ENI MOZAMBIQUE ENGINEERING LIMITED

ANNUAL REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2021

REGISTERED OFFICE
Eni House
10 Ebury Bridge Road
London SW1W 8PZ

Registered Number: 09104675

ENI MOZAMBIQUE ENGINEERING LIMITED

DIRECTORS AND REGISTERED OFFICE

BOARD OF DIRECTORS

G Burri
F Pagano (Managing Director)
R Stallard
R Waterlow
P Guarnieri

SECRETARY AND REGISTERED OFFICE

R D'Abreo
Eni House
10 Ebury Bridge Road
London SW1W 8PZ

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH
United Kingdom

STRATEGIC REPORT

The Directors present the strategic report of the Eni Mozambique Engineering Limited (the "company") for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The company is a private company and 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 68 countries and employs around 31,000 people. Eni S.p.A. is listed on the Milan and New York Stock Exchanges.

The principal activity of the company is the provision of engineering services through service agreements entered into with Eni S.p.A. in relation to petroleum activities to be carried out in Mozambique.

A tax-only permanent establishment of the company was registered in South Korea on 1 January 2020. The establishment was deregistered on 31 December 2021 upon completion of related activities.

REVIEW OF THE BUSINESS

Results for the year

The results for the year are set out on page 10 of the financial statements. No dividend was paid or proposed in 2021 (2020 - £nil). The result of the year is £nil (2020: £nil).

Key performance indicators

	2021 £'000	2020 £'000
Revenue	**28,468**	63,808
Operating profit	**597**	923
Net result for the year	**-**	-
Net assets	**-**	-

Revenue decreased in 2021 compared to 2020 mainly as a result of the reduction in activity and headcount resulting in a reduction of costs. The result of the year is £nil (2020: £nil) as the company recharges all its costs mainly to Eni S.p.A. On the balance sheet, there was reduction of cash and cash equivalents of £ 10.6M and trade and other receivables reduced of £3.9M which was due to the timing of operating activities. Respectively trade and other payables reduced by £14.6M. The company exited its office lease and therefore right of use assets and corresponding liabilities were disposed.

The only project the company worked on in 2021 was the Coral South Floating LNG ("FLNG") vessel. The development and commissioning of Coral South FLNG was completed in 2021 and the FLNG sailed away from the yard in South Korea in November 2021. The Coral South project represents a key phase in Eni's ambitions towards a just energy transition, using natural gas as a bridge on the journey towards the eventual decarbonisation of the energy system.

Principal risk factors and uncertainties

The company aims to mitigate risks and manage and control the exposure where possible. Risk assessment process is integrated into the Integrated Risk Management System Guideline (MSG).

The risks and uncertainties described below may have a material adverse effect on the operational and financial performance of the company.

Safety, security, environmental and other operational risks

The company engages in the exploration and production of oil and natural gas. By its nature, the company's operations are exposed to a wide range of significant health, safety, security and environmental risks. Technical faults, malfunctioning of plants, equipment and facilities, control systems failure, human errors, loss of containment and adverse weather events can trigger damaging consequences such as explosions, blow-outs, fires, oil and gas spills from wells, pipeline and tankers, release of contaminants and pollutants in the air, the ground and in the water, toxic emissions and other negative events. The company's future results of operations and liquidity depend on its ability to identify and address the risks and hazards inherent to operating in those industries. The company continues to invest significant financial resources to upgrade its plants, production facilities, and other infrastructure, to safeguard the health and safety of its employees, contractors, local community, and the environment, and comply with applicable laws and regulations. The company has an emergency response plan to deal with emergencies and unforeseen incidents, and also has insurance policies to minimise potential financial liabilities incurred in such events.

Climate-related risks

Society and national governments are stepping up efforts to reduce the risks of climate change and support an ongoing transition to a low carbon economy. Current laws and regulations to curb carbon emissions and implement fiscal measures to drive technological innovation are aimed at reducing the world's reliance on fossil fuels. These trends could materially affect demand for hydrocarbons in the long-term and increase compliance costs for the company in the short-term. Eni is also exposed to the risk of unpredictable extreme meteorological events linked to climate change. All these developments may adversely and materially affect the Group's profitability, businesses outlook and reputation. The Eni Group's strategy aims to achieve, by 2050, the net zero target on GHG Scope 1, 2 and 3 emissions (Net GHG lifecycle emissions), and the associated emission intensity (Net Carbon Intensity).

Critical IT services or digital infrastructure and security systems

Breach of the company's digital security or failure of its digital infrastructure could damage its operations, financial performance and reputation. The company invested in improvements in technologies, migration to the cloud, services and training of staff to mitigate these risks.

Impact of coronavirus (COVID -19)

The company is subject to business interruption and liquidity risks due to the COVID-19 pandemic. All staff have been working from home when required by government guidelines to reduce the spread of the virus. Eni S.p.A. and its subsidiaries continue to assess the potential impact of new variants spreading on the staff and apply the appropriate mitigation plans implemented during 2020. The company has 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. The COVID-19 pandemic did not have any significant impact on the company's operations or financial results.

Section 172(1) UK Companies Act 2006 ("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 18 March 2020 and by the Directors of the company on 3 June 2020. 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.

Community and the Environment

Eni's mission, inspired by the UN 2030 Agenda, represents the transformation path taken by the company to play a defining role in the global process towards a low carbon future, promoting access to energy efficiently and sustainably for everyone. This mission confirms Eni's commitment to an energy transition that is also socially fair and organically integrating the 17 SDGs to which Eni intends to contribute, exploiting new business opportunities.

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 29 April 2021 and by the Directors of the company on 27 May 2021. 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.

On behalf of the Board

F Pagano
Director
1 April 2022

The directors present their directors' report of the company for the year ended 31 December 2021.

Directors

The present directors of the company are listed on page 1 and have held office throughout the year and up to the date of signing the financial statements with the following exceptions:

- Gabriele Franceschini resigned as Director and Chairman on 14 April 2021
- Pietro Guarnieri appointed as Director and Chairman on 14 April 2021
- Gian Luigi Ferrara resigned as Director on 24 March 2022.
- Francesco Pagano appointed as Director on 24 March 2022

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

Dividends

The company did not pay any dividend in the year (2020: £nil).

Future company developments

The management expects a gradual decrease in the company's workforce consequent to completion of provision of engineering services. In 2022 the company's average headcount is expected to reach 11-15. The contract with Eni S.p.A is expiring in 2022 and the company is expected to wind down its activity during 2022.

Going concern

The company's net assets at 31 December 2021 amounts to £nil (2020: £nil) and cash and cash equivalents amounts to £934,000 (2020: £11,548,000). Per the company business model, all costs incurred are recharged to the partners involved in the Mozambique projects the company was set up to work on. As a result, all costs of the company are reimbursed. The company has obtained confirmation from its intermediate parent company Eni Investments Plc, that it will provide adequate financial support to enable the company to meet its obligations for a period of at least one year from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on going concern basis as directors.

Financial risk management

Financial risks are managed in respect of guidelines issued by the Eni S.p.A. board of directors in its role of directing and setting the risk limits, targeting to align and centrally coordinate Group companies' policies on financial risks ("Guidelines on financial risks management and control"). The "Guidelines" define for each financial risk the key components of the management and control process, such as the aim of the risk management, the valuation methodology, the structure of limits, the relationship model and the hedging and mitigation instruments.

The company is exposed to the following financial risks.

Liquidity risk: The risk that suitable sources of funding for the company's business activities may not be available. The company has access to the Eni Group's financial resources in the form of capital contributions from its shareholder and short-term lending facilities from Eni Finance International S.A. The company believes it has sufficient cash to cover expenses.

The directors do not consider there to be a material exposure to price risk, interest rate risk, foreign currency risk and credit risk given the limited activity of the company.

Research and development

During the year, Eni Mozambique Engineering Limited engaged in research and development activities relating to the development of Africa's largest Floating Liquid Natural Gas (FLNG) platform. The company has incurred expenditures of £3,513,000 in relation to these activities.

Post balance sheet events

Following the completion of related activities, on 10 January 2022, the company filed a Certificate of Close of Business with the National Tax Service in South Korea to deregister the tax-only permanent establishment of the company as at 31 December 2021.

The military action between Russia and Ukraine that developed following the year end, alongside the imposition of international sanctions, have a pervasive economic impact not only on businesses in Russia and Ukraine, but also globally where businesses engage in economic activities that might be affected by the recent developments. The company has no assets, operations or activities in Russia and Ukraine nor is it party to any contracts or transactions involving Russian registered counterparties. Accordingly, the company will not be directly affected by any internationally imposed sanctions covering such assets, operations, activities, contracts or transactions.

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 year. 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 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.

Provision of information to auditors

The directors, as at the date of this report, have confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

Pursuant to Section 487 of the Companies Act 2006, the independent auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

By order of the Board

R D'Abreo
Company Secretary

1 April 2022

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 2021 and of its result 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 2021; the statement of comprehensive income and the statement of changes in 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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 2021 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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the failure to comply with the relevant tax regulations in the jurisdictions in which the company operates, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- enquiry of management and the company's in-house legal team, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- enquiry of staff in the company's tax function to identify any instances of non-compliance with laws and regulations;
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- reviewing minutes of meetings of those charged with governance; and
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness and testing accounting estimates to address the risk of management bias.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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 McGhee

Kevin McGhee (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
1 April 2022

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	**2021** **£'000**	2020 £'000
Revenue	2	**28,468**	63,808
Other income	3	**429**	322
Other service costs and expenses	4	**(28,285)**	(63,145)
Reversal of provision for credit loss on receivable	5	**20**	22
Depreciation, amortisation and impairments	5	**(35)**	(84)
Operating profit	5	**597**	923
Interest receivable and similar income	7	**137**	373
Interest payable and similar expenses	8	**(315)**	(432)
Profit before taxation		**419**	864
Tax on profit	9	**(419)**	(864)
Result for the financial year		**-**	-
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year		**-**	-

The results above relate to continuing operations.

The notes on pages 17 to 22 are an integral part of these financial statements.

ENI MOZAMBIQUE ENGINEERING LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital	*Retained Earnings*	*Total Equity*
	£'000	*£'000*	*£'000*
Balance at 1 January 2020	-	-	-
Result and total comprehensive income for the year	-	-	-
Balance at 31 December 2020	-	-	-
Result and total comprehensive income for the year	-	-	-
Balance at 31 December 2021	-	-	-

ENI MOZAMBIQUE ENGINEERING LIMITED (Registered Number: 09104675)

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
Assets			
Current assets			
Cash and cash equivalents	12	**934**	11,548
Trade and other receivables	11	**4,740**	8,678
		5,674	20,226
Non-current assets			
Intangible assets	10	**-**	35
		-	35
Total assets		**5,674**	20,261
Liabilities			
Current liabilities			
Trade and other payables	13	**5,674**	20,261
		5,674	20,261
Total liabilities		**5,674**	20,261
Equity			
Called up share capital	14	**-**	-
Retained earnings		**-**	-
Total equity		**-**	-
Total liabilities and equity		**5,674**	20,261

The notes on pages 17 to 22 are an integral part of these financial statements.

The financial statements from page 10 to 22 were approved by the Board on 14 March 2022 and were signed by an authorised director on behalf of the Board at a later date.

On behalf of the Board

Francesco Pagano
Managing Director
1 April 2022

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 England, United Kingdom. The company provides engineering and procurement services in different locations mainly including South Korea in relation to petroleum activities to be carried out in Mozambique.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

Going concern
The company's net assets at 31 December 2021 amounts to £nil (2020: £nil) and cash and cash equivalents amounts to £934,000 (2020: £11,548,000). Per the company business model, all costs incurred are recharged to the partners involved in the Mozambique projects the company was set up to work on. As a result, all costs of the companies are reimbursed. The company has obtained confirmation from its intermediate parent company Eni Investments Plc, that it will provide adequate financial support to enable the company to meet its obligations for a period of at least one year from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on going concern basis as directors.

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 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements:
(c) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:

1. paragraph 79(a)(iv) of IAS 1;
2. paragraph 118(e) of IAS 38 Intangible Assets.

(e) the requirements of IAS 7 Statement of Cash Flows;
(g) the requirements of paragraph 91 – 99 of IFRS 13 Fair Value Measurement;
(h) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
(i) 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;
(k) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures; and
(l) 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 via the internet.
The accounting policies have been applied consistently, other than where new policies have been adopted.

New and amended standards adopted
The company has applied the following standards and amendments for the first time for the annual reporting commencing on 1 January 2021:

- Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The amendments listed above did not have any impact on the amounts recognised in prior periods and do not have a material impact on the entity in the current and future periods and on foreseeable future transactions.

Basis of preparation (continued)

New standards and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the company. These standards do not have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, the company's current bank accounts and short-term deposits originally due, generally, within 90 days, readily convertible to known amount of cash and subject to an insignificant risk of changes in value.

Cash deposited in some bank accounts held with Banque Eni S.A. (BESA)[1] is subject to cash pooling arrangements with the ultimate parent company Eni S.p.A.[2]. The company has the full availability of these bank accounts without any restrictions; neither BESA nor the ultimate parent company can block withdrawals. Cash pooling accounts are balanced on a daily basis and the true intent of these accounts is to ensure settlements of payments to vendors and/or cash collections from customers.

Deposits held with Eni Finance International S.A. (EFI)[3] are classified as cash equivalents considering that: (i) they are highly liquid, available on demand or in the short term and have terms that are similar to those which would be expected if the deposits had been made with an independent third party financial institution; (ii) EFI maintains sufficient cash and liquid resources, along with access to credit lines, to meet all inter-company obligations simultaneously. The company has full availability of the deposits held with EFI (i.e. no restriction to modify maturity date); if the company needs to terminate earlier a deposit, there is no penalty on the change of period requested.

Foreign currencies

The company's functional and presentation currency is pounds 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 profit or loss.

1 BESA is a Belgian regulated bank subject to the banking regulatory requirements.

2 Although Eni S.p.A. is not a financial institution, it performs its financial activities within specific Board approved limits.

3 EFI is the company responsible for the centralised funding of some foreign Eni group companies and for collecting their financial surpluses.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss 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.

Revenue from contracts with customers

Revenue represents services provided to other group and affiliated companies in relation to engineering services. Revenue is recognised in the year in which the services are rendered. The transfer of control is considered to happen over time as the services are rendered to the customer. The transaction price is allocated to the performance obligation over time consistent with the delivery of the services. Customers are invoiced on a monthly or quarterly basis and consideration is payable within 30 days. A receivable is recognised when the services are rendered, since this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Financial instruments

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Financial assets
The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient, the company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient are measured at the transaction price determined under IFRS 15 *Revenue from contracts with customers*.

The company only has financial assets held at amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Impairment of financial assets
The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL), or where financial assets are considered to have low credit risk. Management consider 'low credit risk' to be when they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). In order to determine whether there has been a significant increase in credit risk, an entity compares the risk of a default occurring over the expected life of the financial instrument as at the reporting date with the risk of default as at the date of initial recognition.

For trade receivables and contract assets, the company applies a simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities at amortised cost
Trade and other payables are initially recognised at fair value, and subsequently measured at amortised cost.

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, 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.

Due to the simple nature of the company's operations, in the opinion of the directors, there are no significant judgments made in applying the company's accounting policies and no accounting estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1. Parent undertakings

The company's immediate parent undertaking is Eni Lasmo Plc, registered in England, United Kingdom.

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 2021 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

	2021	2020
	£'000	£'000
Revenue from group undertakings	**28,709**	60,042
Revenue from third party	**(241)**	3,766
	28,468	63,808

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 and the Korean PE.
In 2021, revenues from third party is negative as reversal of cost reflected as revenue.

3. Other income

	2021	2020
	£'000	£'000
Research & Development grant	**429**	319
Early termination Gain	**-**	3
	429	322

In 2021, R&D grant relating to 2019 and 2020 was £429,000 (2020: £319,000) for projects and costs that have been identified as qualifying R&D. Initial qualifying cost for the claims in 2021 is £3,513,000 (2020: £2,658,000).

4. Other service costs and expenses

	2021	2020
	£'000	£'000
Amounts from group undertakings	**6,905**	24,592
Third parties	**21,380**	38,553
	28,285	63,145

Other service costs and expenses for 2021 contains £24,636,000 (2020: £57,156,000) of Labour costs and £3,649,000 of General and Administration costs (2020: £5,989,000) mainly consisting service and support costs.

5. Operating profit

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

	2021 £'000	2020 £'000
Reversal of provision for credit loss on receivable	**(20)**	(22)
Depreciation and amortisation (notes 10)	**35**	84

The audit fee of the company for 2021 is £24,449 (2020: £24,449). Fee for non – audit services relating to Agreed Upon Procedures (Cost Certifications) for 2021 amounts to £15,120 (2020: £15,356)

6. Directors and employee information

	2021 £'000	2020 £'000
Other staff costs	**24,636**	57,156

Number of employees directly hired by Eni Mozambique Engineering Limited is nil (2020: Nil).

The average number of persons assigned to the company during the year was 102 (2020: 259).

The company's personnel is mainly composed of assigned secondees from Eni Affiliates (ex: Eni S.p.A. & Eni International Resources Limited), project partners or agency manpower contractors.

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

	2021 £'000	2020 £'000
Emoluments	-	359
Total remuneration	-	359

The remuneration of the highest paid director amounts to £Nil (2020: £256,000).

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. No allocation or recharge is made to the company in respect of this remuneration.

7. Interest receivable and similar income

	2021	2020
	£'000	£'000
Interest on bank deposit from group undertaking	**2**	26
Interest on tax credits from third parties	**-**	26
Foreign exchange gain	**135**	321
	137	373

8. Interest payable and similar expenses

	2021	2020
	£'000	£'000
Interest payable and similar charges	**3**	6
Foreign exchange loss	**312**	426
	315	432

Interest payable and similar charges include £Nil (2020: £3,000) of financial charge on finance lease to third party.

9. Tax on profit

The charge for the year comprises:

	2021	2020
	£'000	£'000
United Kingdom		
Current tax @ 19% (2020: 9%)		
UK Corporation tax on profits for the year	**16**	177
Adjustment in respect of previous periods	**51**	(41)
Foreign tax credit	**(56)**	(138)
Foreign tax current year	**408**	874
Foreign tax prior year	**-**	(8)
Total tax charge	**419**	864

The tax assessed for the year is higher (2020: higher) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

9. Tax on profit (continued)

Factors affecting tax charge for the year

	2021	2020
	£'000	£'000
Profit before taxation	**419**	864
Taxation on profit before tax	**80**	164
Income not taxable	**-**	(1)
Expenditure not allowable for tax	**8**	329
Group relief claimed	**(14)**	(177)
Foreign tax credit	**(56)**	(138)
Foreign tax	**350**	736
Adjustment to current tax in respect of previous periods	**51**	(41)
Adjustment to foreign tax in respect of previous periods	**-**	(8)
Total tax charge for the year	**419**	864

Deferred Tax

The deferred corporation tax asset calculated at the rate of 25% (2020: 19%) which was not recognised in the financial statements amounted to:

	2021	2020
	£'000	£'000
Foreign tax credits carried forward	**1,389**	706
	1,389	706

The directors consider it unlikely that there will be suitable taxable profits from which the future reversal of the underlying timing differences could be deducted; therefore the deferred tax asset has not been recognised.

10. Intangible assets

Software	**£'000**
Cost	
At 1 January 2021	509
At 31 December 2021	**509**
Accumulated amortisation	
At 1 January 2021	(474)
Charge for year (note 5)	(35)
At 31 December 2021	**(509)**
Net book value	
At 31 December 2021	**-**
At 31 December 2020	35

11. Trade and other receivables

	2021	2020
	£'000	£'000
Group undertakings	2,456	2,874
Third parties	28	1,512
Total trade receivables	**2,484**	4,386
Provision for expected credit losses-third parties	**(8)**	(28)
Group undertakings	1,050	925
Third parties	1,139	2,216
Other receivables	**2,189**	3,141
Group undertakings	-	190
Third parties	75	989
Total prepayments	**75**	1,179
Total trade and other receivables	**4,740**	8,678

Other receivables include income taxes prepaid of £170,000 (2020: £456,000) to third parties. Other receivables include accrued income of £28,000 (2020: £928,000) from third parties and £Nil (2020: £Nil) from group undertakings. Other receivables include RDEC receivables of £1,050,000 (2020: Nil), VAT receivables of £711,000 (2020: £1,356,000) and income tax receivables of £428,000 (2020: £1,785,000).

12. Cash and cash equivalents

	2021	2020
	£'000	£'000
Cash at bank and in hand		
Group undertakings	**810**	11,350
Third parties	**124**	198
	934	11,548

Cash and cash equivalents include £934,000 (2020: £2,548,000) in current accounts and term deposits is £Nil (2020: £9,000,000).

13. Trade and other payables

	2021	2020
	£'000	£'000
Group undertakings	544	4,359
Third parties	226	3,599
Total trade payables	770	7,958
Group undertakings	2,368	4,779
Third parties	2,536	7,524
Total accruals	**4,904**	12,303
Total trade and other payables	**5,674**	20,261

14. Called up share capital

	Allotted, called up and fully paid	
	2021	2020
	£	£
Ordinary shares of £1 each	**1**	1

At 31 December 2020 and 2021, 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.

15. Capital commitments

At 31 December 2021, the company did not have any capital commitments (2020: £nil).

16. Post balance sheet events

Following the completion of related activities, on 10 January 2022, the company filed a Certificate of Close of Business with the National Tax Service in South Korea to deregister the tax-only permanent establishment of the company as at 31 December 2021.

The military action between Russia and Ukraine that developed following the year end, alongside the imposition of international sanctions, have a pervasive economic impact not only on businesses in Russia and Ukraine, but also globally where businesses engage in economic activities that might be affected by the recent developments. The company has no assets, operations or activities in Russia and Ukraine nor is it party to any contracts or transactions involving Russian registered counterparties. Accordingly, the company will not be directly affected by any internationally imposed sanctions covering such assets, operations, activities, contracts or transactions.