENI MOZAMBIQUE ENGINEERING LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Revenue	2	96,313	105,837
Other income	3	89	788
Other service costs and expenses	4	(95,729)	(102,848)
Depreciation, amortisation and impairments	10,11	(210)	(160)
Operating profit	5	463	3,617
Interest receivable and similar income	7	3,673	1,545
Interest payable and similar expenses	8	(3,390)	(1,674)
Profit before taxation		745	3,488
Taxation on profit	9	(1,870)	(2,635)
(Loss)/Profit for the year		(1,124)	853
Other comprehensive income for the year, net of tax		-	-
Total comprehensive (expense)/income for the year		(1,124)	853

The notes on pages 16 to 22 are an integral part of these financial statements

ENI MOZAMBIQUE ENGINEERING LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

Retained Earnings

	<i>Share Capital</i>	<i>Retained Earnings / (accumulated losses)</i>	<i>Total Equity</i>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Balance at 1 January 2018	-	271	271
Total profit and comprehensive income for the year	-	853	853
Balance at 31 December 2018	-	1,124	1,124
Total loss and comprehensive expense for the year	-	(1,124)	(1,124)
Balance at 31 December 2019	-	-	-

The notes on pages 16 to 22 are an integral part of these financial statements

ENI MOZAMBIQUE ENGINEERING LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Assets			
Current assets			
Cash and cash equivalents	13	22,922	16,131
Trade and other receivables	12	18,179	26,991
		41,101	43,122
Non-current assets			
Intangible assets	10	74	114
Right-of-use assets	11	358	-
		432	114
Total assets		41,533	43,236
Liabilities			
Current liabilities			
Trade and other payables	14	41,167	42,112
Lease liabilities Short term	11	79	-
		41,246	42,112
Non-current liabilities			
Lease liabilities Long term	11	287	-
Total liabilities		41,533	42,112
Shareholders' equity			
Share capital	15	-	-
Retained earnings		-	1,124
Total shareholders' equity funds		-	1,124
Total liabilities and shareholders' equity funds		41,533	43,236

The notes on pages 16 to 22 are an integral part of these financial statements

The financial statements from page 10 to 22 were approved by the Board on 26th February 2020 and were signed by an authorised Director on behalf of the Board at a later date.

On behalf of the Board

Ruggero Nigido
Ruggero Nigido (May 11, 2020)

R Nigido
Managing Director
11 May 2020

ENI MOZAMBIQUE ENGINEERING LIMITED

STATEMENT OF ACCOUNTING POLICIES

A summary of the principal accounting policies which have been applied throughout the year is set out below:

General information

The company is a private company, limited by shares incorporated and domiciled in the UK. The company provides engineering and procurement services in relation to petroleum activities to be carried out in Mozambique.

Basis of preparation

The financial statements have been prepared in accordance with The Companies Act 2006 as applicable to companies using "Financial reporting standard 101 'reduced disclosure framework'", and have been prepared under the historical cost convention.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (b) the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- (c) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- (d) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1; and
 - (ii) paragraph 118(e) of IAS 38 Intangible Assets.
- (e) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135c-135e of IAS 36, Impairment of Assets;
- (f) the requirements of IAS 7 Statement of Cash Flows;
- (g) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to standards not yet effective;
- (h) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures; and
- (i) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Where required, equivalent disclosures are given in the group financial statements of Eni S.p.A. The group financial statements of Eni S.p.A. are available to the public and can be obtained as set out in note 1.

New standards

Adoption of new and revised Standards

The company applied for the first time standards, amendments and interpretations to existing standards, issued by the International Accounting Standards Board (IASB) and endorsed by the EU, which are relevant to the company and are effective for the annual accounting periods beginning on or after 1 January 2019. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and effect of the changes as a result of adoption of IFRS 16 are described below.

ENI MOZAMBIQUE ENGINEERING LIMITED

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

IFRS 16 Leases

The company had to change its accounting policies as a result of adopting IFRS 16. The company elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. It has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

The effect of adopting IFRS 16 as at 1 January 2019 is, as follows:

	£'000
IFRS16 Operating lease commitments disclosed as at 31 December 2018	-
Discounted using the lessee's incremental borrowing rate of at the date of initial application	366
Lease liability recognised as at 1 January 2019	366
<i>Of which are:</i>	
Current lease liabilities	79
Non-current lease liabilities	287
	366

Other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the company.

Cash and cash equivalents

Cash and cash equivalents comprise the company's current bank accounts and short-term deposits with an original maturity of three months or less. Deposits held with Eni Finance International S.A. are included in this classification.

Foreign currencies

The company's functional and presentation currency is sterling. 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 recognised in the statement of comprehensive income.

ENI MOZAMBIQUE ENGINEERING LIMITED

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

Revenue

Revenue represents services provided to group companies. Revenue is stated exclusive of value added tax and similar levies. Revenue is recognised when the services have been rendered.

Provisions

Provisions are recognised when: (i) there is a present obligation (legal or constructive), as a result of a past event; (ii) it is probable that the settlement of that obligation will result in an outflow of resources embodying economic benefits; and (iii) the amount of the obligation can be reliably estimated.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date or to transfer it to third parties at that time.

Use of accounting estimates, judgements and assumptions

The company's financial statements are prepared in accordance with FRS 101. This requires the use of estimates and assumptions that affect the assets, liabilities, revenues and expenses reported in the financial statements, as well as amounts included in the notes thereto, including discussion and disclosure of contingent liabilities. Estimates made are based on complex or subjective judgements, past experience and other assumptions deemed reasonable in consideration of the information available at the time. Although the company uses its best estimates and judgements, actual results could differ from the estimates and assumptions used.

ENI MOZAMBIQUE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Parent undertakings

The company's immediate parent undertaking is Eni Lasmo Plc.

The company's ultimate parent undertaking, Eni S.p.A., a company incorporated in Italy, with registered office at Piazzale Enrico Mattei, 1 00144 Rome, has produced consolidated financial statements for the year ended 31 December 2019 which are available from its website (www.eni.com) or on request to Eni S.p.A., Via Emilia 1, 20097, San Donato Milanese, Italy.

The parent company of the largest and smallest group into which the company is consolidated is Eni S.p.A.

2. Revenue

	<u>2019</u> £'000	<u>2018</u> £'000
Revenue from group undertakings	91,258	100,236
Revenue from third party	5,055	5,601
	<u>96,313</u>	<u>105,837</u>

For the purposes of the Companies Act 2006, the operations of the company constitute one class of business, the provision of engineering and procurement services to oil and gas exploration, development and production companies. All activities of the company are undertaken mainly in the UK, the French branch & other operational locations (ex: South Korea).

3. Other income

	<u>2019</u> £'000	<u>2018</u> £'000
R&D Grant	77	788
IFRS 16 gain	12	-
	<u>89</u>	<u>788</u>

During 2018, the company recalculated the claim for an R&D grant from the UK Government in relation to 2017 & 2018 (YTD August) for projects and costs that have been identified as qualifying R&D, where the company was trying to achieve an advance in technology through the resolution of an uncertainty. In 2019 the R&D Grant calculation for 2018 was extended up to 31 December 2019, resulting in an additional 77 KGBP.

4. Other service costs and expenses

	<u>2019</u> £'000	<u>2018</u> £'000
Other service costs and expenses from group undertakings	49,363	58,644
Third parties	46,366	44,204
	<u>95,729</u>	<u>102,848</u>

ENI MOZAMBIQUE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Operating profit

Operating profit is stated after charging the following amounts:

	2019 £'000	2018 £'000
Receivables write down	(16)	65
Depreciation and amortisation (note 10 & 11)	226	95
	210	160

The audit fee of the company for 2019 is £37,797 (2018 - £57,171).

Fee for non – audit services relating to Agreed Upon Procedures (Cost Certifications) performed in 2019 related to 2018 FY was £21,295 (2018 related to 2017 FY: £13,309).

6. Director and employee information

	2019 £'000	2018 £'000
Other staff costs	85,379	90,959

The average number of persons assigned to Eni Mozambique Engineering during the year was 321 (2018 – 291).

The company's personnel is mainly composed of assigned secondees from Eni Affiliates (ex: Eni Spa & EIRL), project partners (ex: Exxon , CNPC..etc) or agency manpower contractors.

The remuneration of the director directly assigned (also seconded) to the company during the reporting year was as follows:

	2019 £'000	2018 £'000
Emoluments	645	629
Total remuneration	645	629

Other directors of the company are also the directors of other affiliate companies and/or the parent undertaking. The emoluments paid to these directors for the services provided to this company have been paid by the parent undertaking or the affiliate companies.

ENI MOZAMBIQUE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Interest receivable and similar income

	<u>2019</u>	<u>2018</u>
	£'000	£'000
Interest receivable and similar income from group undertakings	151	57
Foreign exchange gain	3,522	1,488
	<u>3,673</u>	<u>1,545</u>

8. Interest payable and similar expenses

	<u>2019</u>	<u>2018</u>
	£'000	£'000
Interest payable and similar charges to group undertakings	29	19
Foreign exchange loss	3,361	1,655
	<u>3,390</u>	<u>1,674</u>

9. Taxation

The charge for the year comprises:

	<u>2019</u>	<u>2018</u>
	£'000	£'000
United Kingdom		
Current tax @ 19.00% (2018 – 19.00%)		
UK Corporation tax on profits for the period	307	646
Adjustment in respect of previous periods	10	1,315
Foreign tax credit	(191)	(162)
Foreign tax	1,293	798
Foreign tax prior year	451	38
Total tax charge	<u>1,870</u>	<u>2,635</u>

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. In November 2019, the Prime Minister announced that he intended to cancel the future reduction in corporate tax rate from 19% to 17%. This announcement does not constitute substantive enactment. However, it is possible that the corporation tax rate remains at 19% after 1 April 2020

ENI MOZAMBIQUE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Taxation (continued)

Factors affecting tax charge for the year

	2019	2018
	£'000	£'000
Profit before taxation	745	3,488
Taxation on profit before tax	142	663
Income not taxable	(3)	(98)
Expenditure not allowable for tax	666	535
Group relief ((claimed)/surrendered)	(307)	(454)
Foreign tax credit	(191)	(162)
Foreign tax	1,102	798
Adjustment to current tax in respect of previous periods	10	1,315
Adjustment to foreign tax in respect of previous periods	451	38
Total tax charge for the year	1,870	2,635

10. Intangible assets

	Software
	£'000
Cost	
At 1 January 2019	509
Adjustments	-
At 31 December 2019	509
Accumulated amortisation	
At 1 January 2019	(395)
Charge for year	(41)
At 31 December 2019	(435)
Net book value	
At 31 December 2019	74
At 31 December 2018	114

ENI MOZAMBIQUE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Right-of-use assets

The balance sheet shows the following amounts relating to leases:

	Right of Use
	2019
	£'000
Cost	
At 1 January 2019	1,111
Additions	-
Write off	(42)
Disposal	(628)
At 31 December	441
Accumulated depreciation	
At 1 January 2019	-
Change for the year	185
Disposal	(102)
At 31 December	83
Net book value at 31 December 2019	358
Net book value at 31 December 2018	-
Lease liability:	
Current	79
Non-current	287
Total Liability	366

The interest expense are included in the finance costs and amount to 28 KGBP.

12. Trade and other receivables

	2019	2019	2019	2018
	£'000	£'000	£'000	£'000
	IAS 39	ECL	IFRS 9	IFRS 9
		Provision	(After	(After
			Adj.)	Adj.)
Amounts owed by group undertakings	13,016	-	13,016	21,418
Other Receivables				
Third Parties	5,213	(49)	5,163	5,573
	18,228	(49)	18,179	26,991

ENI MOZAMBIQUE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Cash and cash equivalents

	2019 £'000	2018 £'000
Cash at bank and in hand		
Group undertakings	22,674	15,922
Third parties	248	209
	22,922	16,131

14. Trade and other payables

	2019 £'000	2018 £'000
Amounts owed to group undertakings	19,991	24,381
Other payables		
Third parties	21,176	17,731
	41,167	42,112

15. Share capital

	Allotted, called up and fully paid	
	2019 £	2018 £
Ordinary shares of £1 each	1	1

At 31 December 2018 and 2019, the company had 1 ordinary share of £1.

Under the Companies Act 2006, there is no requirement for the company to have an authorised share capital and the company's Articles of Association do not set a maximum amount of shares that the company may allot.

16. Capital commitments

At 31 December 2019, the company did not have any capital commitments (2018: £Nil).

17. Post balance sheet events

The emergence and spread of the virus Covid-19 in early 2020 has affected business and economic activities in China and around the world, including UK. The subsequent rapid spread to a growing number of countries around the world triggered a profound correction in the prices of oil and other energy commodities due to the sudden drop in consumption because of increasingly stringent measures adopted by governments to contain the epidemic with serious repercussions on production. In early April, the members of the OPEC + cartel reached an agreement on production cuts required by some of them to react to the effects of Covid-19, however, oil and gas prices continue to be under significant pressure of over-supply and other factors.

The short-term trend in oil and gas prices will depend predominantly on the timing of containment of the spread of the pandemic and as well as the ways in which the crisis will be managed. In a possible worst-case scenario, the pandemic could cause a global recession with significant negative consequences on hydrocarbon demand and commodity prices. This development would have significant effects on the company's results, cash flow, liquidity and business prospects, including the returns for the shareholder. However, Eni group and the company maintain a high degree of financial flexibility in order to deal with unforeseen events and significant reductions in oil and gas prices and demand, which the directors consider to be sufficient to mitigate the impact of such a worst-case scenario.

Eni group, and the company, are continually monitoring developments in the Oil & Gas sector related to Covid-19 and market and market conditions.