

Report of the Directors and Audited Consolidated Financial Statements

NOBLE GROUP HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

31 December 2021

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NOBLE GROUP HOLDINGS LIMITED

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NOBLE GROUP HOLDINGS LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited consolidated financial statements of Noble Group Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) for the year ended 31 December 2021.

Principal activity

The principal activities of the Company comprise investment holding and trading.

During the year, the principal activities of the Company’s subsidiaries, joint ventures and associates comprise managing a global supply chain of industrial and energy products, and managing a diversified portfolio of essential raw materials, integrating the sourcing, marketing, processing, financing and transportation of those materials.

During the year, the Group owned and managed a portfolio of strategic assets, with interests in coal and iron ore mines, fuel terminals and storage facilities, vessels and other key infrastructure facilities.

Results

The Group’s loss for the year ended 31 December 2021 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 7 to 132.

No dividend is proposed in respect of the year ended 31 December 2021.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Group are set out in note C2 to the consolidated financial statements.

Mine properties

Details of movements in the mine properties of the Group are set out in note C3 to the consolidated financial statements.

Subsidiaries

Particulars of the Company’s principal subsidiaries are set out in note E1 to the consolidated financial statements.

Joint ventures

Particulars of the Group’s joint ventures are set out in note C4 to the consolidated financial statements.

Associates

Particulars of the Group’s associates are set out in note C4 to the consolidated financial statements.

Bank debts

Details of the bank debts of the Group are set out in note D4 to the consolidated financial statements.

Share capital

Details of movements in the Company’s share capital during the year are set out in note D6 to the consolidated financial statements.

Material interests in contracts of significance

Apart from contracts held in connection with directors remuneration, no director had a material interest in any contract of significance to the business of the Group or any loan agreement to which the Company or any of its subsidiaries was a party at any time during the year.

NOBLE GROUP HOLDINGS LIMITED

REPORT OF THE DIRECTORS

Directors

The directors of the Company during the year were:

Paul David Copley
Matthew Frank Hinds (appointed on 1 July 2021)
Garrett Douglas Soden (resigned on 5 March 2021 and rejoined on 2 March 2022)
Steve James Hodgson (resigned on 5 March 2021)
Timothy James Gazzard (resigned on 21 September 2021)
James Michael Dubow (resigned on 8 December 2021)
Jacques Jean-Marie Gabillon (resigned on 15 December 2021)
David Isaac Adelman (resigned on 1 March 2022)
Claus-Georg Nette (resigned on 4 April 2022)
Jeremy John East (resigned on 4 April 2022)
Ajay Mishra (resigned on 4 April 2022)
Peter Douglas Coleman (appointed on 8 March 2021, and resigned on 4 April 2022)

The independent directors make up at least half of the Board in accordance with the Company's Bye-law 85(1).

Mr. Paul David Copley will retire by rotation at the forthcoming special general meeting in accordance with the Company's Bye-law 86(1), which requires one-third of the directors to retire from office by rotation at the next special general meeting of the Company convened following the end of each financial year. Mr. Garrett Douglas Soden will retire from office pursuant to the Company's Bye-law 85(2). Mr. Paul David Copley and Mr. Garrett Douglas Soden will offer themselves for re-election at the forthcoming special general meeting.

Auditors

During the year, Ernst and Young resigned as auditors of the Company and pursuant to Bye-law 155 of the Company's Bye-laws, BDO Limited ("BDO") were appointed by the Board of Directors as the Company's Auditors to hold office until the conclusion of the next special general meeting of the Company. BDO was appointed as the Company's Auditors at the special general meeting held on 10 December 2021. A resolution for the reappointment of BDO as auditors of the Company will be proposed at the forthcoming special general meeting.

On behalf of the Board of Directors



.....
Director



.....
Director

7 November 2022

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NOBLE GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Noble Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 7 to 132, which comprise the consolidated statement of financial position of the Group as at 31 December 2021, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to basis of presentation and preparation note on page 14 of the consolidated financial statements, which indicates that as at 31 December 2021, the Group had a net deficiency of US\$414 million and as of that date, the Group had bonds with outstanding amounts of approximately US\$550 million, US\$629 million and US\$356 million, which will be due in June 2022, June 2023 and December 2025 respectively. The Group incurred a net loss of US\$156 million during the year then ended. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 4 August 2021.



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NOBLE GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Other Information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is the Report of the Directors included in pages 1 to 2.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Director's Responsibilities for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The audit committee of the Company (the "Audit Committee") assists the directors in discharging their responsibilities in this regard.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 consolidated financial statements.



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NOBLE GROUP HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements -
Continued**

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NOBLE GROUP HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements -
Continued**

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

A handwritten signature in black ink, appearing to be 'Alfred Lee', with a long, sweeping horizontal line extending to the right from the end of the signature.

BDO Limited
Certified Public Accountants
Alfred Lee
Practising Certificate Number P04960

Hong Kong, 7 November 2022

NOBLE GROUP HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2021

	Notes	2021 US\$'000	2020 US\$'000
REVENUE	A3.2	3,444,496	2,552,043
Cost of sales and services	A3.3	(3,341,438)	(2,494,215)
Impairment loss	A3.4	<u>(8,714)</u>	<u>(196,868)</u>
Operating income/(loss) from supply chains		94,344	(139,040)
Gain/(loss) on supply chain assets	A3.5	43,233	(123,081)
Share of profits and losses of:			
Joint ventures	C4.3	165	(264)
Associates	C4.5	<u>(27,984)</u>	<u>2,913</u>
TOTAL OPERATING INCOME/(LOSS)		109,758	(259,472)
Other income net of other expenses	A3.6	22,962	4,975
Selling, administrative and operating expenses	A3.7	<u>(111,231)</u>	<u>(139,996)</u>
PROFIT/(LOSS) BEFORE INTEREST AND TAX		21,489	(394,493)
Finance income	A4.2	11,779	95,654
Finance costs	A4.2	<u>(181,187)</u>	<u>(171,306)</u>
LOSS BEFORE TAX	A5.3	(147,919)	(470,145)
Taxation	A5.3	<u>(8,487)</u>	<u>9,102</u>
LOSS FOR THE YEAR		<u><u>(156,406)</u></u>	<u><u>(461,043)</u></u>
Attributable to:			
Equity holders of the parent		(156,482)	(458,823)
Non-controlling interests		<u>76</u>	<u>(2,220)</u>
		<u><u>(156,406)</u></u>	<u><u>(461,043)</u></u>

The accounting policies and explanatory notes on pages 13 to 132 form an integral part of the consolidated financial statements.

NOBLE GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	2021 US\$'000	2020 US\$'000
LOSS FOR THE YEAR		<u>(156,406)</u>	<u>(461,043)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)			
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of associates	C4.5	82	537
Exchange differences on translation of foreign operations		<u>(2,009)</u>	<u>5,495</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Net loss on equity instruments at fair value through other comprehensive income ("FVOCI")	C5.2	(1,537)	(18,440)
Re-measurement of post-employment benefit obligations		<u>(199)</u>	<u>(3,831)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		<u>(3,663)</u>	<u>(16,239)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		<u>(160,069)</u>	<u>(477,282)</u>
Attributable to:			
Equity holders of the parent		(160,145)	(475,062)
Non-controlling interests		<u>76</u>	<u>(2,220)</u>
		<u>(160,069)</u>	<u>(477,282)</u>

NOBLE GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 US\$'000	2020 US\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	C2.2	212,425	261,643
Mine properties	C3.3	-	-
Investments in joint ventures	C4.3	6,353	6,526
Investments in associates	C4.5	400,421	413,402
Equity instruments at FVOCI	C5.2	10,308	45,517
Long-term loans	C6.3	7,270	14,993
Net investment in lease	C7.2	-	2,141
Deferred tax assets	A5.4	101,101	97,834
Total non-current assets		<u>737,878</u>	<u>842,056</u>
CURRENT ASSETS			
Cash and cash equivalents	D2.2	365,729	377,372
Trade receivables	B1.3	239,187	216,064
Prepayments, deposits and other receivables	B2.3	181,015	147,599
Fair value gains on commodity and other derivative financial instruments	B5.3	88,485	81,878
Net investment in lease	C7.2	6,610	5,032
Inventories	B3.2	152,664	103,566
Tax recoverable		12,359	13,425
		<u>1,046,049</u>	<u>944,936</u>
Assets in subsidiaries classified as held for sale	E2.3	113	77
Total current assets		<u>1,046,162</u>	<u>945,013</u>
CURRENT LIABILITIES			
Trade and other payables and accrued liabilities	B4.3	295,230	281,901
Provisions	B4.4	54,245	62,112
Accrued interest on bonds		32,653	1,881
Fair value losses on commodity and other derivative financial instruments	B5.3	104,873	57,272
Lease liabilities	D3.3	14,348	42,656
Bank debts	D4.2	93,527	16,717
Bonds	D4.3	549,761	-
Tax payable		24,736	18,729
		<u>1,169,373</u>	<u>481,268</u>
Liabilities in subsidiaries classified as held for sale	E2.3	6,458	6,234
Total current liabilities		<u>1,175,831</u>	<u>487,502</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(129,669)</u>	<u>457,511</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>608,209</u>	<u>1,299,567</u>

continued/

NOBLE GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2021

	Notes	2021 US\$'000	2020 US\$'000
NON-CURRENT LIABILITIES			
Provision	B4.4	35,258	34,359
Deferred tax liabilities	A5.4	150	-
Lease liabilities	D3.3	1,967	65,267
Bank debts	D4.2	-	5,345
Bonds	D4.3	984,477	1,444,981
Total non-current liabilities		<u>1,021,852</u>	<u>1,549,952</u>
NET LIABILITIES		<u>(413,643)</u>	<u>(250,385)</u>
EQUITY/(DEFICIENCY IN ASSETS)			
Equity attributable to equity holders of the parent			
Issued capital	D6.2	6,638	6,638
Contributed surplus	D6.3	101,877	101,877
Capital securities	D5, D6	25,000	25,000
Reserves		(19,814)	(25,810)
Accumulated losses		<u>(708,389)</u>	<u>(540,863)</u>
		<u>(594,688)</u>	<u>(433,158)</u>
Preference shares to non-controlling interests in a subsidiary			
	D10	180,000	180,000
Non-controlling interests		1,680	3,390
Non-controlling interests attributable to subsidiaries classified as held for sale	E2.3	<u>(635)</u>	<u>(617)</u>
		<u>181,045</u>	<u>182,773</u>
TOTAL DEFICIENCY IN ASSETS		<u>(413,643)</u>	<u>(250,385)</u>

.....
Director

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Director

The accounting policies and explanatory notes on pages 13 to 132 form an integral part of the consolidated financial statements.

NOBLE GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to equity holders of the parent													
	Reserves													
	Notes	Issued capital US\$'000	Contributed surplus US\$'000	Capital securities US\$'000	Share-based payment reserve US\$'000	Fair value reserve of equity instruments at FVOCI US\$'000	Exchange fluctuation reserves US\$'000	Other reserve US\$'000	Accumulated losses US\$'000	Total US\$'000	Preference shares to non-controlling interests in a subsidiary US\$'000	Non-controlling interests US\$'000	Non-controlling interests attributable to subsidiaries classified as held for sale US\$'000	Total equity/ (deficiency) in assets US\$'000
At 1 January 2020		6,638	101,877	25,000	554	(11,436)	(1,771)	(1,049)	(77,964)	41,849	180,000	3,541	1,452	226,842
Loss for the year		-	-	-	-	-	-	-	(458,823)	(458,823)	-	(151)	(2,069)	(461,043)
Other comprehensive income/(loss) for the year, net of tax:		-	-	-	-	(18,440)	6,032	(3,831)	-	(16,239)	-	-	-	(16,239)
Total comprehensive income/(loss), net of tax		-	-	-	-	(18,440)	6,032	(3,831)	(458,823)	(475,062)	-	(151)	(2,069)	(477,282)
Share-based payments	E5	-	-	-	680	-	-	-	-	680	-	-	-	680
Transfer of fair value reserve of equity instruments designated at FVOCI	C5.2	-	-	-	-	3,451	-	-	(3,451)	-	-	-	-	-
Capital securities dividend		-	-	-	-	-	-	-	(625)	(625)	-	-	-	(625)
At 31 December 2020 and 1 January 2021		6,638	101,877	25,000	1,234	(26,425)	4,261	(4,880)	(540,863)	(433,158)	180,000	3,390	(617)	(250,385)
Loss for the year		-	-	-	-	-	-	-	(156,482)	(156,482)	-	94	(18)	(156,406)
Other comprehensive loss for the year, net of tax:		-	-	-	-	(1,537)	(1,927)	(199)	-	(3,663)	-	-	-	(3,663)
Total comprehensive income/(loss), net of tax		-	-	-	-	(1,537)	(1,927)	(199)	(156,482)	(160,145)	-	94	(18)	(160,069)
Disposal of subsidiaries		-	-	-	-	-	(2,294)	-	-	(2,294)	-	(1,804)	-	(4,098)
Share-based payments	E5	-	-	-	267	-	-	-	-	267	-	-	-	267
Transfer of fair value reserve of equity instruments designated at FVOCI	C5.2	-	-	-	-	6,378	-	-	(6,378)	-	-	-	-	-
Release of exchange reserve upon reclassification of equity instruments at FVOCI to an associate	C5.2	-	-	-	-	5,308	-	-	(5,308)	-	-	-	-	-
Capital securities dividend written back		-	-	-	-	-	-	-	642	642	-	-	-	642
At 31 December 2021		6,638	101,877	25,000	1,501	(16,276)	40	(5,079)	(708,389)	(594,688)	180,000	1,680	(635)	(413,643)

The accounting policies and explanatory notes on pages 13 to 132 form an integral part of the consolidated financial statements.

NOBLE GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 US\$'000	2020 US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(147,919)	(470,145)
Adjustments to loss before tax	A7	<u>185,989</u>	<u>476,780</u>
Operating profit before working capital changes		38,070	6,635
(Increase)/decrease in working capital	B7	(36,002)	159,635
Interest received		10,007	13,255
Taxes paid		<u>(2,729)</u>	<u>(1,305)</u>
Net cash flows from operating activities before changes in restricted cash		9,346	178,220
(Increase)/decrease in restricted cash		<u>(49,282)</u>	<u>10,285</u>
Net cash flows (used in)/from operating activities		<u>(39,936)</u>	<u>188,505</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	C11	<u>30,071</u>	<u>171,757</u>
NET CASH FLOWS USED IN FINANCING ACTIVITIES	D11	<u>(50,673)</u>	<u>(457,875)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(60,538)	(97,613)
Net foreign exchange differences		(351)	5,108
Cash and cash equivalents at beginning of year		<u>249,206</u>	<u>341,711</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>188,317</u></u>	<u><u>249,206</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	D2.2	365,729	377,372
Cash balances attributable to subsidiaries classified as held for sale		<u>113</u>	<u>76</u>
Total cash and cash equivalents		365,842	377,448
Less: Restricted cash not immediately available for use in the business operations	D2.2	<u>(177,525)</u>	<u>(128,242)</u>
Cash and cash equivalents as stated in the consolidated statement of cash flows		<u><u>188,317</u></u>	<u><u>249,206</u></u>

The accounting policies and explanatory notes on pages 13 to 132 form an integral part of the consolidated financial statements.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

CORPORATE INFORMATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

Noble Group Holdings Limited (“NGHL” or the “Company”) is a limited liability company incorporated in Bermuda. The registered office of NGHL is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office of the Company is in Hong Kong. The controlling shareholder of the Company is Noble Investors Limited (“NIL”), which owns 70% of the issued share capital of the Company.

NGHL is a leading independent energy product and industrial raw material supply chain manager in Asia. The Group taps into its extensive regional network in Asia and around the world to facilitate the marketing, processing, financing and transportation of essential raw materials between producers and users, situated predominantly in Asia – the world's fastest growing economic region. The Group’s asset-light model allows the Group to focus on its core business: commercial commodities supply chain management, so as to provide the best value to the Group’s customers.

During the year, the principal activities of the Company’s subsidiaries, joint ventures and associates comprise managing a global supply chain of industrial and energy products, and managing a diversified portfolio of essential raw materials, integrating the sourcing, marketing, processing, financing and transportation of those materials.

The Company and its subsidiaries (collectively, the “Group”) operated 15 offices worldwide and employed over 230 employees as at 31 December 2021.

The consolidated financial statements of the Group for the year ended 31 December 2021 were approved and authorised for issue in accordance with a resolution of the Board of Directors on 7 November 2022.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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BASIS OF PRESENTATION, PREPARATION AND CONSOLIDATION

Basis of presentation and preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which also include all International Accounting Standards (“IASs”) and Interpretations approved by the International Accounting Standards Board (the “IASB”). All new and revised IFRSs which became effective for the year ended 31 December 2021, together with the relevant transitional provisions, have been adopted by the Group in the preparation of the consolidated financial statements.

The consolidated financial statements have been prepared using the historical cost convention, except for the periodic re-measurement to fair value of certain items as explained in individual notes and are presented in United States dollars. All values are rounded to the nearest thousand except where otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

As at 31 December 2021, the Group had a net deficiency of US\$414 million and as of that date, the Group had bonds (Note D4.3) with outstanding amounts of approximately US\$550 million, US\$629 million (see i below) and US\$356 million (see ii below), which will be due in June 2022, June 2023 and December 2025 respectively. The Group incurred a net loss of US\$156 million during the year then ended. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore, that it may be unable to realise its assets or discharge its liabilities in the normal course of business.

The consolidated financial statements were prepared based on the assumption that the Group can operate as a going concern and the directors of the Company have prepared cash flow projections covering a period of not less than twelve months from the reporting date, after taking account of the following considerations and the subsequent events relating to the Group’s deleveraging and reorganisation as detailed below:

After the reporting period, the Company and its subsidiaries completed the second and final stage of the deleveraging and reorganisation on 4 April 2022 (Note A6), which included:

- i. Cancellation of the senior secured notes (with a carrying amount of US\$628,787,000 as at 31 December 2021) (the “Trading Co Notes”, Note D4.3), including all outstanding principal and interest amounts in return for a new US\$350,000,000 loan instrument and 95.2% of the equity in Noble Resources Trading Holdings Limited (“NRTHL”)
- ii. Cancellation of the senior secured notes (with a carrying amount of US\$355,690,000 as at 31 December 2021) (the “Trading Hold Co Notes”, Note D4.3), including all outstanding principal and interest amounts in return for a 4.8% of the equity in NRTHL and the agreement by certain holders of the Trading Hold Co Notes to withdraw the liquidation application they issued in respect of Noble Trading Hold Co Limited (“Trading Hold Co”) dated 20 January 2022.
- iii. The Company no longer has any equity interest in the commodities trading business carried on by Noble Trading Co Limited (“NTCL” or “Trading Co” and together with its subsidiaries, the “Trading Co Group”) and its subsidiaries, which is now wholly owned by NRTHL.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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BASIS OF PRESENTATION, PREPARATION AND CONSOLIDATION (continued)

Basis of presentation and preparation (continued)

On 17 June 2022, the 10% senior secured payment in kind (“PIK”) notes (with a carrying amount of US\$549,761,000 as at 31 December 2021) (the “Asset Co Notes”) due 20 June 2022 (Note D4.3) were approved by the bondholders to be extended the repayment date for a period of two years beyond the current repayment date to 20 June 2024 (“2024 Notes”).

With the cancellation of the senior secured notes stated in i and ii above and the extension of the 2024 Notes, NGHL is in a net asset position.

To further enhance the Group financial position, Noble New Asset Co Limited would continue in its efforts to monetise the assets, seek for alternative funding or further negotiate for extending the repayment date with the 2024 Notes’ noteholder before the maturity of the extended repayment date of the 2024 Notes.

In addition, as part of the deleveraging and reorganisation, the Company and the NTCL have entered into facility agreements to ensure continuity of support for the Company and do not demand the repayment of amount due to them and related facilities until the earliest of (i) Company has the financial ability to repay the amount; or (2) NGHL commences liquidation.

Notwithstanding the above, significant uncertainties exist as to whether the management will be able to achieve its plans and measures as described above, including whether the Group is able to successfully monetise the assets, seek for alternative funding or further negotiate for extending the repayment date with the 2024 Notes’ noteholder. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the use of the going concern basis in preparation of the consolidated financial statements be considered to be inappropriate, adjustments would have to be made to write down the carrying amounts of the Group’s assets to their net realisable values, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities. The effect of these adjustments have not been reflected in the consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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BASIS OF PRESENTATION, PREPARATION AND CONSOLIDATION (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries now comprising the Group for the year ended 31 December 2021. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

The financial statements of the subsidiaries are prepared for the full reporting period, using consistent accounting policies as the parent company. However, the results of subsidiaries acquired during the period are included in the consolidated income statement from their effective dates of acquisition. Please refer to Note E1.2 for the list of principal subsidiaries.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Please refer to Note E1.1 for the accounting policies on subsidiaries.

Non-controlling interests represent the portion of the results and net assets not attributable to the equity holders of the Group and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. When relevant, total comprehensive income within a subsidiary is attributed to a non-controlling interest even if this results in a deficit balance.

There are certain restrictions on the Group's ability to access or use assets, and settle liabilities, of the subsidiaries from non-controlling interests or other parties, including (i) mortgaged vessels, see Note C2.2; and (ii) cash balances with futures brokers and/or not immediately available for use in the Group's business operations, see Note D2.2. Due to the business separation arrangements described in Note A1.2, certain assets in which the Group has a legal ownership interest act as security for the Asset Co US\$700 million senior secured notes.

The Group accounted for a number of unconsolidated entities such as joint ventures, associates and long-term equity instruments at FVOCI. Please refer to Notes C4 and C5 for details of the unconsolidated entities' impact on the Group's consolidated financial statements.

SECTION A: PERFORMANCE

A1 ESTABLISHMENT OF THE GROUP

A1.1 *Overview*

On 20 December 2018 (the "acquisition date"), NGHL acquired a 100% equity interest in Noble Intermediate Hold Co Limited ("NIHCL") and its subsidiaries (collectively, the "NIHCL Group") as a result of the execution of a scheme of arrangement at the order of the Supreme Court of Bermuda (the "Scheme"). The two major subsidiaries in the NIHCL Group are NTCL and Noble New Asset Co Limited ("NNAACL" or "Asset Co", and together with its subsidiaries, the "Asset Co Group").

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SECTION A: PERFORMANCE

A1 ESTABLISHMENT OF THE GROUP (continued)

A1.1 *Overview (continued)*

Asset Co Group

Asset Co is a company incorporated in the British Virgin Islands with its head office in Hong Kong. It was incorporated to hold the following assets (collectively known as “Asset Co Assets”):

1. Interest in Jamalco (“Jamalco”)

The Asset Co Group has a beneficial interest in Jamalco’s business which is comprised of an equity interest in General Alumina Holdings Limited (“GAHL”), related offtake contracts and on-sale agreements and loan receivables through the Global Rights Transfer Agreement (“GRTA”, Note A1.2) with the Trading Co Group. In 2020, an offtake contract was terminated and replaced with a new marketing agreement. A debt repayment agreement was also entered. As a result, the loan receivables have been received in full by the Group.

2. Palm Plantations Assets (“Palm”)

The Asset Co Group has a beneficial interest in the disposal proceeds of the equity interest in Noble Plantations Pte. Ltd. (“NPPL”) and its subsidiaries through the Noble Plantations Receivables Agreement (“NPRA”, Note A1.2) with the Trading Co Group.

3. Vessels

Asset Co held five dry bulk carrier vessels as subsidiaries at the acquisition date with intention to generate cash inflows by selling the vessels. These vessels were classified as non-current assets being held for sale in the consolidated financial statements. During 2020, the three remaining dry bulk carrier vessels were disposed (Note E2.2). As at 31 December 2021 and 2020, there are no vessels classified as held for sale.

4. Harbour Energy L.P. (“Harbour LP”) and EIG Harbour Energy Advisor, L.P. (“EIG Harbour”) (collectively known as “Harbour”)

Harbour LP and EIG Harbour are associates of the Group which focus on investment in the energy sector. They were established by EIG Global Energy Partners (“EIG”), a private equity firm which focuses on energy and energy-related infrastructure globally (Note C4).

The Asset Co Assets, except for Harbour, act as security for the bonds issued by Asset Co. Further details are provided in Note D4.3.

Trading Co Group

Trading Co was incorporated to hold the remaining operating subsidiaries of the NGHL Group, and to provide management services to the Asset Co Group. Trading Co, and its immediate parent Trading Hold Co, issued US\$700 million and US\$300 million senior notes, respectively, as part of the arrangements establishing the Group. Further details are provided in Note D4. Further details of the transactions between the Asset Co Group and Trading Co Group in relation to Jamalco and Palm are provided in Note A1.2. Subsequent to the year end, the ultimate holding company was changed to NRTHL. Kindly refer to Note A6 on Events after Reporting Period.

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SECTION A: PERFORMANCE

A1 ESTABLISHMENT OF THE GROUP (continued)

A1.2 *Business Separation Agreements*

As part of the establishment of the Asset Co Group, a number of agreements were entered into with other members of the NGHL Group in 2018. The most significant agreements are outlined in this section.

Jamalco Business Separation Documents

- i. Global Rights Transfer Agreement (“GRTA”)
GRTA is an agreement made between subsidiaries of the NGHL Group. Under the GRTA, Noble Resources International Pte Ltd. (“NRIPL”) and Noble Resources Limited (“NRL”), subsidiaries of the Company, agree to transfer all of the beneficial rights, title and interest in and to the benefit of the equity interest in GAHL, related offtake contracts and on-sale agreements and loan receivables (collectively known as “Jamalco”) to the Asset Co Group. An offtake contract was replaced with a New Marketing Agreement and the loan was repaid in full in 2020. Legal title to Jamalco assets remains with NRIPL and NRL.
- ii. Jamalco Management Services Agreement
NRIPL will provide management services to the Asset Co Group in relation to Jamalco. Certain fees and reimbursable costs will be charged by NRIPL.
- iii. Asset Co Revolving Loan Facility Agreement
This is a revolving credit facility (“RCF”) between NRIPL and Asset Co. Under the RCF, NRIPL may provide Asset Co a working capital facility of up to US\$48,750,000 for Jamalco and its vessel businesses, and a capital expenditure facility of up to US\$30,000,000 for Jamalco. This agreement expired on 31 March 2022.
- iv. Cash Management Agreement
NRIPL and NRL will take all action that is necessary or advisable to collect or remit, or procure the collection or remittance of the receivables from Jamalco, and deposit into the Jamalco Collection Account (as defined in Note D2.3) all the amounts received.

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SECTION A: PERFORMANCE

A1 ESTABLISHMENT OF THE GROUP (continued)

A1.2 *Business Separation Agreements (continued)*

Noble Plantations Business Separation Documents

- i. Noble Plantations Receivables Agreement
NPRA is an agreement made between NRIPL and Asset Co. Under the NPRA, NRIPL agrees to transfer all of the beneficial rights, title and interest in disposal proceeds of the equity interest in Noble Plantations Pte. Ltd. (“NPPL”) and its subsidiaries (“Palm”) to the Asset Co Group.

NRIPL proposes to sell Palm to a third party purchaser by entering into a separate sale and purchase agreement. On entry into the sale and purchase agreement, the Asset Co Group’s beneficial interest in Palm shall terminate and NRIPL agrees to transfer to the Asset Co Group the full beneficial right and interests in NPPL.

- ii. Noble Plantations Management Services Agreement
NRIPL will provide management services to the Asset Co Group in relation to Palm. Certain fees and reimbursable costs will be charged by NRIPL.
- iii. Cash Management Agreement
NRIPL must deposit all the receipts from Palm, including repayment from NPPL and proceeds from disposal of Palm, into the Master Collection Account. Details of the Master Collection Account is provided in Note D2.3.

Vessels Business Separation Documents

- i. Vessels Management Services Agreement
NRIPL will provide management services to Asset Co in relation to vessels. NRIPL also acts as a broker in respect of the vessel disposal plan. Certain fees and reimbursable costs will be charged by NRIPL.
- ii. Cash Management Agreement
NRIPL must deposit all the receipts from vessels, including proceeds from disposal of the vessels, into the Vessels Collection Account. Details of the Vessels Collection Account is provided in Note D2.3.

Harbour Business Separation Documents

- i. Harbour Management Services Agreement
NRIPL will provide management services to Asset Co in relation to the ownership and operation of Harbour. Certain fees and reimbursable costs will be charged by NRIPL.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SECTION A: PERFORMANCE

A2 BUSINESS UNIT INFORMATION

A2.1 *Description of the business units*

For management purposes, the Group is organised into business units based on their products and services and has two reporting operating business units as follows:

- (a) Asset Co - includes the Group's strategic investments in Jamalco (i below) and Harbour (ii below), along with the palm business (ii below) and certain vessels (ii below).
 - i. Jamalco - Jamalco joint venture, an integrated bauxite mining and alumina refining operation in Jamaica, along with the related offtake of Jamalco's alumina production.
 - ii. Investments - investments in Harbour along with Palm and vessels.
- (b) Trading Co - includes the Group's asset-light commodities supply chain management business
 - i. Asia Energy, a business which trades and provides supply chain and risk management services and a range of distillate products including gas oil, gasoline, jet fuel and heavy fuel oil together with bituminous and sub-bituminous energy coal.
 - ii. Metals and Mongolia
 - 1) Metals - Special and Iron Ores, Ali complex (alumina, aluminum)
 - 2) Industrial Minerals & Metals - Tin, tungsten, tantalum and niobium
 - 3) Mongolia - Self-contained marketing business in met coal, iron ore, copper, gold, lead and zinc
 - iii. Met Coal and Coke, a non-producer shipper of hard coking coal, pulverised coal injection, semisoft coal and met coke.
 - iv. Freight, providing internal and external customers with ocean transport in the dry bulk segment, long-term freight solutions and freight market guidance.
- (c) Other

This does not contain any of the Group's operating components. It instead contains the results of NGHL, NIHCL and Trading Hold Co, and certain accounting adjustments to align the Asset Co and Trading Co business units (which are reported here as per their own respective Group consolidated financial statements) with the accounting treatment required at NGHL level. In the Asset Co and Trading Co consolidated financial statements, the results of Jamalco and Palm (defined in Note A1) are not fully consolidated (line by line) but are included via intercompany agreements. Inter-segment revenues are eliminated upon consolidation and reflected in the 'Other' column.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SECTION A: PERFORMANCE

A2 BUSINESS UNIT INFORMATION (continued)

A2.2 *Operating business units*

The following tables present income statement information regarding Trading Co and Asset Co for the year ended 31 December 2021:

	Trading Co 2021 US\$'000	Asset Co 2021 US\$'000	Other 2021 US\$'000	Consolidated 2021 US\$'000
REVENUE AND FAIR VALUE LOSS	3,158,062	(37)	286,471	3,444,496
EXPENSES				
Cost of sales and services	(3,038,263)	-	(311,889)	(3,350,152)
Expenses	-	(46,057)	46,057	-
	<u>(3,038,263)</u>	<u>(46,057)</u>	<u>(265,832)</u>	<u>(3,350,152)</u>
Operating income/(loss) from supply chains	119,799	(46,094)	20,639	94,344
Gain on supply chain assets, net	43,110	-	123	43,233
Share of profits and losses of:				
Joint ventures	165	-	-	165
Associates	(2,807)	-	(25,177)	(27,984)
	<u>165</u>	<u>-</u>	<u>(25,177)</u>	<u>(27,984)</u>
TOTAL OPERATING INCOME/(LOSS)	160,267	(46,094)	(4,415)	109,758
Other income net of other expenses	(59,085)	-	82,047	22,962
Selling, administrative and operating expenses	(85,958)	-	(25,273)	(111,231)
	<u>(85,958)</u>	<u>-</u>	<u>(25,273)</u>	<u>(111,231)</u>
PROFIT/(LOSS) BEFORE INTEREST AND TAX	15,224	(46,094)	52,359	21,489
Finance income	11,778	-	1	11,779
Finance costs	(92,739)	(53,776)	(34,672)	(181,187)
	<u>(92,739)</u>	<u>(53,776)</u>	<u>(34,672)</u>	<u>(181,187)</u>
(LOSS)/PROFIT BEFORE TAX	(65,737)	(99,870)	17,688	(147,919)
Taxation	(11,586)	(94)	3,193	(8,487)
	<u>(11,586)</u>	<u>(94)</u>	<u>3,193</u>	<u>(8,487)</u>
(LOSS)/PROFIT FOR THE YEAR	<u>(77,323)</u>	<u>(99,964)</u>	<u>20,881</u>	<u>(156,406)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(80,962)</u>	<u>(99,964)</u>	<u>20,857</u>	<u>(160,069)</u>

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

SECTION A: PERFORMANCE

A2 BUSINESS UNIT INFORMATION (continued)

A2.2 *Operating business units (continued)*

The following tables present income statement information regarding Trading Co and Asset Co for the year ended 31 December 2020:

	Trading Co 2020 US\$'000	Asset Co 2020 US\$'000	Other 2020 US\$'000	Consolidated 2020 US\$'000
REVENUE AND FAIR VALUE LOSS	2,219,877	(16,702)	348,868	2,552,043
EXPENSES				
Cost of sales and services	(2,342,910)	-	(348,173)	(2,691,083)
Expenses	-	(46,438)	46,438	-
	<u>(2,342,910)</u>	<u>(46,438)</u>	<u>(301,735)</u>	<u>(2,691,083)</u>
Operating (loss)/income from supply chains	(123,033)	(63,140)	47,133	(139,040)
Loss on supply chain assets, net	(83,887)	-	(39,194)	(123,081)
Share of profits and losses of:				
Joint ventures	(264)	-	-	(264)
Associates	(5,491)	-	8,404	2,913
	<u>(123,033)</u>	<u>(63,140)</u>	<u>47,133</u>	<u>(139,040)</u>
TOTAL OPERATING INCOME/(LOSS)	(212,675)	(63,140)	16,343	(259,472)
Other income net of other expenses	11,566	-	(6,591)	4,975
Selling, administrative and operating expenses	(110,682)	-	(29,314)	(139,996)
	<u>(211,791)</u>	<u>(63,140)</u>	<u>(19,562)</u>	<u>(394,493)</u>
LOSS BEFORE INTEREST AND TAX	(311,791)	(63,140)	(19,562)	(394,493)
Finance income	42,684	52,963	7	95,654
Finance costs	(84,716)	(61,233)	(25,357)	(171,306)
	<u>(353,823)</u>	<u>(71,410)</u>	<u>(44,912)</u>	<u>(470,145)</u>
LOSS BEFORE TAX	(353,823)	(71,410)	(44,912)	(470,145)
Taxation	986	(305)	8,421	9,102
	<u>(352,837)</u>	<u>(71,715)</u>	<u>(36,491)</u>	<u>(461,043)</u>
LOSS FOR THE YEAR	<u>(352,837)</u>	<u>(71,715)</u>	<u>(36,491)</u>	<u>(461,043)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(365,245)</u>	<u>(71,715)</u>	<u>(40,322)</u>	<u>(477,282)</u>

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

SECTION A: PERFORMANCE

A2 BUSINESS UNIT INFORMATION (continued)

A2.2 Operating business units (continued)

The following tables present the statement of financial position information regarding Trading Co and Asset Co as at 31 December 2021:

	Trading Co 2021 US\$'000	Asset Co 2021 US\$'000	Other 2021 US\$'000	Consolidated 2021 US\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	37,730	-	174,695	212,425
Investments in joint ventures	6,353	-	-	6,353
Investments in associates	32,811	367,610	-	400,421
Equity instruments at FVOCI	10,308	-	-	10,308
Equity instruments at fair value through profit or loss ("FVTPL")	184,827	-	(184,827)	-
Financial assets at FVTPL	-	184,614	(184,614)	-
Long-term loans	7,270	-	-	7,270
Deferred tax assets	28,474	-	72,627	101,101
Total non-current assets	307,773	552,224	(122,119)	737,878
CURRENT ASSETS				
Amounts due from fellow subsidiaries	663	119,108	(119,771)	-
Cash and cash equivalents	289,260	57,006	19,463	365,729
Trade receivables	226,570	7	12,610	239,187
Prepayments, deposits and other receivables	181,476	35	(496)	181,015
Fair value gains on commodity and other derivative financial instruments	88,485	-	-	88,485
Net investment in lease	6,610	-	-	6,610
Inventories	116,531	-	36,133	152,664
Tax recoverable	3,811	-	8,548	12,359
	913,406	176,156	(43,513)	1,046,049
Assets in subsidiaries classified as held for sale	-	-	113	113
Total current assets	913,406	176,156	(43,400)	1,046,162
CURRENT LIABILITIES				
Amount due to the immediate holding company	265,478	-	(265,478)	-
Amounts due to fellow subsidiaries	-	79,136	(79,136)	-
Trade and other payables and accrued liabilities	235,527	7,204	52,499	295,230
Provisions	54,245	-	-	54,245
Accrued interest on bonds	32,653	-	-	32,653
Fair value losses on commodity and other derivative financial instruments	104,873	-	-	104,873
Lease liabilities	11,300	-	3,048	14,348
Bank debts	93,527	-	-	93,527
Bonds	-	549,761	-	549,761
Tax payable	24,114	-	622	24,736
	821,717	636,101	(288,445)	1,169,373
Liabilities in subsidiaries classified as held for sale	-	-	6,458	6,458
Total current liabilities	821,717	636,101	(281,987)	1,175,831
NET CURRENT ASSETS	91,689	(459,945)	238,587	(129,669)
TOTAL ASSETS LESS CURRENT LIABILITIES	399,462	92,279	116,468	608,209
NON-CURRENT LIABILITIES				
Provision	-	-	35,258	35,258
Deferred tax liabilities	150	-	-	150
Lease liabilities	1,967	-	-	1,967
Bonds	628,787	-	355,690	984,477
Financial liabilities at FVTPL	184,614	-	(184,614)	-
Total non-current liabilities	815,518	-	206,334	1,021,852
NET (LIABILITIES)/ASSETS	(416,056)	92,279	(89,866)	(413,643)

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

SECTION A: PERFORMANCE

A2 BUSINESS UNIT INFORMATION (continued)

A2.2 *Operating business units (continued)*

The following tables present the statement of financial position information regarding Trading Co and Asset Co as at 31 December 2020:

	Trading Co 2020 US\$'000	Asset Co 2020 US\$'000	Other 2020 US\$'000	Consolidated 2020 US\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	74,819	-	186,824	261,643
Investments in joint ventures	6,526	-	-	6,526
Investments in associates	20,615	392,787	-	413,402
Equity instruments at FVOCI	45,517	-	-	45,517
Equity instruments at FVTPL	192,019	-	(192,019)	-
Financial assets at FVTPL	-	192,369	(192,369)	-
Long-term loans	14,993	-	-	14,993
Net investment in lease	2,141	-	-	2,141
Deferred tax assets	29,119	-	68,715	97,834
Total non-current assets	385,749	585,156	(128,849)	842,056
CURRENT ASSETS				
Amount due from ultimate holding company	18,123	-	(18,123)	-
Amount due from intermediate holding company	33,535	394	(33,929)	-
Amounts due from fellow subsidiaries	6,024	116,355	(122,379)	-
Cash and cash equivalents	314,714	62,322	336	377,372
Financial assets at FVTPL	-	1,621	(1,621)	-
Trade receivables	163,385	333	52,346	216,064
Prepayments, deposits and other receivables	149,185	37	(1,623)	147,599
Fair value gains on commodity and other derivative financial instruments	81,878	-	-	81,878
Net investment in lease	5,032	-	-	5,032
Inventories	67,110	-	36,456	103,566
Tax recoverable	4,964	-	8,461	13,425
	843,950	181,062	(80,076)	944,936
Assets in subsidiaries classified as held for sale	-	-	77	77
Total current assets	843,950	181,062	(79,999)	945,013
CURRENT LIABILITIES				
Amount due to the immediate holding company	257,606	-	(257,606)	-
Amounts due to fellow subsidiaries	219	67,541	(67,760)	-
Financial liabilities at FVTPL	1,621	-	(1,621)	-
Trade and other payables and accrued liabilities	218,677	8,311	54,913	281,901
Provisions	62,112	-	-	62,112
Accrued interest on bonds	1,881	-	-	1,881
Fair value losses on commodity and other derivative financial instruments	57,272	-	-	57,272
Lease liabilities	41,242	-	1,414	42,656
Bank debts	16,717	-	-	16,717
Tax payable	16,296	1,710	723	18,729
	673,643	77,562	(269,937)	481,268
Liabilities in subsidiaries classified as held for sale	-	-	6,234	6,234
Total current liabilities	673,643	77,562	(263,703)	487,502
NET CURRENT ASSETS	170,307	103,500	183,704	457,511
TOTAL ASSETS LESS CURRENT LIABILITIES	556,056	688,656	54,855	1,299,567
NON-CURRENT LIABILITIES				
Provision	-	-	34,359	34,359
Lease liabilities	62,219	-	3,048	65,267
Bank debts	5,345	-	-	5,345
Bonds	627,121	496,413	321,447	1,444,981
Financial liabilities at FVTPL	192,369	-	(192,369)	-
Total non-current liabilities	887,054	496,413	166,485	1,549,952
NET (LIABILITIES)/ASSETS	(330,998)	192,243	(111,630)	(250,385)

NOBLE GROUP HOLDINGS LIMITED

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SECTION A: PERFORMANCE

A2 BUSINESS UNIT INFORMATION (continued)

A2.2 *Operating business units (continued)*

The following tables present the statement of cash flows information regarding Trading Co and Asset Co for the year ended 31 December 2021:

	Trading Co 2021 US\$'000	Asset Co 2021 US\$'000	Other 2021 US\$'000	Consolidated 2021 US\$'000
CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES				
(Loss)/profit before tax	(65,737)	(99,870)	17,688	(147,919)
Adjustments to profit/(loss) before tax	127,282	85,183	(26,476)	185,989
Operating profit/(loss) before working capital changes	61,545	(14,687)	(8,788)	38,070
(Increase)/decrease in working capital	(71,307)	10,907	24,398	(36,002)
Interest received	10,006	-	1	10,007
Taxes paid	(1,356)	(1,374)	1	(2,729)
Net cash flows (used in)/from operating activities before changes in restricted cash	(1,112)	(5,154)	15,612	9,346
(Increase)/decrease in restricted cash	(54,554)	5,272	-	(49,282)
Net cash flows (used in)/from operating activities	(55,666)	118	15,612	(39,936)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
	24,884	-	5,187	30,071
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES				
	(48,651)	(162)	(1,860)	(50,673)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS				
Net foreign exchange differences	(79,433)	(44)	18,939	(60,538)
Cash and cash equivalents at beginning of year	(576)	-	225	(351)
	248,703	91	412	249,206
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>168,694</u>	<u>47</u>	<u>19,576</u>	<u>188,317</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents as stated in the statement of financial position	289,260	57,006	19,463	365,729
Cash balances attributable to subsidiaries classified as held for sale	-	-	113	113
Total cash and cash equivalents	289,260	57,006	19,576	365,842
Less: Restricted cash not immediately available for use in the business operations	(120,566)	(56,959)	-	(177,525)
Cash and cash equivalents as stated in the statement of cash flows	<u>168,694</u>	<u>47</u>	<u>19,576</u>	<u>188,317</u>

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SECTION A: PERFORMANCE

A2 BUSINESS UNIT INFORMATION (continued)

A2.2 *Operating business units (continued)*

The following tables present the statement of cash flows information regarding Trading Co and Asset Co for the year ended 31 December 2021: (continued)

	Trading Co 2021 US\$'000	Asset Co 2021 US\$'000	Other 2021 US\$'000	Consolidated 2021 US\$'000
Adjustments to loss before tax:				
Depreciation	20,635	-	17,236	37,871
Impairment/(reversal of impairment) of:				
- Property, plant and equipment	(7,328)	-	-	(7,328)
- Right-of-use ("ROU") assets	(21,905)	-	-	(21,905)
- Joint ventures/associates	(668)	-	-	(668)
- Long-term loans	1,049	-	-	1,049
- Trade receivables	7,010	(16)	(1,961)	5,033
- Prepayments, deposits and other receivables	287	-	-	287
- Short-term loans	2,345	-	-	2,345
Loss/(gain) on disposal of:				
- Property, plant and equipment	8	-	815	823
- Subsidiaries	(2,497)	-	-	(2,497)
- Joint ventures/associates	(7,832)	-	-	(7,832)
Share of profits and losses of joint ventures/associates	2,642	25,177	-	27,819
Dividend income from equity instruments at FVOCI	(283)	-	-	(283)
Expected credit loss ("ECL")/(reversal of ECL) on amounts due from fellow subsidiaries	73,320	(3,007)	(70,313)	-
Share-based payment expenses	-	-	267	267
Fair value adjustment of long-term loans	(12,828)	-	-	(12,828)
Loss on freight forward agreement	9,992	-	-	9,992
Gain on deemed disposal of an associate	(328)	-	-	(328)
Gain on vessel novation adjustments	(11,859)	-	-	(11,859)
Gain on recognition of finance lease	(3,187)	-	-	(3,187)
Provision for/(reversal of) legal claims	1,966	(123)	-	1,843
Reversal of provision of onerous contracts	(397)	-	-	(397)
Unrealised fair value (gain)/loss	(2,184)	9,376	(7,192)	-
Net finance costs	80,961	53,776	34,671	169,408
Others	(1,637)	-	1	(1,636)
	<u>127,282</u>	<u>85,183</u>	<u>(26,476)</u>	<u>185,989</u>
(Increase)/decrease in working capital includes:				
(Increase)/decrease in trade receivables	(70,198)	343	41,696	(28,159)
Decrease/(increase) in prepayments, deposits and other receivables	4,454	2	(1,126)	3,330
Decrease in net fair value gains/losses in commodity and other derivative financial instruments	31,002	-	-	31,002
(Increase)/decrease in inventories	(49,421)	-	322	(49,099)
Increase/(decrease) in trade and other payables and accrued liabilities	3,849	(986)	4,061	6,924
Advance from/(repayment to) fellow subsidiaries	9,007	11,548	(20,555)	-
	<u>(71,307)</u>	<u>10,907</u>	<u>24,398</u>	<u>(36,002)</u>

NOBLE GROUP HOLDINGS LIMITED

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SECTION A: PERFORMANCE

A2 BUSINESS UNIT INFORMATION (continued)

A2.2 *Operating business units (continued)*

The following tables present the statement of cash flows information regarding Trading Co and Asset Co for the year ended 31 December 2021: (continued)

	Trading Co 2021 US\$'000	Asset Co 2021 US\$'000	Other 2021 US\$'000	Consolidated 2021 US\$'000
Net cash flows from/(used in) investing activities:				
Purchase of property, plant and equipment	(1,138)	-	(9,098)	(10,236)
Net cash outflow from disposal of subsidiaries	(996)	-	-	(996)
Proceeds from disposal of equity instruments at FVOCI	26,455	-	-	26,455
Proceeds from repayment of long-term loans	902	-	-	902
Dividend income from equity instruments at FVOCI	283	-	-	283
Dividend income from joint ventures	1,545	-	-	1,545
Increase in amounts due from joint ventures	(1,448)	-	-	(1,448)
Receipt of net investment in lease:				
- Principal portion	12,596	-	-	12,596
- Interest portion	970	-	-	970
(Repayment to)/advance from ultimate/ immediate holding company	(14,285)	-	14,285	-
	<u>24,884</u>	<u>-</u>	<u>5,187</u>	<u>30,071</u>
Net cash flows (used in)/from financing activities:				
Interest paid on financing activities	(72,976)	(162)	(104)	(73,242)
Bank debts:				
- Additions	14,300	-	10	14,310
- Repayments	(19,131)	-	(10)	(19,141)
- Net movement of the receivable purchase programme	(8,195)	-	-	(8,195)
- Net movement of the payable discount programme	84,491	-	-	84,491
Payment of lease liabilities:				
- Principal portion	(41,943)	-	(1,415)	(43,358)
- Interest portion	(5,197)	-	(341)	(5,538)
	<u>(48,651)</u>	<u>(162)</u>	<u>(1,860)</u>	<u>(50,673)</u>

NOBLE GROUP HOLDINGS LIMITED

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SECTION A: PERFORMANCE

A2 BUSINESS UNIT INFORMATION (continued)

A2.2 *Operating business units (continued)*

The following tables present the statement of cash flows information regarding Trading Co and Asset Co for the year ended 31 December 2020:

	Trading Co 2020 US\$'000	Asset Co 2020 US\$'000	Other 2020 US\$'000	Consolidated 2020 US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	(353,823)	(71,410)	(44,912)	(470,145)
Adjustments to loss before tax	382,575	50,587	43,618	476,780
Operating profit/(loss) before working capital changes	28,752	(20,823)	(1,294)	6,635
(Increase)/decrease in working capital	(60,069)	226,624	(6,920)	159,635
Interest received	13,244	11	-	13,255
Taxes paid	(1,305)	-	-	(1,305)
Net cash flows (used in)/from operating activities before changes in restricted cash	(19,378)	205,812	(8,214)	178,220
Decrease/(increase) in restricted cash	16,563	(6,278)	-	10,285
Net cash flows (used in)/from operating activities	(2,815)	199,534	(8,214)	188,505
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
	131,659	38,184	1,914	171,757
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES				
	(217,828)	(238,210)	(1,837)	(457,875)
NET DECREASE IN CASH AND CASH EQUIVALENTS				
Net foreign exchange differences	7,289	-	(2,181)	5,108
Cash and cash equivalents at beginning of year	330,398	583	10,730	341,711
CASH AND CASH EQUIVALENTS AT END OF YEAR	248,703	91	412	249,206
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents as stated in the statement of financial position	314,714	62,322	336	377,372
Cash balances attributable to subsidiaries classified as held for sale	-	-	76	76
Total cash and cash equivalents	314,714	62,322	412	377,448
Less: Restricted cash not immediately available for use in the business operations	(66,011)	(62,231)	-	(128,242)
Cash and cash equivalents as stated in the statement of cash flows	248,703	91	412	249,206

NOBLE GROUP HOLDINGS LIMITED

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SECTION A: PERFORMANCE

A2 BUSINESS UNIT INFORMATION (continued)

A2.2 *Operating business units (continued)*

The following tables present the statement of cash flows information regarding Trading Co and Asset Co for the year ended 31 December 2020: (continued)

	Trading Co 2020 US\$'000	Asset Co 2020 US\$'000	Other 2020 US\$'000	Consolidated 2020 US\$'000
Adjustments to loss before tax:				
Depreciation	45,943	-	18,464	64,407
Impairment/(reversal of impairment) of:				
- Property, plant and equipment	1,190	-	-	1,190
- ROU assets	28,364	-	-	28,364
- Mine properties	5,333	-	-	5,333
- Joint ventures/associates	14,447	-	-	14,447
- Long-term loans	57,005	-	-	57,005
- Trade receivables	15,641	16	(3,223)	12,434
- Prepayments, deposits and other receivables	57,330	-	-	57,330
- Short-term loans	70,099	-	-	70,099
Fair value loss on equity instruments at FVTPL	337	-	-	337
Fair value adjustment of:				
- Non-current assets classified as held for sale	-	3,231	-	3,231
- Assets in subsidiaries classified as held for sale	20,000	-	15,963	35,963
Loss on disposal of:				
- Property, plant and equipment	21	-	-	21
- Non-current assets classified as held for sale	-	2,216	-	2,216
- Subsidiaries	125	-	-	125
Share of profits and losses of joint ventures/associates	5,755	(8,404)	-	(2,649)
Dividend income from equity instruments at FVOCI	(745)	-	-	(745)
ECL on amounts due from fellow subsidiaries and holding companies	3,625	2,317	(5,942)	-
Share-based payment expenses	-	-	680	680
Fair value adjustment of long-term loans	32,718	-	-	32,718
Gain on deemed disposal of an associate	(66)	-	-	(66)
Gain on recognition of finance lease	(6,382)	-	-	(6,382)
Gain on lease termination	(118)	-	-	(118)
Provision for legal claims	21,533	-	-	21,533
Provision of onerous contracts	3,655	-	-	3,655
Unrealised fair value (gain)/loss	(35,267)	42,941	(7,674)	-
Net finance costs	42,032	8,270	25,350	75,652
	<u>382,575</u>	<u>50,587</u>	<u>43,618</u>	<u>476,780</u>
Decrease/(increase) in working capital includes:				
Decrease/(increase) in trade receivables	148,949	(350)	69,539	218,138
Decrease in prepayments, deposits and other receivables	2,009	123	8,520	10,652
Decrease in net fair value gains/losses in commodity and other derivative financial instruments	33,541	-	-	33,541
Decrease/(increase) in inventories	79,875	1,176	(903)	80,148
(Decrease)/increase in trade and other payables and accrued liabilities	(194,322)	7,565	3,913	(182,844)
(Repayment to)/advance from fellow subsidiaries	(130,121)	218,110	(87,989)	-
	<u>(60,069)</u>	<u>226,624</u>	<u>(6,920)</u>	<u>159,635</u>

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SECTION A: PERFORMANCE

A2 BUSINESS UNIT INFORMATION (continued)

A2.2 *Operating business units (continued)*

The following tables present the statement of cash flows information regarding Trading Co and Asset Co for the year ended 31 December 2020: (continued)

	Trading Co 2020 US\$'000	Asset Co 2020 US\$'000	Other 2020 US\$'000	Consolidated 2020 US\$'000
Net cash flows from/(used in) investing activities:				
Purchase of property, plant and equipment	(968)	-	(13,390)	(14,358)
Purchase of non-current assets classified as held for sale	-	(1,322)	-	(1,322)
Purchase of mine properties	(802)	-	-	(802)
Proceeds from disposal of non-current assets classified as held for sale	-	39,506	-	39,506
Net cash outflow from disposal of subsidiaries	(50)	-	-	(50)
Purchase of equity instruments at FVOCI	(394)	-	-	(394)
Proceeds from refund of capital of a joint venture	745	-	-	745
Proceeds from disposal of equity instruments at FVOCI	4,210	-	-	4,210
Proceeds from repayment of long-term loans	138,894	-	-	138,894
Dividend income from equity instruments at FVOCI	745	-	-	745
Decrease in amounts due from joint ventures	885	-	-	885
Receipt of net investment in lease:				
- Principal portion	3,205	-	-	3,205
- Interest portion	493	-	-	493
(Repayment to)/advance from ultimate/immediate holding company	(15,304)	-	15,304	-
	<u>131,659</u>	<u>38,184</u>	<u>1,914</u>	<u>171,757</u>
Net cash flows from/(used in) financing activities:				
Interest paid on financing activities	(71,816)	-	(83)	(71,899)
Bank debts – additions	14,747	-	-	14,747
Bank debts – repayments	(8,498)	-	-	(8,498)
Bank debts – net movement of the receivable purchase programme	(31,132)	-	-	(31,132)
Payment of lease liabilities:				
- Principal portion	(60,672)	-	(1,295)	(61,967)
- Interest portion	(10,457)	-	(459)	(10,916)
Repurchase and redemption of bonds	(50,000)	(238,210)	-	(288,210)
	<u>(217,828)</u>	<u>(238,210)</u>	<u>(1,837)</u>	<u>(457,875)</u>

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SECTION A: PERFORMANCE

A2 BUSINESS UNIT INFORMATION (continued)

A2.3 *Geographical information*

	<u>Consolidated income statement</u>		<u>Consolidated statement of financial position</u>	
	Revenue from external customers		Specified non-current assets	
	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000
Hong Kong (place of domicile)	-	-	32,748	69,680
The People's Republic of China ("PRC") (excluding Hong Kong)	1,222,388	827,777	580	1,204
India	150,572	182,819	2,174	2,472
Australia	2,243	1,337	286	460
Asia Pacific (excluding Hong Kong, the PRC, India and Australia)	1,536,542	1,216,020	17,370	17,410
North America	72,957	122,225	391,313	403,373
South America	167,555	6,319	174,704	186,841
Africa	21,303	25,808	4	5
Europe	270,936	169,738	20	126
	<u>3,444,496</u>	<u>2,552,043</u>	<u>619,199</u>	<u>681,571</u>

The determining factor of the above selected geographical information in the consolidated income statement and consolidated statement of financial position is as follows:

<u>Account</u>	<u>Determining factor</u>
Revenue from external customers	Location at which the services were provided or the goods delivered
Specified non-current assets:	
- Property, plant and equipment, mine properties, investments in associates and joint ventures	Location of operation

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SECTION A: PERFORMANCE

A3 PROFIT/(LOSS) BEFORE INTEREST AND TAX

A3.1 *Significant accounting policies*

Revenue

(i) Revenue from contracts with customers

Revenue from contracts with customers primarily represents revenue from the sale of commodities and provision of ship management services.

Revenue from sales of commodities is recognised when control of the commodities is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those commodities. Control is typically deemed to transfer to the customer when the commodity is delivered to the destination specified in the contract with the customer which is typically the vessel on which it is shipped, the destination port or the customer's premises.

Revenue from the provision of ship management services is recognised over the time in which the services are rendered, as the Group's performance under the contract provides all of the benefits received and are consumed simultaneously by the customer.

Revenue from the provision of voyage charters which do not contain any lease element is recognised over time, which is determined on a time proportion basis for each individual voyage from loading to discharging.

Revenue is recognised based on the price specified in the contract, net of the estimated volume discounts and excluding amounts collected on behalf of third parties.

Accumulated experience is used to estimate and provide for the volume discounts and estimated fair value of the total consideration receivable, using either the expected value or the most likely amount approach, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

The same recognition and presentation principles apply to revenues arising from physical settlement of forward sale contracts that do not meet the own use exemption.

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SECTION A: PERFORMANCE

A3 PROFIT/(LOSS) BEFORE INTEREST AND TAX (continued)

A3.1 *Significant accounting policies (continued)*

Revenue (continued)

(ii) Revenue from other sources

Lease revenues are recognised on a straight line basis over the term of the lease. Revenue is not recognised when collection is not reasonably assured. Lease incentives are recognised as a reduction of the total lease revenue on a systematic basis over the term of the lease. The Group as a lessor, leases vessels principally under operating leases and records the lease component of the rental income over the life of the lease as it is earned.

Most of the Group's charter contracts require payment in advance. Lease component of rentals received, but unearned under these lease agreements, are recorded on the consolidated statement of financial position in trade and other payables and accrued liabilities.

Operating income from supply chains

Operating income from supply chains represents the difference between revenue and cost of sales and services and does not take into account the gains and losses relating to the disposal of supply chain assets and the share of profit and losses of joint ventures and associates.

Cost of sales and services primarily includes:

- (i) realised cost of commodity purchase contracts, unrealised fair value adjustments of commodity contracts and inventories, recognised gains and losses from hedging instruments;
- (ii) direct costs of other production activities such as freight, taxes, tariffs, short-term lease payments, depreciation including for ROU assets and amortisation; and
- (iii) direct costs of other trading activities such as impairment of short and long-term loans, trade receivables and prepayments.

Gain/loss on supply chain assets

Supply chain assets are assets that are important and conducive to the development of value from the Group's integrated supply chains. These include investments in subsidiaries, joint ventures, associates and long-term equity instruments and property, plant and equipment such as storage facilities, port facilities and transportation facilities.

Profits and losses are generated from supply chain asset investment and disposal activities, and following a change in control of these assets through business combinations, disposal of supply chain assets or valuation of options and rights for supply chain investments. Expenses incurred for generating profit on supply chain assets include legal claim, legal and professional fees for supply chain activities and other expenses.

Other income net of other expenses

Other income includes dividends from long-term equity instruments which are recognised when the right to receive payment has been established. Other income also includes gains on disposal of non-current assets classified as held for sale, ECL on joint ventures/associates and exchange differences on trading activities.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SECTION A: PERFORMANCE

A3 PROFIT/(LOSS) BEFORE INTEREST AND TAX (continued)

A3.2 *Revenue*

The Group's revenue primarily represents sales of commodities and is disaggregated as follows:

	2021 US\$'000	2020 US\$'000
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>		
Sale of commodities	3,369,878	2,439,256
<i>Recognised over time</i>		
Ship management fee	25,823	32,656
Voyage charter income	12,519	27,370
Revenue from other sources:		
Lease component of charter contracts	36,276	52,761
	<u>3,444,496</u>	<u>2,552,043</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2021 US\$'000	2020 US\$'000
Ship management fee	416	1,732
Voyage charter income	609	190
	<u>1,025</u>	<u>1,922</u>

NOBLE GROUP HOLDINGS LIMITED

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SECTION A: PERFORMANCE

A3 PROFIT/(LOSS) BEFORE INTEREST AND TAX (continued)

A3.2 *Revenue (continued)*

Revenue derived from the provision of ship management services for leased vessels is recognised over time as the service is rendered. The transaction value allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 are as follows:

	2021 US\$'000	2020 US\$'000
Within one year	1,655	1,645
More than one year	12,865	14,493
	<u>14,520</u>	<u>16,138</u>

Except from the above disclosure, a practical expedient has been applied in relation to the disclosure of transaction values allocated to unsatisfied performance obligations for other contracts on the basis that the performance obligations have an original expected duration of one year or less.

A3.3 *Cost of sales and services*

	Notes	2021 US\$'000	2020 US\$'000
Cost of inventories sold and unrealised mark-to-market movements		3,206,798	2,260,386
Freight expenses		62,833	73,491
Lease payments not included in the measurement of lease liabilities:			
- Short-term leases		50,100	66,485
(Reversal of)/provision for onerous contracts	B4.4	(397)	3,655
Depreciation related to:			
- Production activities	C2.2	15,855	17,084
- ROU assets – equipment	C2.2	2,279	2,253
- ROU assets – vessels	C2.2	16,777	38,122
- ROU assets – motor vehicles	C2.2	21	21
Fair value adjustment of long-term loans	C6.3	(12,828)	32,718
		<u>3,341,438</u>	<u>2,494,215</u>

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

SECTION A: PERFORMANCE

A3 PROFIT/(LOSS) BEFORE INTEREST AND TAX (continued)

A3.4 *Impairment loss*

	Notes	2021 US\$'000	2020 US\$'000
Impairment of:			
- Trade receivables	B1.3	5,033	12,434
- Prepayments, deposits and other receivables	B2.3	287	57,330
- Long-term loans	C6.3	1,049	57,005
- Short-term loans	C6.3	2,345	70,099
		<u>8,714</u>	<u>196,868</u>

A3.5 *Gain/(loss) on supply chain assets*

	Notes	2021 US\$'000	2020 US\$'000
Provision for legal claims	B4.4	(1,843)	(21,533)
Reversal of impairment/(impairment) of:			
- Property, plant and equipment	C2.2	7,328	(1,190)
- ROU assets	C2.2	21,905	(28,364)
- Mine properties	C3.3	-	(5,333)
- Joint ventures/associates	C4.6	865	(13,760)
- Non-current assets classified as held for sale	E2.2	-	(3,231)
- Assets in subsidiaries classified as held for sale	E2.3	-	(35,963)
- Prepayments and other receivables [#]		-	(14,376)
Fair value loss on equity instruments at FVTPL		-	(337)
Gain/(loss) on disposal of subsidiaries	C9	2,497	(125)
Gain on disposal of associates	C4.5	7,832	-
Gain on deemed disposal of an associate	C4.5	328	66
Gain on lease termination		-	118
Gain on vessel novation adjustments		11,859	-
Loss on freight forward agreement		(9,992)	-
Others		2,454	947
		<u>43,233</u>	<u>(123,081)</u>

[#] In 2020, the Group decided to fully impair receivable of US\$14.4 million to zero as the counterparty from whom royalty was receivable is unlikely to go back into production.

NOBLE GROUP HOLDINGS LIMITED

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SECTION A: PERFORMANCE

A3 PROFIT/(LOSS) BEFORE INTEREST AND TAX (continued)

A3.6 *Other income net of other expenses*

	Notes	2021 US\$'000	2020 US\$'000
Dividend income from equity instruments at FVOCI	C5.2	283	745
ECL on amounts due from joint ventures/associates	B2.3/C4.3	(197)	(687)
Net loss from disposal/write off of:			
- Property, plant and equipment	A7	(823)	(21)
- Non-current assets classified as held for sale	C11/E2.2	-	(2,216)
Gain on recognition of finance lease		3,187	6,382
Insurance compensation		12,031	-
Service fee income		2,155	-
Exchange differences and others		6,326	772
		<u>22,962</u>	<u>4,975</u>

A3.7 *Selling, administrative and operating expenses*

	Notes	2021 US\$'000	2020 US\$'000
Employee benefit expenses:			
Salaries and bonuses		62,223	81,112
Pension scheme contributions		928	1,676
Share-based payment expenses		267	680
Legal and professional fees		29,080	26,742
Audit fee		4,642	4,857
Other fees paid to auditors		225	382
Depreciation	C2.2	615	1,101
Depreciation related to ROU assets – office premises	C2.2	2,324	5,826
Lease payments not included in the measurement of lease liabilities:			
- Low value leases		106	94
- Short-term leases		250	321
Others		10,571	17,205
		<u>111,231</u>	<u>139,996</u>

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SECTION A: PERFORMANCE

A4 FINANCE INCOME AND COSTS

A4.1 *Significant accounting policies*

Interest income and expenses are recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash flows through the expected life of the financial instruments to the net carrying amount of the instruments. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). Finance income also includes gain on repurchase of bonds.

A4.2 *Net finance costs*

	Notes	2021 US\$'000	2020 US\$'000
Interest income:			
Bank deposits		441	1,337
Long-term loans		10,368	16,960
Net investment in lease	C7.2	<u>970</u>	<u>493</u>
		11,779	18,790
Gain on repurchase of bonds	D4.3	<u>-</u>	<u>76,864</u>
		<u>11,779</u>	<u>95,654</u>
Interest expense:			
Bank debts		(24,847)	(1,113)
Lease liabilities	D3.3	(5,538)	(10,916)
Bonds		<u>(150,802)</u>	<u>(159,277)</u>
		<u>(181,187)</u>	<u>(171,306)</u>
Net finance costs		<u>(169,408)</u>	<u>(75,652)</u>

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SECTION A: PERFORMANCE

A5 TAXATION

A5.1 *Significant accounting policies*

Income tax comprises current and deferred tax. Income tax relating to items recognised outside the consolidated income statement is recognised either in other comprehensive income or directly in equity. Income tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Currently enacted tax rates are used to determine deferred tax assets and liabilities. The principal temporary differences arise primarily from tax losses carried forward, compensation and other accruals, tax depreciation and amortisation in excess of related book accounting, and joint venture investment. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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SECTION A: PERFORMANCE

A5 TAXATION (continued)

A5.1 *Significant accounting policies (continued)*

Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

A5.2 *Significant accounting judgements and estimates*

Income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes worldwide. There are certain transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the consolidated income statement in the period in which such determination is made.

Deferred tax assets

Deferred tax assets are recognised for all deductible book-tax temporary differences and unused tax losses and tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Uncertain tax position and tax-related contingency

Uncertain tax positions, for which a provision of US\$13.79 million (2020: US\$15.32 million) has been made, relate principally to the interpretation of tax legislation regarding arrangements entered into by the Group. Due to the uncertainty associated with such tax items, there is a possibility that, on conclusion of open tax matters at a future date, the final outcome may differ significantly.

In situations where the Group concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the Group shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates. The Group shall reflect the effect of uncertainty for each uncertain tax treatment by using either of the following methods, depending on which method the entity expects to better predict the resolution of the uncertainty:

- (a) the most likely amount—the single most likely amount in a range of possible outcomes. The most likely amount may better predict the resolution of the uncertainty if the possible outcomes are binary or are concentrated on one value.

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SECTION A: PERFORMANCE

A5 TAXATION (continued)

A5.2 *Significant accounting judgements and estimates (continued)*

Uncertain tax position and tax-related contingency (continued)

(b) the expected value—the sum of the probability-weighted amounts in a range of possible outcomes. The expected value may better predict the resolution of the uncertainty if there is a range of possible outcomes that are neither binary nor concentrated on one value.

The provisions are measured at the best estimate of the amount expected to become payable, using a probability weighted assessment of different possible scenarios and the “most likely amount” method. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such matters and in certain cases based on specialist independent tax advice.

A5.3 *Tax*

The Group’s taxes on assessable profits have been calculated at tax rates prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Tax credit/(expense) in the consolidated income statement comprises the following:

	2021 US\$'000	2020 US\$'000
Provision current tax	(10,076)	1,079
Net deferred tax credit	<u>1,589</u>	<u>8,023</u>
	<u>(8,487)</u>	<u>9,102</u>

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SECTION A: PERFORMANCE

A5 TAXATION (continued)

A5.3 *Tax (continued)*

A reconciliation of the tax credit/(expense) of the Group applicable to loss before tax at applicable rates to the tax credit/(expense) for the year at the effective tax rate is as follows:

	2021 US\$'000	2020 US\$'000
Loss before tax	<u>(147,919)</u>	<u>(470,145)</u>
Tax credit at the applicable rates in the countries concerned	(16,984)	58,041
Income not subject to tax	14,200	7,406
Unrecognised deferred taxes	3,144	(10,915)
Non-deductible expenses*	(38,122)	(91,095)
Others	<u>29,275</u>	<u>45,665</u>
Tax (expense)/credit for the year	<u>(8,487)</u>	<u>9,102</u>

* Mainly represent impairments on investment in subsidiaries which are non-deductible

A5.4 *Deferred tax assets and liabilities*

Deferred tax assets have been recognised at 31 December 2021 and 2020 in respect of tax losses arising in different tax jurisdictions that are available for offsetting against future taxable profits of the group companies in which the losses arose.

In addition to the deferred tax assets recorded for tax losses, deferred tax assets and liabilities have been provided at 31 December 2021 and 2020 mainly for temporary differences arising from compensation and other accruals, tax depreciation and amortisation in excess of related book accounting, and investment calculated at prevailing applicable tax rates.

In evaluating whether it is probable that taxable profits will be earned in future accounting periods prior to any tax loss expiry, all available evidence was considered, including approved budgets, forecasts and analysis of historical operating results. These forecasts are consistent with those prepared and used internally for business planning and impairment testing purposes. Following this evaluation, the Group believes that it is probable that sufficient profits will be available to allow recognised deferred tax assets to be recovered. Jurisdictions for which significant deferred tax assets are recognised include Jamaica and Singapore, as of 31 December 2021 and 2020. Jamaica and Singapore allow indefinite carry forward of tax losses.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SECTION A: PERFORMANCE

A5 TAXATION (continued)

A5.4 *Deferred tax assets and liabilities (continued)*

Although the Group believes that as of 31 December 2021 and 2020, it was probable that sufficient profits would be available to allow recognised deferred tax assets to be recovered, it was possible that some, or all, of these deferred tax assets could be derecognised in a future period if the Group's forecasts and business plans are not achieved.

The Group has determined that it is not considered probable that sufficient taxable profits will be available against which to utilise certain tax losses in jurisdictions such as Indonesia, Singapore and the UK. These unrecognised tax losses may be carried forward indefinitely, except for those in Indonesia which may be carried forward for five years following the year the losses were incurred. Below is a summary of unrecognised deferred tax assets:

	2021 US\$'000	2020 US\$'000
Tax losses not benefited	2,362,839	2,460,267
Deferred tax assets not recognised in respect of such tax losses	<u>206,345</u>	<u>219,273</u>

The movements of the Group's deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Tax losses and credits carried forward US\$'000	Compensation accrual and others US\$'000	Total US\$'000
At 1 January 2020	84,407	9,833	94,240
Benefit recognised/(utilised) during the year:			
in the consolidated income statement	(690)	2,975	2,285
in the equity	-	1,309	1,309
At 31 December 2020 and 1 January 2021	<u>83,717</u>	<u>14,117</u>	<u>97,834</u>
Benefit recognised/(utilised) during the year:			
in the consolidated income statement	1,739	-	1,739
in the equity	1,541	(13)	1,528
At 31 December 2021	<u>86,997</u>	<u>14,104</u>	<u>101,101</u>

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SECTION A: PERFORMANCE

A5 TAXATION (continued)

A5.4 *Deferred tax assets and liabilities (continued)*

Deferred tax liabilities

	Investment and other US\$'000	Total US\$'000
At 1 January 2020	(1,840)	(1,840)
Liabilities discharged during the year: in the consolidated income statement	<u>1,840</u>	<u>1,840</u>
At 31 December 2020 and at 1 January 2021	-	-
Liabilities recognised during the year: in the consolidated income statement	<u>(150)</u>	<u>(150)</u>
At 31 December 2021	<u>(150)</u>	<u>(150)</u>

A6 EVENTS AFTER THE REPORTING PERIOD

- (ii) Subsequent to the year end, on 7 February 2022, the Group announced that it had completed the first stage of a deleveraging and reorganisation process. As a result, the ownership of the NTCL was transferred to a newly incorporated entity Noble Resources Trading Limited (“NRTL”).
- (iii) Following the successful completion of the second and final stage of deleveraging and reorganisation on 4 April 2022, which included:
- i. the NTCL’s ultimate holding company has been changed to NRTHL.
 - ii. Cancellation of the senior secured notes, Trading Co Notes (with a carrying amount of US\$628,787,000 as at 31 December 2021) (Note D4.3), including all outstanding principal and interest amounts in return for a new US\$350,000,000 loan instrument and 95.2% of the equity in Noble.
 - iii. Cancellation of the Trading Hold Co Notes (with a carrying amount of US\$355,690,000 as at 31 December 2021) (Note D4.3), including all outstanding principal and interest amounts in return for a 4.8% of the equity in Noble Resources and the agreement by certain holders of the Trading Hold Co Notes to withdraw the liquidation application they issued in respect of Trading Hold Co dated 20 January 2022.
 - iv. The Company no longer has any equity interest in the commodities trading business carried on by Trading Co and its subsidiaries, which is now wholly owned by Noble Resources, an unaffiliated company.
- (iv) On 17 June 2022, the Asset Co Bondholders approved that the 10% senior secured payment in kind (“PIK”) notes, Asset Co Notes (with a carrying amount of US\$549,761,000 as at 31 December 2021) due 20 June 2022 (Note D4.3) was extended the repayment date for a period of two years beyond the current repayment date to 20 June 2024.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SECTION A: PERFORMANCE

A7 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS – ADJUSTMENTS TO LOSS BEFORE TAX

	Notes	2021 US\$'000	2020 US\$'000
Depreciation	C2.2	37,871	64,407
Impairment/(reversal of impairment) of:			
- Property, plant and equipment	A3.5	(7,328)	1,190
- ROU assets	A3.5	(21,905)	28,364
- Mine properties	A3.5	-	5,333
- Joint ventures/associates	A3.5/A3.6	(668)	14,447
- Trade receivables	A3.4	5,033	12,434
- Prepayments, deposits and other receivables	A3.4	287	57,330
- Long-term loans	A3.4	1,049	57,005
- Short-term loans	A3.4	2,345	70,099
- Non-current assets classified as held for sale	A3.5	-	3,231
- Assets in subsidiaries classified as held for sale	A3.5	-	35,963
Fair value loss on equity instruments at FVTPL	A3.5	-	337
Loss/(gain) on disposal/write off of:			
- Property, plant and equipment	A3.6	823	21
- Non-current assets classified as held for sale	A3.6	-	2,216
- Subsidiaries	A3.5	(2,497)	125
- Associates	A3.5	(7,832)	-
Share of profits and losses of joint ventures/associates	C4.3/C4.5	27,819	(2,649)
Dividend income from equity instruments at FVOCI	A3.6	(283)	(745)
Share-based payment expenses	A3.7	267	680
Fair value adjustment of long-term loans	A3.3	(12,828)	32,718
Loss on freight forward agreement	A3.5	9,992	-
Gain on lease termination	A3.5	-	(118)
Gain on vessel novation adjustments	A3.5	(11,859)	-
Gain on deemed disposal of an associate	A3.5	(328)	(66)
Gain on recognition of finance lease	A3.6	(3,187)	(6,382)
Provision for legal claims	A3.5	1,843	21,533
(Reversal of)/provision for onerous contracts	A3.3	(397)	3,655
Net finance costs	A4.2	169,408	75,652
Others		(1,636)	-
		<u>185,989</u>	<u>476,780</u>

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SECTION B: WORKING CAPITAL MANAGEMENT AND TRADING POSITIONS

B1 TRADE RECEIVABLES

B1.1 *Significant accounting policies*

Trade receivables are financial assets at amortised cost which are held within a business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in Note A3.1. Such assets are subsequently carried at amortised cost using the effective interest method and are subject to ECL assessment. Gains and losses are recognised in the consolidated income statement when the trade receivables are derecognised or impaired, as well as through the amortisation process. Please refer to Note F1 for the accounting policy for the derecognition of financial assets which includes trade receivables.

The carrying amounts of trade receivables approximate to their fair values.

B1.2 *Significant accounting judgements and estimates*

Impairment

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group uses credit default and recovery data from external credit rating agencies to build its ECL provision matrix. These data are adjusted for aged receivables and mapped against the Group's internal credit ratings. Noble internal credit ratings are modelled from a forward-looking analysis of a counterparty's business and financial position and outlook and adjusted for any eligible credit enhancements received. The internal credit ratings for ECL calculation are ranged from AAA to D with AAA being the highest credit quality and D the lowest credit quality.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SECTION B: WORKING CAPITAL MANAGEMENT AND TRADING POSITIONS

B1 TRADE RECEIVABLES (continued)

B1.3 *Details of trade receivables*

	2021 US\$'000	2020 US\$'000
Trade receivables	353,640	325,484
Allowance for ECLs/provision for impairment	(114,453)	(109,420)
	<u>239,187</u>	<u>216,064</u>

Ageing analysis

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	2021				2020			
	Expected loss rate	Gross carrying amount US\$'000	Provision for allowance US\$'000	Net US\$'000	Expected loss rate	Gross carrying amount US\$'000	Provision for allowance US\$'000	Net US\$'000
Current	1.8%	228,253	4,148	224,105	2.7%	190,039	5,145	184,894
Overdue:								
< 30 days	12.5%	3,887	486	3,401	7.4%	4,496	331	4,165
31-60 days	13.6%	257	35	222	11.5%	708	82	626
61-90 days	14.3%	705	101	604	16.0%	1,615	259	1,356
>90 days	43.3%	7,504	3,248	4,256	29.5%	27,420	8,101	19,319
Individually impaired	94.2%	113,034	106,435	6,599	94.4%	101,206	95,502	5,704
		<u>353,640</u>	<u>114,453</u>	<u>239,187</u>		<u>325,484</u>	<u>109,420</u>	<u>216,064</u>

During the year, trade receivables of US\$4,637,000 (2020: US\$14,823,000) were impaired. ECL of US\$396,000 (2020: reversal of US\$2,389,000) on trade receivables were booked.

As at 31 December 2021, there were 48% (2020: 48%) of gross trade receivables with credit rating B, 21% (2020: 46%) of gross trade receivables with credit rating CCC and 3% (2020: 17%) of gross trade receivables with credit rating A. The remaining 28% (2020: 9%) fell between credit rating BB to BBB.

The Group has in place provisioning procedures for financial assets, under which trade receivables will be assessed for recoverability at the end of each reporting period as to whether there is any objective evidence that such receivable is impaired. The Group evaluates the concentration of risk with respect to trade receivables as low as its customers are located in several jurisdictions and industries and operate in largely independent markets. As stated in Note B6.1, the Group's risk management is responsible for counterparty payment and performance risk review. Additional information on the counterparty payment and performance risk management of the Group is provided in Note B6.3.

Trade receivables are non-interest-bearing and are generally on terms of 30 to 90 days.

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SECTION B: WORKING CAPITAL MANAGEMENT AND TRADING POSITIONS**B2 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES****B2.1 *Significant accounting policies***

Prepayments, deposits and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts. The carrying amounts of prepayments, deposits and other receivables approximate to their fair values because of short-term maturity. Please refer to Note F1 for the accounting policy of impairment of financial assets which includes prepayments.

A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Contract assets are transferred to receivables when the rights to consideration becomes unconditional. This usually occurs when the Group issues an invoice to the customer.

B2.2 *Significant accounting judgements and estimates*

Impairment is determined based on the evaluation of collectability and ageing analysis of deposits, other receivables and on the operation risk of the prepayment. Judgement is required in estimating the ultimate realisation of the prepayments, deposits and other receivables, including the current creditworthiness, the past repayment history of the relevant debtor and the operation risk of the counterparty. If the financial condition of debtors or counterparties of the Group were to deteriorate, resulting in an impairment of their ability to make payments, perform services, or provide products, additional allowances may be required.

B2.3 *Details of prepayments, deposits and other receivables*

	Note	2021 US\$'000	2020 US\$'000
Trade and other prepayments		95,900	66,696
Deposits and other receivables		24,176	21,190
Current portion of long-term loans	C6.3	59,165	58,266
Contract assets*		1,774	1,447
		<u>181,015</u>	<u>147,599</u>

* Contract balances related to contracts with customers within the scope of IFRS 15

In 2020, certain prepayments to trade counterparties were written down to the recoverable amount of US\$10,800,000 due to severe delays in mining production with some of the suppliers. Credit provisions were deemed necessary to account for the potential recoveries issues. The impairment loss of US\$290,000 (2020: US\$57,371,000) was recognised in the consolidated income statement. ECL reversal of US\$3,000 (2020: reversal of US\$41,000) on contract assets and charge of US\$197,000 (2020: reversal of US\$497,000) on amounts due from joint venture and associates were booked.

Contract assets primarily relate to the Group's right to consideration for chartering contracts completed but not yet billed at reporting date. Contract assets are transferred to receivables when the rights become unconditional.

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SECTION B: WORKING CAPITAL MANAGEMENT AND TRADING POSITIONS**B3 INVENTORIES****B3.1 *Significant accounting policies***General

Inventories principally comprise commodities held for trading and inventories that form part of the Group's normal purchase, sale or usage requirements for its manufacturing or processing activities.

All the inventories of the Group for commodity trading are measured at fair value less costs to sell, with changes in fair value less costs to sell recognised in the consolidated income statement in the period of the change. All the other inventories are stated at the lower of cost and net realisable value.

B3.2 *Details of inventories*

	2021 US\$'000	2020 US\$'000
Commodity inventories at fair value		
- Level 1	1	34,263
- Level 2	114,564	67,098
	<u>114,565</u>	<u>101,361</u>
Other inventories at the lower of cost and net realisable value	38,099	2,205
	<u>152,664</u>	<u>103,566</u>

The fair value of inventories at level 2 measurement uses observable market prices obtained from exchanges, traded reference indices or market survey services adjusted for relevant location and quality differentials. There are no significant unobservable inputs in the fair value measurement of such inventories.

Readily marketable inventories ("RMI")

RMI are certain commodity inventories (hedged or presold) which are readily convertible to cash because of their commodity characteristics, widely available markets and international pricing mechanisms. RMI are not a defined IFRS concept.

At 31 December 2021, RMI amounted to US\$83,090,000 (2020: US\$65,089,000), which represented 54% (2020: 63%) of total inventories, of which inventories in transit to customers were US\$Nil (2020: US\$1,703,000).

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SECTION B: WORKING CAPITAL MANAGEMENT AND TRADING POSITIONS**B4 TRADE AND OTHER PAYABLES AND ACCRUED LIABILITIES AND PROVISIONS****B4.1 *Significant accounting policies***General

Trade and other payables are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method. The carrying amounts of trade and other payables approximate to their fair values because of their immediate or short-term maturity.

A contract liability is recognised when the Group has not yet performed under the contract but has received payments from the customer. Contract liabilities are recognised as revenue once the Group performs under the contract.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that a future outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The provision for onerous contracts is calculated by taking the unavoidable costs that will be incurred under the contract and deducting any estimated revenues to be derived from the assets.

B4.2 *Significant accounting judgements and estimates*

The recognition and measurement of provisions for liabilities and charges requires significant judgement and the use of estimates about uncertain future conditions or events.

Estimates include the best estimate of the probability of outflow of economic resources, cost of settling a provision and timing of settlement. Judgements are required for inherently uncertain areas such as legal decisions (including external advice obtained), and outcome of regulator review.

B4.3 *Details of trade and other payables and accrued liabilities*

	2021	2020
	US\$'000	US\$'000
Trade payables (non-interest-bearing)	157,871	161,089
Other payables and accrued liabilities	137,028	119,364
Contract liabilities*	331	1,448
	<u>295,230</u>	<u>281,901</u>

* Contract balances related to contracts with customers within the scope of IFRS 15

Contract liabilities relate to the Group's obligation to provide chartering services for which the Group has received payments from customers. Contract liabilities are recognised as revenue once the Group performs under the contracts.

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SECTION B: WORKING CAPITAL MANAGEMENT AND TRADING POSITIONS

B4 TRADE AND OTHER PAYABLES AND ACCRUED LIABILITIES AND PROVISIONS
(continued)

B4.4 *Details of provisions*

	2021 US\$'000	2020 US\$'000
<u>Non-current</u>		
Provision for environment costs	35,258	34,359
<u>Current</u>		
Provision for onerous contracts	-	397
Provision for legal and indirect tax contingencies	54,245	61,715
	<u>89,503</u>	<u>96,471</u>

The movement of provisions to cover environmental costs, onerous contracts and legal and indirect tax contingencies which are detailed as below:

	Environmental costs US\$'000	Onerous contract US\$'000	Legal and indirect tax contingencies US\$'000	Total US\$'000
At 1 January 2020	31,458	4,905	77,824	114,187
Additional provisions made	2,901	4,613	21,533	29,047
Reclassification from tax payable	-	-	21,730	21,730
Utilised during the year	-	(9,121)	(59,377)	(68,498)
Exchange differences	-	-	5	5
At 31 December 2020 and at 1 January 2021	<u>34,359</u>	<u>397</u>	<u>61,715</u>	<u>96,471</u>
Additional provisions made	899	-	3,648	4,547
Reclassification from other accruals	-	-	487	487
Utilised during the year	-	(397)	(11,601)	(11,998)
Exchange differences	-	-	(4)	(4)
At 31 December 2021	<u>35,258</u>	<u>-</u>	<u>54,245</u>	<u>89,503</u>

The provision for environmental costs represents the potential costs to restore and rehabilitate lands which have been mined and fund the cost of disposal of residue arising from the processing of bauxite to alumina. The provision for onerous contracts represents the unavoidable costs of meeting these commitments and obligations after deducting the associated, expected future benefits and/ or estimated recoverable value. The provision for legal and indirect tax contingencies represents the potential costs of meeting the obligations arising from supply chain activities and transactions.

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SECTION B: WORKING CAPITAL MANAGEMENT AND TRADING POSITIONS

B5 COMMODITY AND OTHER DERIVATIVE FINANCIAL INSTRUMENTS

B5.1 *Significant accounting policies*

Derivative instruments

As a supply chain business operator, the Group enters into transactions in respect of commodity and other derivative instruments such as foreign exchange contracts (“FX”). Derivative instruments include commodity contracts which do not form part of the Group’s manufacturing or processing activities.

All derivative instruments are initially recognised at fair value on the date on which the contracts are entered into and are subsequently re-measured at fair value. Derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of a derivative instrument are recorded in the consolidated income statement in the cost of sales and services in the period of change unless the derivative instrument is designated as a cash flow hedge.

Commodity contracts

There are two categories of commodity contracts:

1. Physical commodity contracts (“physical contracts”), which include commodity forward purchase and sales contracts, offtake agreements and other commodity contracts.
2. Cash-settled commodity contracts (“cash-settled contracts”), which include commodity futures, options, swaps and forward freight agreements. In rare circumstances, the Group may deliver physical commodities to settle these contracts.

Certain business divisions of the Group are involved in the mining, manufacturing and processing of commodities. Commodity contracts that form part of the Group's normal purchase, sale or usage requirements for these activities are accounted for as executory contracts and are recorded as revenue or cost of sales and services when the delivery of the commodities has taken place. These contracts are not included as commodity derivatives in the consolidated statement of financial position.

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SECTION B: WORKING CAPITAL MANAGEMENT AND TRADING POSITIONS

B5 COMMODITY AND OTHER DERIVATIVE FINANCIAL INSTRUMENTS (continued)

B5.1 *Significant accounting policies (continued)*

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: based on quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: based on valuation techniques for which all inputs that are significant to the fair value measurement are observable, either directly or indirectly

Level 3: based on valuation techniques for which one or more inputs that are significant to the fair value measurement are unobservable

Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are determined to have occurred at the end of each reporting period.

B5.2 *Significant accounting judgements and estimates*

In determining the appropriate fair value of commodity and other derivative instruments classified as Level 2 or Level 3 in the fair value hierarchy, the Group makes use of valuation models. Following the requirements of IFRS, the Group makes maximum use of observable market data as inputs to these valuation models. Where observable market data is not available, the Group has to make use of management estimates for unobservable inputs to the models, and seeks to corroborate the estimates to available market data, or through back-testing against historical experience. The Group's governance process over the valuation process is described in detail in Note B5.5.

The Group books valuation adjustments for model uncertainty and these reflect the Group's view of what a market participant would consider when measuring a contract at fair value. As the Group has many contracts and each contract is different, the Group's policy is to make transaction specific valuation adjustments to reflect transaction specific risks.

When assessing whether a valuation is allocated to Level 2 or Level 3 in the fair value hierarchy, the Group assesses the significance of unobservable inputs in each transaction's valuation model, and where deemed significant allocates the transaction to Level 3. The approach adopted involves stressing the inputs and comparing the impact on the overall valuation at both an individual input and an aggregate basis when there is more than one unobservable input against a significance threshold. The Group uses a 15% significance threshold for this purpose.

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SECTION B: WORKING CAPITAL MANAGEMENT AND TRADING POSITIONS

B5 COMMODITY AND OTHER DERIVATIVE FINANCIAL INSTRUMENTS (continued)

B5.3 Details of commodity and other derivative financial instruments

The following table shows the breakdown of the Group's fair value gains and losses on commodity contracts and derivative financial instruments recorded in current assets and liabilities as at 31 December 2021 and 2020:

	Analysis by maturity (in US\$'000)				Analysis by fair value hierarchy (in US\$'000)			Total US\$'000
	< 1 year	1 to 2 years	2 to 3 years	3 to 4 years	> 4 years	Level 1	Level 2	
2021								
Current assets:								
Trading	87,145	-	-	-	-	-	87,145	-
Physical contracts	1,291	49	-	-	-	1,340	-	-
Cash-settled contracts	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
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	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
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	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
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	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
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	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
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	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
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	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
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	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-
	1,291	49	-	-	-	1,340	-	-
	88,436	49	-	-	-	1,340	87,145	-
Total								
	87,145	-	-	-	-	-	87,145	-

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SECTION B: WORKING CAPITAL MANAGEMENT AND TRADING POSITIONS

B5 COMMODITY AND OTHER DERIVATIVE FINANCIAL INSTRUMENTS (continued)

B5.3 Details of commodity and other derivative financial instruments (continued)

	Analysis by maturity (in US\$'000)				Analysis by fair value hierarchy (in US\$'000)			Total US\$'000
	< 1 year	1 to 2 years	2 to 3 years	3 to 4 years	> 4 years	Level 1	Level 2	
2020								
Current assets:								
Trading								
Physical contracts	71,322	-	-	-	-	71,322	-	71,322
Cash-settled contracts	10,323	233	-	-	10,556	-	-	10,556
Total	81,645	233	-	-	10,556	71,322	-	81,878
Current liabilities:								
Trading								
Physical contracts	(48,012)	-	-	-	-	(48,012)	-	(48,012)
Cash-settled contracts	(9,285)	25	-	-	(9,260)	-	-	(9,260)
Total	(57,297)	25	-	-	(9,260)	(48,012)	-	(57,272)
Net financial assets	24,348	258	-	-	1,296	23,310	-	24,606
Percentage of total net financial assets	99%	1%	n/a	n/a	5%	95%	n/a	100%

During the years ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. No netting arrangements were in place during the period.

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SECTION B: WORKING CAPITAL MANAGEMENT AND TRADING POSITIONS

B5 COMMODITY AND OTHER DERIVATIVE FINANCIAL INSTRUMENTS (continued)

B5.4 Fair value disclosures

The following table provides information about the fair valuation techniques and inputs used:

Valuation method	Underlying financial instruments	Key inputs
Level 1 Quoted prices in active markets	Cash-settled contracts	Quoted prices in active market
Level 2 Discounted cash flows	Physical contracts/ cash-settled contracts	Volume of the contract and the forward price which is either a flat price or a basis (premium or discount) plus the respective commodity index price applicable to the contracts. The future cash flows are discounted at a risk-adjusted discount rate
Discounted cash flows	Cash-settled contracts	Current commodity price and creditworthiness of the counterparties and the Company which are observable in the market
Level 3 Discounted cash flows	Physical contracts/ cash-settled contracts	Inflation rate ^{*1} Forward price curve ^{*2} Premium for quality and location ^{*3} Discount for quality and location ^{*3}

The paragraphs below describe key unobservable inputs to Level 3 contracts:

- *1 For the valuation of long-term contracts where observable prices are not available, the Group estimates that nominal prices will move in accordance with inflation rates.
- *2 Forward price curves for long dated and illiquid commodities have been projected based on the Group's best estimates. Where possible, broker consensus, third party consensus, market publications, and a combination of above sources have been used in developing these forward price curves.
- *3 Premium or discounts for quality and location reflect a price adjustment for specific characteristics of a commodity that more accurately depicts the asset or liability being measured. For certain commodity contracts, this adjustment is unobservable and significant to the overall valuation of the contract. The Group makes use of historical data and available market data to make appropriate estimates on a consistent basis for its contracts.

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SECTION B: WORKING CAPITAL MANAGEMENT AND TRADING POSITIONS**B5 COMMODITY AND OTHER DERIVATIVE FINANCIAL INSTRUMENTS (continued)****B5.4 Fair value disclosures (continued)**Level 3 analysis

Favourable and unfavourable changes are determined on the basis of sensitivity analysis. The sensitivity analysis measures the impact on the Level 3 contract fair values with regard to reasonable alternative assumptions for unobservable inputs. The Group takes into account the nature of the valuation technique employed and exercises judgement on the available observable and historical data in arriving at reasonable alternative assumptions. As the carrying value is nil, sensitivities have not been presented.

The Group's current policy is to reassess and make any required transfers between levels in the fair value hierarchy at the end of each reporting period.

There was no transfer of contracts between Level 2 and Level 3 in 2021 and 2020.

The Group estimates the future cashflows of its physical derivative contracts using model inputs and assumptions based on the contractual terms. This gross nominal value is the contractual undiscounted value before any adjustments are made for discounting and prior to the application of reserves and other valuation adjustments. The gross nominal valuation includes assumptions about longer dated commodity forward curves which are conservative when assessed against actual prices. The gross nominal value is discounted using market-based discount rates to determine a gross discounted value. The governance procedures described below are used, additional reserves and valuation adjustments are then applied to determine the fair value.

The following table shows the breakdown of gross nominal and discounted values and the fair value on level 3 commodity contracts recorded in current assets as at 31 December 2021 and 2020:

	2021 US\$'000	2020 US\$'000
<i>Trading – physical contracts</i>		
Gross nominal value	<u>1,116,795</u>	<u>1,116,945</u>
Gross discounted value	108,549	105,972
Reserves	<u>(108,549)</u>	<u>(105,972)</u>
Fair value	<u>-</u>	<u>-</u>

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SECTION B: WORKING CAPITAL MANAGEMENT AND TRADING POSITIONS**B5 COMMODITY AND OTHER DERIVATIVE FINANCIAL INSTRUMENTS (continued)****B5.4 *Fair value disclosures (continued)***Level 3 analysis (continued)

Level 3 contracts require recurring fair value measurement. The change in Level 3 balances during the year was as follows:

	2021 US\$'000	2020 US\$'000
At 1 January	-	-
Realised during the year	(733)	(222)
Unrealised profit/(loss) during the year	3,313	(18,409)
Reserve (transferred from)/released to the consolidated income statement	<u>(2,580)</u>	<u>18,631</u>
At 31 December	<u>-</u>	<u>-</u>

B5.5 *Governance over valuation processes*Governance structure

The Group has a structured governance and oversight framework in respect of the fair valuation of financial instruments and commodity contracts. It manages its fair valuation methodology and key inputs through governance committees at the business and management committee level:

Audit Committee ("AC")

The AC reviews the fair value information packed on a quarterly basis. The pack covers an analysis of the portfolio by maturity and accounting classification (Level 2 and 3 as defined by IFRS 13), standardised depiction of the gross value of cash flows, the unadjusted net present value and the reserves taken in deriving the adjusted net present value for major contracts.

Weekly Management Committee ("WMC")

The purpose of the WMC is to review day to day business activities, review of credit, operations, finance, insurance, investor relations, and legal. It assumes delegated authority of previous Operations Committee, credit decisions of the earlier Group Risk Committee, the Asset Liability Committee and the Investor Relations Committee. This committee includes representatives from the Management Committee, Finance, Operations and the Credit Risk team.

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SECTION B: WORKING CAPITAL MANAGEMENT AND TRADING POSITIONS

B5 COMMODITY AND OTHER DERIVATIVE FINANCIAL INSTRUMENTS (continued)

B5.5 *Governance over valuation processes (continued)*

Accounting and valuation policy

The Group has established its accounting and valuation policy for its commodity and other derivative financial instruments. These policies are approved by the Group CFO and Group Controller. Please refer to Note B5.1 for a detailed description of the accounting policy and Note B5.2 for the management judgements and estimates required to apply the accounting and valuation policy of commodity and other derivative financial instruments.

Regular reporting and management review

All adjustments in fair valuation are reviewed by senior finance management on a quarterly basis. Individual finance managers are required to validate their valuation adjustments on a monthly basis and ensure that these adjustments are recalculated appropriately. Valuation adjustments and reserves for the structured transactions are presented as part of the monthly management reporting pack. This is distributed to senior finance management on a monthly basis and reviewed in detail at a quarterly meeting prior to the quarterly AC meeting. Any exceptions to the fair valuation policy are also noted in the management review pack. All new and material changes to reserves and valuation adjustments must be presented to and approved monthly by the Group CFO and the Group Controller.

Segregation of duties

Different departments in the Group are involved in producing inputs to the valuations and taking steps to ensure the accuracy of both inputs and outputs:

- Front Office executes the transactions and works with Product Control and Research to agree a fair valuation methodology.
- Daily forward curves are uploaded into Allegro through automated feeds from third party approved market sources.
- Product Control reviews the daily marks through the daily P&L process where new trades P&L and P&L changes due to market moves are reviewed. Any significant P&L movements are investigated and variances to traders' expectation are explained and agreed with the Front Office.

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SECTION B: WORKING CAPITAL MANAGEMENT AND TRADING POSITIONS

B6 FINANCIAL RISK MANAGEMENT

B6.1 *General*

The Group will take and accept risk in the pursuit of its strategic objectives. All potential risks need to be identified and the following principles adhered to before risks are taken:

1. Risks will be taken within defined risk tolerance levels
2. Risks will be approved by defined accountable officers within an approved risk management governance process and framework
3. Risks should be monitored and managed on a regular basis

The Group is exposed to a number of financial risks due to its business activities of trading commodities including commodity price risk, counterparty payment and performance risk; inventory and supply chain risk; geopolitical and jurisdictional risk; foreign exchange and interest rate risk; and liquidity and funding risk.

The roles and responsibilities for risk management across the Group are defined under a three lines of defense model as follows:

1. First Line of Defense – the businesses and functions engaged in or supporting revenue-generating activities that generate the risks that Noble is prepared to take and accept
2. Second Line of Defense – the control functions independent of the first line of defense that provide oversight, approval and challenge of risk management. The second line of defense is responsible for the design and implementation of the risk management framework and processes of the Group
3. Third Line of Defense – the independent assurance provided by Internal Audit on the effectiveness of processes and controls that support the first and second line activities. Its role is defined and overseen by the Audit Committee of the Board.

First Line of Defense

Day-to-day risk taking by the businesses and functions engaged in or supporting revenue-generating activities within a defined risk management framework and in consultation with the Second line of Defense control functions is the key to effective financial risk management in the Group.

Second Line of Defense

Under the Second Line of Defense, the Board and its relevant sub-Committee have assigned responsibility and accountability for ensuring effective management of the identified financial risks to accountable executives in control functions and management committees.

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SECTION B: WORKING CAPITAL MANAGEMENT AND TRADING POSITIONS

B6 FINANCIAL RISK MANAGEMENT (continued)

B6.1 **General (continued)**

Third Line of Defense

The Internal Audit function is outsourced to independent auditing firms. As required, these firms perform periodic reviews of the effectiveness of the various risk management frameworks and independently assesses the adequacy of the design of controls and their operating effectiveness.

B6.2 **Commodity price risk**

Part of the physical commodity trading business' margins is driven by the underlying commodity prices as often marketing and offtake fees are set as a percentage of the commodity price. The Group has various long-term marketing and offtake contracts in its portfolio resulting in some long-term commodity price risk. The Group is susceptible to basis risks that may arise from imperfect hedges of physical versus paper. Certain commodities are subject to higher degrees of illiquidity and not subject to normal market risk measures. To manage such price risks, the Group carefully monitors and manages the open commodity positions by using forward physical contracts and/or derivatives.

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SECTION B: WORKING CAPITAL MANAGEMENT AND TRADING POSITIONS

B6 FINANCIAL RISK MANAGEMENT (continued)

B6.3 Counterparty payment and performance risk

The Group has an exposure to counterparty payment and performance risk through trade receivables, prepayments, financings to suppliers or customers and contract assets. A failure by a counterparty to (i) pay for products the Group has delivered, (ii) default on a loan repayment or (iii) deliver / take receipt of products Noble has sold / bought, may result in a loss to the Group in the event that the commodity cannot be recovered or a price move has resulted in a higher replacement cost for the contract.

The Group has a Credit Risk Policy & Process that mandates the approval of all credit limits to allow the following exposures:

- Settlement Limits – trade receivables from the sale of commodities that are delivered prior to payment
- Pre-Finance Exposure – loans or prepayments of cash for commodities yet to be delivered
- Mark to Market – limits to capture potential price risk exposures and the cost of replacing a contract in the market should a counterparty not perform

Each counterparty is assigned an internal credit rating following an analysis of the financial and operating position of the counterparty. The credit rating is reviewed periodically depending on the circumstances of counterparty. Each counterparty has defined credit limits which, along with exposures, are captured in the Group’s credit systems.

In managing counterparty risk, the Group has established overall portfolio limits based on the exposure type, tenor, internal credit rating categories, geographical nature and revenue generating unit.

Monitoring is undertaken by the risk function of counterparty limit breaches, overdue payments or performance conditions and appropriate action is initiated.

Where possible, the Group will make use of credit enhancements such as collateral or transfer such risks through bank letters of credit or credit insurance. The Group may be required to retain a small portion of the counterparty risk in conjunction with the transfer of the risk.

	2021 US\$'000	2020 US\$'000
Maximum exposure covered by credit insurance	-	7,517
Parent guarantees received from parent companies of counterparties	<u>723,540</u>	<u>741,818</u>

The Weekly Management Committee performs a monthly review of the credit portfolio and expected outlook.

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SECTION B: WORKING CAPITAL MANAGEMENT AND TRADING POSITIONS**B6 FINANCIAL RISK MANAGEMENT (continued)****B6.4 *Inventory and supply chain risk***

Products in transit or in storage can be subject to volume and quality loss or potentially theft. This would result in partial or full loss compared to the original purchase cost.

To partially mitigate the inventory and supply chain risk, all providers of services in the supply chain such as agents, transport companies, storage facilities are approved by the Group's operations department which may include a physical site inspection.

The Group's contracts contain clauses for acceptable levels of quality of products and penalties should that commodity quality not meet stipulated standards.

Where possible, the Group will make use of insurance to transfer such risks. The Group may be required to retain a small portion of the inventory risk in conjunction with the transfer of the risk.

B6.5 *Geopolitical and jurisdictional risk*

The Group transacts in various jurisdictions that have less developed or unstable political, legal and regulatory regimes. A change in government policy may lead to, amongst others, (i) expropriation and/or (ii) a significant impact on the ability and cost to import and export products or (iii) impact the overall regional or global underlying product prices.

The Board has approved region limits and the Weekly Management Committee is delegated to review the exposures on a monthly basis. Risk to a new jurisdiction requires approval from the Weekly Management Committee.

B7 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS – WORKING CAPITAL CHANGES

	2021 US\$'000	2020 US\$'000
(Increase)/decrease in trade receivables	(28,159)	218,138
Decrease in prepayments, deposits and other receivables	3,330	10,652
Decrease in net fair value gains/losses in commodity and other derivative financial instruments	31,002	33,541
(Increase)/decrease in inventories	(49,099)	80,148
Increase/(decrease) in trade and other payables and accrued liabilities	6,924	(182,844)
	<u>(36,002)</u>	<u>159,635</u>

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SECTION C: INVESTMENTS

C1 INVESTMENT ACTIVITIES

The Group's investment in supply chain assets includes investment in property, plant and equipment, mine properties, joint ventures, associates, equity and loans.

C2 PROPERTY, PLANT AND EQUIPMENT

C2.1 *Significant accounting policies*

Property, plant and equipment are stated at cost less accumulated depreciation (except for freehold land) and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

The Group recognises ROU assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. For details of measurement of lease liability, please refer to Note D3.1. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets are subject to impairment.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment (other than freehold land) to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Leasehold land and building	2 ^{1/2} % or over the terms of the leases, if shorter
Leasehold improvements	Over the terms of the leases
Vessels	4%
Plant and equipment	5% to 33 ^{1/3} %
Motor vehicles	20% to 33 ^{1/3} %
ROU assets	Over the terms of the leases

Depreciation related to vessels, alumina and production activities is charged to the cost of sales and services in the consolidated income statement. Depreciation other than those used for production activities is charged to the selling, administrative and operating expenses in the consolidated income statement.

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SECTION C: INVESTMENTS

C2 PROPERTY, PLANT AND EQUIPMENT (continued)

C2.1 *Significant accounting policies (continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

The residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at least at each statement of financial position date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Assets under development represent land and buildings, computer systems under development and other plant and equipment, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Assets under development are reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

At the end of the reporting period in accordance with IAS 36 the Group assessed if there were any factors that may indicate an asset was impaired. The significant movement in market rates over the course of the year for certain sized vessels indicated the need for an impairment assessment to be performed.

As the Covid-19 situation intensifies around the globe, global economy have been adversely affected resulting in downward movement of shipping rates over the course of the year for certain size vessels. This indicated the need for an impairment assessment to be performed for the ROU assets under the freight segment of the Group.

The recoverable amount of the affected ROU assets was calculated by reference to expected future revenue streams discounted at 9.75% (2020: 9.75%) compared to the carrying value of the assets. This resulted in an impairment charge for the year ended 31 December 2021 of US\$21.9 million (2020: US\$24.4 million).

For the Group's vessel, reference was taken to an independent market valuation of the vessel which resulted in a vessel's carrying value being reversed by US\$7.3 million for the year ended 31 December 2021 (2020: impaired of US\$0.6 million). Based on the significant inputs used, the vessels are categorised as Level 3 within the fair value hierarchy.

Note F1 sets out the accounting policy for impairment of non-financial assets which include property, plant and equipment.

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SECTION C: INVESTMENTS

C2 PROPERTY, PLANT AND EQUIPMENT (continued)

C2.2 *Details of property, plant and equipment*

	ROU Assets											
	Land and buildings US\$'000	Leasehold improvements US\$'000	Vessels US\$'000	Plant and equipment US\$'000	Motor vehicles US\$'000	Assets under development US\$'000	Office premises US\$'000	Warehouse US\$'000	Equipment US\$'000	Vessels US\$'000	Motor vehicles US\$'000	Total US\$'000
Cost:												
At 1 January 2020	143,771	1,305	38,070	41,555	123	28,519	13,042	-	6,948	100,943	65	374,341
Additions	-	273	-	344	23	8,925	2,021	-	83	28,312	-	39,981
Asset transfers	10,025	-	-	2,220	-	(12,245)	-	-	-	-	-	-
Lease modification	-	-	-	-	-	-	1,537	3,176	-	9,667	-	14,380
Disposal/write off	(713)	-	-	(113)	-	-	(1,899)	-	-	-	-	(2,725)
At 31 December 2020 and 1 January 2021	153,083	1,578	38,070	44,006	146	25,199	14,701	3,176	7,031	138,922	65	425,977
Additions	-	8	591	42	-	6,008	-	-	-	-	-	6,649
Asset transfers	3,386	-	-	1,935	-	(5,321)	-	-	-	-	-	-
Lease modification	-	-	-	-	-	-	1,708	-	-	292	-	2,000
Disposal/write off	(525)	-	-	(298)	-	-	-	-	-	(94,326)	-	(95,149)
At 31 December 2021	155,944	1,586	38,661	45,685	146	25,886	16,409	3,176	7,031	44,888	65	339,477

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

SECTION C: INVESTMENTS

C2 PROPERTY, PLANT AND EQUIPMENT (continued)

C2.2 *Details of property, plant and equipment (continued)*

	ROU Assets											
	Land and buildings US\$'000	Leasehold improvements US\$'000	Vessels US\$'000	Plant and equipment US\$'000	Motor vehicles US\$'000	Assets under development US\$'000	Office premises US\$'000	Warehouse US\$'000	Equipment US\$'000	Vessels US\$'000	Motor vehicles US\$'000	Total US\$'000
Accumulated depreciation and impairment:												
At 1 January 2020	10,539	683	14,310	7,307	39	-	5,175	-	2,253	31,123	5	71,434
Provided during the year	10,111	479	870	6,674	51	-	5,826	-	2,253	38,122	21	64,407
Impairment	389	-	580	205	16	-	776	3,176	-	24,412	-	29,554
Disposal/write off	-	-	-	-	-	-	(1,090)	-	-	-	-	(1,090)
Exchange adjustments	74	(23)	-	51	25	-	(98)	-	-	-	-	29
At 31 December 2020 and 1 January 2021	21,113	1,139	15,760	14,237	131	-	10,589	3,176	4,506	93,657	26	164,334
Provided during the year	9,307	271	869	6,018	5	-	2,324	-	2,279	16,777	21	37,871
Impairment	-	-	(7,336)	8	-	-	-	-	-	(21,905)	-	(29,233)
Disposal/write off	-	-	-	-	-	-	-	-	-	(45,989)	-	(45,989)
Exchange adjustments	27	(22)	-	28	-	-	36	-	-	-	-	69
At 31 December 2021	30,447	1,388	9,293	20,291	136	-	12,949	3,176	6,785	42,540	47	127,052
Net book value:												
At 31 December 2020	131,970	439	22,310	29,769	15	25,199	4,112	-	2,525	45,265	39	261,643
At 31 December 2021	125,497	198	29,368	25,394	10	25,886	3,460	-	246	2,348	18	212,425

NOBLE GROUP HOLDINGS LIMITED

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SECTION C: INVESTMENTS

C2 PROPERTY, PLANT AND EQUIPMENT (continued)

C2.2 *Details of property, plant and equipment (continued)*

Land and buildings – at cost

	2021 US\$'000	2020 US\$'000
<i>Country</i>		
Jamaica	153,552	150,692
India	1,937	1,937
Others	455	454
	<u>155,944</u>	<u>153,083</u>

Vessels

As at 31 December 2021, a vessel with a net carrying amount of US\$29,368,000 (2020: US\$22,310,000) was mortgaged to secure certain loans. The Group has an obligation to repay the loans and there are no other significant terms and conditions associated with the use of collateral.

Assets under development – at cost

	2021 US\$'000	2020 US\$'000
Land and buildings	11,790	12,660
Other plant and equipment	14,096	12,539
	<u>25,886</u>	<u>25,199</u>

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SECTION C: INVESTMENTS

C3 MINE PROPERTIES

C3.1 *Significant accounting policies*

(i) Pre-exploration costs

Pre-exploration costs are expensed in the year in which they are incurred.

(ii) Acquisition costs

The fair value of all consideration paid to acquire an unproven mineral interest is capitalised, including amounts due under option agreements. Consideration may include cash, loans or other financial liabilities, and equity instruments including common shares and share purchase warrants. Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognised and capitalised, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Group, exploration and evaluation assets in respect of that project are deemed to be impaired. As a result, those exploration and evaluation assets, in excess of estimated recoveries, are written off to the consolidated income statement.

As the Group currently has no operational income from the mine, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalised exploration costs.

(iii) Mines under Construction - Development costs

If an unproven mineral interest is determined to be economically feasible, then costs incurred to develop the mineral interest, including additional exploration and evaluation costs relating to the mineral interest, are capitalised. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

(iv) Depletion

If a mineral interest is put into commercial production, then any related capitalised costs will be depleted using the units-of-production method.

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SECTION C: INVESTMENTS**C3 MINE PROPERTIES (continued)****C3.2 Significant accounting judgements and estimates****(i) Title to exploration and evaluation assets**

Although the Group has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Group's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

(ii) Impairment of exploration and evaluation assets

In accordance with IFRS 6 *Exploration for and Evaluation of Mineral Resources*, management is required to assess impairment in respect of the intangible exploration and evaluation assets. In making the assessment, management is required to make judgements on the status of each project and the future plans towards finding commercial reserves. The nature of the exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

C3.3 Details of mine properties

	Note	Mine Exploration and Properties 2020 US\$'000
Cost:		
At 1 January 2020		4,882
Exploration costs during the year		802
Impairment during the year	A3.5	(5,333)
Exchange differences		<u>(351)</u>
At 31 December 2020, at 1 January 2021 and at 31 December 2021		<u><u>-</u></u>

The Group's exploration and evaluation assets include licenses, development of access roads and costs incurred in exploration of mineral resources. The Group decided to terminate the explorations and operations of the mines and appointed an advisor to explore sale options. The exercise did not result in any firm bids for the assets or shares, and the debts were assigned for a nominal consideration, following which creditors voluntary liquidation proceedings were commenced. The Group therefore fully impaired these assets.

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SECTION C: INVESTMENTS

C4 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

C4.1 *Significant accounting policies*

An associate is an entity in which the Group has a long-term interest and over which it is in a position to exercise significant influence. Significant influence is the ability to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is an arrangement whereby the parties participating in control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates (except Harbour) and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Investments in Harbour is stated in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of comprehensive income.

Adjustments are made to bring into line any dissimilar accounting policies between the Group and the investee that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures are included in the consolidated income statement and consolidated statement of comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the ECL model to such other long-term interests where applicable).

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated income statement.

31 December 2021

SECTION C: INVESTMENTS

C4 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

C4.1 *Significant accounting policies (continued)*

The share of results of associates and joint ventures are included in the Group's consolidated income statement.

On disposal of joint ventures or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the remaining attributable amount of goodwill and any relevant reserves, as appropriate.

Loans to joint ventures and associates are classified and measured as financial asset at amortised cost. Loans which have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and held in a business model to hold and collect contractual cash flows are classified at amortised cost. Such assets are subsequently carried at amortised cost using the effective interest method and are subject to impairment assessment. Gains and losses are recognised in the consolidated income statement when the loan receivables are derecognised or impaired, as well as through the amortisation process. Reversals of impairment losses on debt instruments are reversed through the consolidated income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the consolidated income statement.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Note F1 sets out the accounting policy for impairment of non-financial assets which includes impairment of joint ventures and associates.

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SECTION C: INVESTMENTS

C4 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

C4.2 *Significant accounting judgements and estimates*

Investment in associates

The Group has exercised judgement in determining whether it has significant influence over its investees where its equity interest is less than 20% based on a number of different factors, including, but not limited to the following:

- (a) representation on the Board of Directors or equivalent governing body of the investee;
- (b) participation in the policy-making processes;
- (c) material transactions between the Group and the investee;
- (d) an interchange of managerial personnel; or
- (e) provision of essential technical information.

In accordance with the exemption within IAS 28 *Investments in Associates and Joint Ventures*, the Group does not account for Harbour using the equity method. Instead, the Group has elected to measure Harbour at fair value through profit and loss. This approach is permitted due to the business model of Asset Co.

The fair value is determined with reference to the Harbour Energy plc's period end publicly listed share price. There are no significant unobservable inputs in the fair value measurement of such investment.

If any associate or joint venture has not issued its audited financial statements for the year ended 31 December 2021, for the purpose of the Group's equity accounting, the Group will estimate the share of result from the associate or joint venture based on their latest available management accounts.

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SECTION C: INVESTMENTS

C4 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

C4.3 Investments in joint ventures

	Share of net assets US\$'000	Long-term balances* Due from/to joint ventures US\$'000	Total US\$'000
At 1 January 2020	14,184	622	14,806
Share of loss	(264)	-	(264)
Provision for impairment**	(5,195)	(1)	(5,196)
Refund of capital	(745)	-	(745)
Change in long-term balances	-	(885)	(885)
Provision for ECL	-	(1,184)	(1,184)
Exchange difference	(6)	-	(6)
At 31 December 2020 and at 1 January 2021	7,974	(1,448)	6,526
Share of profits	165	-	165
Provision for impairment**	(241)	-	(241)
Dividend received	(1,545)	-	(1,545)
Change in long-term balances	-	1,448	1,448
At 31 December 2021	6,353	-	6,353

* These balances are unsecured, interest-free and have no fixed terms of repayment. The Group considers them to be repayable on demand, and has consequently not taken account of the time value of money in determining the carrying value. The Group does not expect them to be repaid within the next twelve months.

** Please refer to Note C4.6 for the details of impairment assessment on investments in joint ventures.

Particulars of the joint ventures, which are indirectly held by the Company, are as follows:

Name	Statutory auditor	Place of incorporation/ registration	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
Acme Venture Limited	*2	Hong Kong	50	50	50	Ship operator
Comvest Resources Pte. Ltd.	*2	Singapore	50	50	50	Commodities trading and investments
Nice Venture Limited	*2	Hong Kong	50	50	50	Ship operator
Padma Shipping Limited	*2	Hong Kong	50	50	50	Ship operator
Watt Power Limited (under liquidation)	*2	United Kingdom	75	50	75	Developer of power generation assets
YN Energy Pty Ltd ("YN Energy")	*1	Australia	50	50	50	Coal supply and trading

List of statutory auditors

*1 Deloitte Touche Tohmatsu

*2 No statutory audit requirement

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SECTION C: INVESTMENTS

C4 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

C4.3 *Investments in joint ventures (continued)*

A material joint venture

YN Energy

The Group owns 50% of YN Energy and accounted for it in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses, as an investment in a joint venture.

A summary of YN Energy's income statement is as follows:

	2021 US\$'000	2020 US\$'000
Revenue	330,855	135,309
Cost of sales and services	(328,395)	(135,311)
Other income net of other expenses	(177)	170
Selling, administrative and operating expenses	(641)	(702)
Profit/(loss) before tax	1,642	(534)
Taxation	(492)	146
Profit/(loss) for the year and total comprehensive income for the year	<u>1,150</u>	<u>(388)</u>
Group's share of profit/(loss) for the year	<u>166</u>	<u>(216)</u>

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SECTION C: INVESTMENTS

C4 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

C4.3 *Investments in joint ventures (continued)*

A material joint venture (continued)

YN Energy (continued)

A reconciliation of the Group's interest in the joint venture to its statement of financial position is as follows:

	2021 US\$'000	2020 US\$'000
Current assets, including cash and cash equivalents of US\$26,108,000 (2020: US\$13,338,000)	64,410	19,891
Non-current assets	164	657
Current liabilities	<u>(56,795)</u>	<u>(13,919)</u>
Net assets	7,779	6,629
Goodwill recorded in consolidated financial statements	<u>-</u>	<u>-</u>
Net assets, excluding goodwill	7,779	6,629
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the joint venture	3,890	3,315
Acquisition fair value adjustments <Note>	7,400	7,400
Impairment in joint venture	(3,941)	(3,941)
Other adjustments	<u>(1,031)</u>	<u>(622)</u>
Carrying amount of the investment	<u><u>6,318</u></u>	<u><u>6,152</u></u>

<Note> Fair value adjustment arising on acquisition of the NRL Group.

Other joint ventures

The following table summarises the aggregate financial information of the joint ventures which management considered are not individually material:

	2021 US\$'000	2020 US\$'000
Share of loss of joint ventures and total comprehensive loss of joint ventures	<u><u>(1)</u></u>	<u><u>(48)</u></u>

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SECTION C: INVESTMENTS**C4 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)****C4.4 *Investment in a joint operation***

The Group has an interest in one unincorporated joint arrangement. The Group classified the joint arrangement as joint operation and recognises its share of assets held jointly and liabilities incurred jointly. The details of the joint operation as at 31 December 2021 and 2020 are as follows:

Name of partnership	Country of incorporation and place of business	Principal activities	Proportion (%) of ownership interest	
			2021	2020
Jamalco	Jamaica	Bauxite mining and Alumina production	55%	55%

C4.5 *Investment in associates*

	Share of net assets US\$'000	Associates held at FVTPL US\$'000	Long-term balances* Due from associates US\$'000	Total US\$'000
At 1 January 2020	31,790	384,383	3,154	419,327
Share of loss	(5,491)	-	-	(5,491)
Share of other comprehensive income	537	-	-	537
Fair value adjustment	-	8,404	-	8,404
Provision for impairment**	(8,565)	-	-	(8,565)
Transfer of previous equity accounted investment to equity instrument at FVOCI	(810)	-	-	(810)
At 31 December 2020 and at 1 January 2021	17,461	392,787	3,154	413,402
Share of loss	(2,807)	-	-	(2,807)
Share of other comprehensive income	82	-	-	82
Fair value adjustment	-	(25,177)	-	(25,177)
Reversal of impairment**	1,106	-	-	1,106
Disposal	(10,305)	-	-	(10,305)
Transfer of previous equity instrument at FVOCI to equity accounted investment	24,120	-	-	24,120
At 31 December 2021	<u>29,657</u>	<u>367,610</u>	<u>3,154</u>	<u>400,421</u>

* These balances are unsecured, interest-free and have no fixed terms of repayment. The Group considers them to be repayable on demand, and has consequently not taken account of the time value of money in determining the carrying value. The Group does not expect them to be repaid within the next twelve months.

** Please refer to Note C4.6 for the details of impairment assessment on investments in associates.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SECTION C: INVESTMENTS

C4 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

C4.5 *Investments in associates (continued)*

Particulars of the associates, which are indirectly held by the Company, are as follows:

Name	Statutory auditor	Place of incorporation/ registration	Percentage of equity attributable to the Group		Principal activities	Market value based on listed stock price as at 31 December	
			2021	2020		2021	2020
						US\$'000	US\$'000
<u>Listed</u>							
Aspire Mining Limited (“Aspire”)	*1	Australia	13.1	13.1	Coal exploration	3,760	5,886
Resource Generation Limited (“Resgen”)	*2	Australia	- ^Δ	13.7	Coal mining	- ^Δ	3,928 [#]
Xanadu Mines Ltd (“XML”)	*3	Australia	N/A	- ^Δ	Coal exploration	N/A	- ^Δ
Mkango Resources Ltd. (“Mkango”)	*4	Canada	32.4	-	Rare earth investment	29,079	-
<u>Unlisted</u>							
Harbour LP	*5	Cayman Islands	20.6	20.6	Oil and gas investment	N/A	N/A
EIG Harbour	*5	Cayman Islands	33.3	33.3	Provision of management services	N/A	N/A
Lancaster Exploration Limited (“Lancaster”)	*6	British Virgin Islands	-	49.0	Rare earth investment	N/A	N/A
Terminales Portuarias del Pacifico, S.A.P.I. de C.V. (“TPP”)	*5	Mexico	20.0	20.0	Mineral and steel terminal	N/A	N/A
Northern Infrastructure Limited (f.k.a Northern Mongolia Railway Limited)	*6	British Virgin Islands	20.0	20.0	Building, operating and transferring a railway line in Mongolia	N/A	N/A

List of statutory auditors

*1 HLB Mann Judd

*2 BDO Audit Pty Ltd

*3 Ernst & Young

*4 BDO LLP

*5 PwC

*6 No statutory audit requirement

[#] Trading suspended in 2020.

^Δ The Group had lost the capacity to exercise significant influence over the associate and had reclassified them to equity instrument at FVOCI. Deemed gain on disposal of US\$328,000 (2020: US\$66,000) was recognised in the gain/(loss) on supply chain assets.

Although the Group held less than 20% of the ownership interest and voting rights in certain of the above associates, it has considered that it exercises significant influence through its material commercial and financial transactions and representation on the Board of Directors and Board committees of these associates.

On 5 August 2021, Mkango announced the proposed acquisition 49% interest in Lancaster and 24.5% interest in Maginito in a £13 million share transaction (equivalent to 54,166,666 common shares at a placing price of £0.24 per share) with Talaxis Limited (“Talaxis”), one of the subsidiaries of the Group. Gain on disposal of US\$7,832,000 was recognised during the year in the gain/(loss) on supply chain assets. As a result of the transaction, Mkango owns 100% of the shares of Lancaster and 100% of the shares of Maginito and Talaxis’s shareholding in Mkango have increased from 11.3% to 32.6%. The Group reclassified Mkango to investments in associates from equity instrument at FVOCI.

NOBLE GROUP HOLDINGS LIMITED

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31 December 2021

SECTION C: INVESTMENTS

C4 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

C4.5 *Investments in associates* (continued)

Material associates

Harbour LP and EIG Harbour

Harbour LP and EIG Harbour are associates acquired through the acquisition of NIHCL. The Group owns 20.63% of Harbour LP and 33.33% of EIG Harbour. Both are accounted for in the consolidated statement of financial position at fair value through profit or loss, as investments in associates.

The Group's interest in the material associates' financial position is as follows:

	2021 US\$'000	2020 US\$'000
<u>Harbour LP</u>		
Current assets	1,396,498	1,602,740
Current liabilities	<u>(3,738)</u>	<u>(2,927)</u>
Net assets	<u>1,392,760</u>	<u>1,599,813</u>
Total (loss)/income	<u>(81,336)</u>	<u>35,656</u>
(Loss)/profit and total comprehensive income for the year	<u>(82,147)</u>	<u>34,654</u>
<u>EIG Harbour</u>		
Current assets	<u>174,865</u>	<u>188,603</u>
Net assets	<u>174,865</u>	<u>188,603</u>
Total income	<u>20,537</u>	<u>22,388</u>
(Loss)/profit and total comprehensive income for the year	<u>(13,738)</u>	<u>4,232</u>

On October 6, 2020, Premier Oil plc ("Premier") and Harbour Energy announced that they reached agreement with Harbour Energy's UK operating company Chrysaor Holdings Limited ("Chrysaor") regarding a proposed all share merger between Premier and Chrysaor. The transaction has received all the necessary regulatory approval subsequent to the year end. On 31 March 2021, the share merger between Premier and Chrysaor was completed and Premier has changed its name from Premier Oil plc to Harbour Energy plc with effect from 31 March 2021. Harbour Energy plc's shares were readmitted to trading on the London Stock Exchange on 1 April 2021. The transaction does not impact the fair value of Harbour as at 31 December 2020.

As of 31 December 2021, the investment in associates transferred to Level 2. As of 31 December 2020, the investment was classified as Level 3.

31 December 2021

SECTION C: INVESTMENTS**C4 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)****C4.5 *Investments in associates (continued)***Material associates (continued)

As of 31 December, 2021, the period end publicly listed share price of Harbour Energy plc was used in determining the fair value of the Harbour LP and EIG Harbour (“the Partnership”)’s investment in the Company. There are no significant unobservable inputs in the fair value measurement of such investment.

Quantitative information of significant unobservable inputs – Level 3

As of 31 December 2020, a discount rate of 20.0% and an exit multiple of 4.0x EBITDA was used in the discounted cash flow valuation model in determining the fair market value of Harbour’s sole level 3 asset, Chrysaor. As of December 31, 2020, in addition to the Chrysaor investment, the Company also held accounts receivable, prepaid expenses, accounts payable and accrued liabilities. The carrying value of these assets and liabilities approximate their fair value.

Commodity price estimates are based on observable forward inputs extending up to 5 years. In the event the projected life expectancy of the investment extends beyond what is observable in the forward markets, an inflation rate is used to calculate forward inputs. Oil and gas prices are sourced from the New York Mercantile Exchange or appropriate alternative based on an investment’s specific profile. Continued downward pressure on oil and gas prices could adversely affect the overall valuation of the Partnership’s portfolio.

Sensitivity analysis to significant changes in unobservable inputs – Level 3

An increase in exit EBITDA multiple of 0.5x would lead to an increase of approximately US\$37.5 million in the value of the investments. A decrease in exit EBITDA multiple of 0.5x would lead to a decrease of approximately US\$44.4 million in the value of the investments.

Level 3 reconciliation

A reconciliation of the opening and closing Level 3 recurring fair value balances is provided below:

	2021 US\$'000	2020 US\$'000
At 1 January	392,787	384,383
Transfer out of Level 3	(392,787)	-
Fair value adjustment	-	8,404
At 31 December	<u>-</u>	<u>392,787</u>

NOBLE GROUP HOLDINGS LIMITED

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SECTION C: INVESTMENTS

C4 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

C4.5 *Investments in associates (continued)*

Other associates

The following table summarises the aggregate financial information of the associates which management considered are not individually material:

	2021 US\$'000	2020 US\$'000
Share of loss of associates excluding material associates	(2,807)	(5,491)
Share of other comprehensive income of associates excluding material associates	<u>82</u>	<u>537</u>
Share of total comprehensive loss of associates excluding material associates	<u>(2,725)</u>	<u>(4,954)</u>

C4.6 *Impairment assessment on investments in joint ventures and associates*

The Group performs impairment tests on its investments in joint ventures and associates when an indicator of impairment exists on a regular basis or if the investment included goodwill on an annual basis. These impairment tests take into account the joint ventures' and associates' operational performance, market values and carrying amounts. Set out below are the details of the impairment charge during 2021 and 2020 together with the details of impairment assessment.

Description	2021 US\$'000	2020 US\$'000	Details of impairment assessment
<u>Joint ventures</u>			
YN Energy	-	3,941	The JV didn't manage to meet the 2020 budget and with the new future cash flow forecast, the equity value was re-assessed and accordingly an impairment of US\$3,941,000 was considered to bring down the value per the revised forecast.
Spinel Investments Limited	-	1,255	The Group assessed the expected future income streams and it was decided to wind down the JV. The Group received US\$745,000 and impaired the balance amount of US\$1,255,000 in its books, bringing the value of the investment to zero. Spinel Investments Limited and Spinel Investments Holdings Ltd have been dissolved at 14 January 2021.
Others	241	-	These impairment charges were driven by the Group's reassessment of expected future income streams.
	<u>241</u>	<u>5,196</u>	

NOBLE GROUP HOLDINGS LIMITED

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SECTION C: INVESTMENTS

C4 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

C4.6 *Impairment assessment on investments in joint ventures and associates (continued)*

Description	2021 US\$'000	2020 US\$'000	Details of impairment assessment
<u>Associates</u>			
Aspire	1,493	975	The Group has reassessed the value of the investment based on various factors such as the company's net book value as well as traded share price, in the absence of a value-in use model being available. The net carrying value post impairment is US\$3.8 million.
Northern Infrastructure Limited	-	2,030	Due to the delay in finding investors for the rail project, the Group has reassessed its investment and has been fully impaired.
Resgen	-	2,960	Post the trading halt on the listed equity shares of this investment, a further assessment was performed and the Group has taken a full impairment such that the year-end carrying value was impaired to zero.
Others	(2,599)	2,599	These impairment charges were driven by the Group's reassessment of expected future income streams.
	<u>(1,106)</u>	<u>8,564</u>	

31 December 2021

SECTION C: INVESTMENTS**C5 EQUITY INSTRUMENTS AT FVOCI****C5.1 *Significant accounting policies***

Upon initial recognition, the Group can elect to classify irrevocably its equity instruments as equity instruments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated income statement when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

The Group elected to classify irrevocably its equity instruments under this category.

C5.2 *Equity instruments at FVOCI*

	2021 US\$'000	2020 US\$'000
Listed equity securities, at level 1 fair valuation based on observable market prices:		
PT Atlas Resources TBK	5,311	8,540
PT Dana Brata Luhur	2,327	1,911
Tharisa plc	-	9,214
TerraCom Limited	-	9,110
Arafura Resources Limited	-	5,101
Mkango Resources Ltd.	-	3,576
XML	-	1,669
Others	196	2,705
	<u>7,834</u>	<u>41,826</u>
Unlisted equity instruments, at level 3		
Piran Resources Limited	2,375	2,375
Others	99	1,316
	<u>2,474</u>	<u>3,691</u>
Total of listed and unlisted equity instruments	<u>10,308</u>	<u>45,517</u>

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SECTION C: INVESTMENTS**C5 EQUITY INSTRUMENTS AT FVOCI (continued)****C5.2 *Equity instruments at FVOCI (continued)***

Equity instruments designated at FVOCI include investments in equity shares of listed and unlisted companies. The Group holds non-controlling interests (less than 20%) in these companies. These investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature. Changes in fair value of US\$1,537,000 in 2021 (2020: US\$18,440,000) were debited to the fair value reserve of equity instruments at FVOCI (non-recycling).

The following table provides information about fair value techniques and inputs used:

Valuation method	Underlying financial instruments	Key inputs
Level 1 Quoted prices in active markets	Equity instruments at FVOCI	Quoted prices in active markets
Level 3 Valuation of company based on implied value	Unlisted equity instruments at FVOCI	Valuation based on implied value with respect to a Memorandum of Understanding

The movement in fair value arising from reasonably possible changes to the significant unobservable inputs for Level 3 valuations was assessed as not significant.

During the years ended 31 December 2021 and 2020, there were no transfers between Level 2 and Level 3 fair value measurements.

During the years ended 31 December 2021, equity instruments designated at FVOCI of US\$26,455,000 (2020: US\$4,210,000) were disposed of at their fair value on the date of derecognition for US\$26,455,000 (2020: US\$4,210,000) because they were no longer aligned with the Group's investment strategy. At the date of derecognition, US\$6,378,000 (2020: US\$3,451,000) that was previously included in the fair value reserve of equity instruments at FVOCI (non-recycling) was transferred directly to retained profits during the year ended 31 December 2021. During the year, Mkango was reclassified from equity instruments at FVOCI to an associate as the Group exercise significant influence. At the date of reclassification, US\$5,308,000 that was previously included in the fair value reserve of equity instruments at FVOCI (non-recycling) was transferred directly to retained profits during the year ended 31 December 2021. No dividends were received from Yancoal and TerraCom Limited during the year (2020: received US\$328,000 and US\$157,000 respectively). Dividends of US\$283,000 was received on other equity instruments during the year (2020: US\$260,000).

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SECTION C: INVESTMENTS

C6 LOANS

C6.1 *Significant accounting policies*

Long-term loans include financial assets at amortised cost and financial assets at fair value. Loans which have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and held in a business model to hold and collect contractual cash flows are classified at amortised cost. Such assets are subsequently carried at amortised cost using the effective interest method and are subject to impairment assessment. Gains and losses are recognised in the consolidated income statement when the loan receivables are derecognised or impaired, as well as through the amortisation process. Reversals of impairment losses on debt instruments are reversed through the consolidated income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the consolidated income statement.

Long-term loans which have contractual terms which give rise to cash flows that are not solely payments of principal and interest on the principal amount outstanding and where the objective of the Group's business model is not achieved both by collecting contractual cash flows and selling financial assets are classified as at fair value through profit and loss. Long-term loans at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of comprehensive income.

Note F1 sets out the accounting policy for the derecognition and impairment of financial assets which includes long-term loans.

C6.2 *Significant accounting judgements and estimates*

Impairment assessment

Impairment is determined based on the evaluation of collectability and ageing analysis of each receivable and on management's judgement. A considerable amount of judgement is required in estimating the ultimate realisation of the receivables, including the current creditworthiness and the past repayment history of each receivable. If the financial condition of debtors of the Group was to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Fair values of long-term loan at FVTPL

The fair values of long-term loan at FVTPL that are not quoted in active markets are determined by using valuation techniques. Valuation techniques used include discounted cash flows analysis and models with built-in functions available in externally acquired financial. To the extent practical, the models use observable data. In addition, valuation adjustments may be adopted if factors such as credit risk are not considered in the valuation models. Management judgement and estimates are required for the selection of appropriate valuation parameters, assumptions and modeling techniques.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SECTION C: INVESTMENTS

C6 LOANS (continued)

C6.3 *Long-term loans*

The Group has made long-term loans to trade counterparties to secure strategic business partnerships and long-term purchase contracts in the ordinary course of business. Interest on the loans is at market rates. All long-term loans are under Trading Co.

	2021 US\$'000	2020 US\$'000
Long-term loans:		
Energy	183,520	178,439
Metals, Minerals and Ores	29,815	33,635
	<u>213,335</u>	<u>212,074</u>
Less: Current portion of long-term loans	(135,996)	(133,331)
	<u>77,339</u>	<u>78,743</u>
Less: Allowance for ECL	(70,069)	(63,750)
	<u>7,270</u>	<u>14,993</u>

The table below shows the credit quality based on the Group's internal credit rating system. For loans carried at amortised cost, it also shows the maximum exposure to credit risk and period-end stage classification, and the amounts presented being gross of impairment allowances. Details of the Group's policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note F1.

	2021					
	FVTPL US\$'000	Stage 1 US\$'000	Stage 2 US\$'000	Stage 3 ("POCI") US\$'000	Purchased or originated credit- impaired US\$'000	Total US\$'000
Internal rating grade						
Performing						
Investment grade	-	-	-	-	-	-
Sub-investment grade	44,848	15,082	2,000	-	-	61,930
Past due but not impaired	-	-	-	-	-	-
Non-performing						
Individually impaired	-	-	-	122,698	28,707	151,405
Total	<u>44,848</u>	<u>15,082</u>	<u>2,000</u>	<u>122,698</u>	<u>28,707</u>	<u>213,335</u>

NOBLE GROUP HOLDINGS LIMITED

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SECTION C: INVESTMENTS

C6 LOANS (continued)

C6.3 *Long-term loans (continued)*

Internal rating grade	2020					
	FVTPL US\$'000	Stage 1 US\$'000	Stage 2 US\$'000	Stage 3 US\$'000	POCI US\$'000	Total US\$'000
Performing						
Investment grade	-	-	-	-	-	-
Sub-investment grade	38,484	15,408	-	-	31,266	85,158
Past due but not impaired	-	-	-	-	-	-
Non-performing						
Individually impaired	-	-	-	124,655	2,261	126,916
Total	38,484	15,408	-	124,655	33,527	212,074

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to long-term loans is as follows:

	FVTPL US\$'000	Stage 1 individual US\$'000	Stage 2 individual US\$'000	Stage 3 US\$'000	POCI US\$'000	Total US\$'000
<u>Gross carrying amount</u>						
As at 1 January 2020	203,795	75,140	42,280	1,238	32,570	355,023
Interest capitalised	5,635	9,109	913	-	51	15,708
Loan balance previously written off	-	-	-	-	267	267
Amount repaid	(138,228)	(191)	-	(346)	(318)	(139,083)
Changes in fair value	(32,718)	-	-	-	-	(32,718)
Modification	-	12,963	-	(150)	-	12,813
Transfer between stages	-	(81,613)	(43,193)	124,806	-	-
Written off	-	-	-	(885)	-	(885)
Exchange difference	-	-	-	(8)	957	949
As at 31 December 2020 and at 1 January 2021	38,484	15,408	-	124,655	33,527	212,074
Interest capitalised	2,911	-	-	1,518	-	4,429
Loan balance previously written off	-	-	-	96	1,338	1,434
Amount repaid	(9,375)	(326)	(2,000)	(9,355)	(3,630)	(24,686)
Changes in fair value	12,828	-	-	-	-	12,828
Modification	-	-	4,000	5,784	-	9,784
Written off	-	-	-	-	(1,915)	(1,915)
Exchange difference	-	-	-	-	(613)	(613)
As at 31 December 2021	<u>44,848</u>	<u>15,082</u>	<u>2,000</u>	<u>122,698</u>	<u>28,707</u>	<u>213,335</u>

NOBLE GROUP HOLDINGS LIMITED

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SECTION C: INVESTMENTS

C6 LOANS (continued)

C6.3 *Long-term loans (continued)*

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to long-term loans is as follows: (continued)

	Stage 1 individual US\$'000	Stage 2 individual US\$'000	Stage 3 US\$'000	POCI US\$'000	Total US\$'000
<u>ECL</u>					
As at 1 January 2020	1,043	7,139	885	164	9,231
Charged during the year	21,639	3,751	71,940	30,041	127,371
Modification	-	-	2,037	-	2,037
Transfer between stages	(21,962)	(10,890)	32,852	-	-
Written off	-	-	(885)	-	(885)
Exchange difference	-	-	-	1,061	1,061
As at 31 December 2020 and at 1 January 2021	720	-	106,829	31,266	138,815
Charged during the year	1,821	93	2,944	(30)	4,828
Modification	-	-	5,784	-	5,784
Written off	-	-	-	(1,915)	(1,915)
Exchange difference	-	-	-	(612)	(612)
As at 31 December 2021	<u>2,541</u>	<u>93</u>	<u>115,557</u>	<u>28,709</u>	<u>146,900</u>

The following table provides information about fair value techniques and inputs used:

Valuation method	Underlying financial instruments	Key inputs
Level 2 Discounted cash flow	Fair value loans	Future cashflows of loans and interests discounted using the government bond risk free rate and counterparties' Credit Default Swap spread or of similar counterparties and sector

The increase in ECLs of the portfolio was driven by movements between stages as a result of increases in credit risk and a deterioration in economic conditions.

The maturity profile of the Group's long-term loans net of ECLs at the end of the reporting period is as follows:

	Note	2021 US\$'000	2020 US\$'000
Within one year	B2.3	59,165	58,266
1 - 2 years		7,270	9,273
2 - 5 years		-	5,720
Total		<u>66,435</u>	<u>73,259</u>

31 December 2021

SECTION C: INVESTMENTS

C7 NET INVESTMENT IN LEASE

C7.1 *Significant accounting policies*

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

The Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the rewards and risks and rewards incidental to ownership of an underlying assets to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the ROU asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

C7.2 *Net investment in lease*

In December 2017, a subsidiary of the Group (which was then a subsidiary of Noble Group Limited, the former ultimate holding company of the subsidiary before the scheme of arrangement on 20 December 2018 mentioned in Note A1) subleased a storage warehouse for the period from 1 January 2018 to 29 March 2021. The sub-lease was then extended from 30 March 2021 to 30 May 2022 in December 2020, resulting to an increase in the net investment in lease balance. The sub-lease agreement is on the same terms and conditions as set out in the head lease, hence, classified as a finance lease. The ROU asset relating to the head lease has been fully impaired as it is deemed to be not utilisable. Interest income on the net investment in lease during the year is US\$970,000 (2020: US\$493,000).

NOBLE GROUP HOLDINGS LIMITED

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SECTION C: INVESTMENTS

C7 NET INVESTMENT IN LEASE (continued)

C7.2 *Net investment in lease (continued)*

Set out below are the carrying amounts of the Group's net investment in lease and the movements during the year:

	Note	2021 US\$'000	2020 US\$'000
At 1 January		7,173	3,779
Lease modification		12,431	6,382
Accretion of interest recognised during the year	A4.2	970	493
Receipts		(13,566)	(3,698)
Exchange difference		(398)	217
At 31 December		<u>6,610</u>	<u>7,173</u>

The maturity analysis of the Group's undiscounted lease payments receivable under the finance lease at the end of the reporting period is as follows:

	2021		2020	
	Undiscounted lease payments US\$'000	Present value of minimum lease payments US\$'000	Undiscounted lease payments US\$'000	Present value of minimum lease payments US\$'000
Amounts receivable:				
Within one year	7,004	6,610	5,319	5,032
In the second year	-	-	2,417	2,141
Total minimum finance lease payments	<u>7,004</u>	<u>6,610</u>	<u>7,736</u>	<u>7,173</u>
Unearned finance income	<u>(394)</u>		<u>(563)</u>	
Total net investment in lease	6,610		7,173	
Portion classified as current assets	<u>(6,610)</u>		<u>(5,032)</u>	
Non-current portion	<u>-</u>		<u>2,141</u>	

As at 31 December 2021 and 2020, the Group has determined no ECL allowance is required in respect of the net investment in finance lease.

NOBLE GROUP HOLDINGS LIMITED

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SECTION C: INVESTMENTS

C8 CAPITAL COMMITMENTS

At 31 December 2021, the Group has entered into contracts to acquire certain construction assets of US\$16,540,000 (2020: US\$14,410,000) which have not been provided for in the consolidated financial statements.

C9 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

2021 Acquisition

The Group did not make any acquisition of subsidiaries during the year ended 31 December 2021.

2020 Acquisition

The Group did not make any acquisition of subsidiaries during the year ended 31 December 2020.

2021 Disposal

On 26 February 2021, the Group disposed of 100% of its interest in Omega Management (BVI) Limited and its subsidiaries, namely Omega Management Pte Ltd. and Omicron Marine Private Limited (collectively the “Omega Group”), for a consideration of US\$1.00*. The total carrying amounts of the assets and liabilities at the date of disposal are detailed below:

	US\$'000
Property, plant and equipment	18
Cash and cash equivalents	1,223
Trade receivables	123
Prepayments, deposits and other receivables	88
Trade and other payables and accrued liabilities	(1,508)
Tax payable	41
Equity value attributable to the Group	(15)
Gain on disposal	15
Consideration received	-

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the Omega Group is as follows:

	US\$'000
Cash consideration	-
Cash and cash equivalents disposed of	(1,223)
Net outflow of cash and cash equivalents in respect of the disposal	(1,223)

NOBLE GROUP HOLDINGS LIMITED

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SECTION C: INVESTMENTS

C9 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

2021 Disposal (continued)

On 28 May 2021, the Group disposed of 100% of its interest in Maylion Pty Limited and its 93% owned subsidiary, East Energy Resources Limited (collectively the “Maylion Group”), for a consideration of US\$386,000. The total carrying amounts of the assets and liabilities at the date of disposal are detailed below:

	US\$'000
Cash and cash equivalents	159
Prepayments, deposits and other receivables	69
Trade and other payables and accrued liabilities	(30)
Net assets	198
Exchange fluctuation reserves	(2,294)
Non-controlling interests	(22)
Equity value attributable to the Group	(2,118)
Gain on disposal	2,504
Consideration received	386

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the Maylion Group is as follows:

	US\$'000
Cash consideration	386
Cash and cash equivalents disposed of	(159)
Net inflow of cash and cash equivalents in respect of the disposal	227

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SECTION C: INVESTMENTS

C9 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

2020 Disposal

On 30 November 2020, the Group disposed of 100% of its interest in Vincitore Limited and its subsidiaries, namely Five Elements Value Fund Inc. and Noble Strategic Investors Pte. Ltd. (collectively the “Vincitore Group”), for a consideration of US\$1,000. The total carrying amounts of the assets and liabilities at the date of disposal are detailed below:

	US\$'000
Cash and cash equivalents	51
Equity value attributable to the Group	51
Loss on disposal	(50)
Consideration received	1

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the Vincitore Group is as follows:

	US\$'000
Cash consideration	1
Cash and cash equivalents disposed of	(51)
Net outflow of cash and cash equivalents in respect of the disposal	(50)

On 31 December 2020, the Group disposed of 100% of its interest in Very Happy Investments Limited (“Very Happy”), for a consideration of HK\$1.00. The total carrying amounts of the assets and liabilities at the date of disposal are detailed below:

	US\$'000
Cash and cash equivalents	-
Prepayments, deposits and other receivables	65
Tax recoverable	24
Other payables	(14)
Equity value attributable to the Group	75
Loss on disposal	(75)
Consideration received	-

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of Very Happy is as follows:

	US\$'000
Cash consideration	-
Cash and cash equivalents disposed of	-
Net outflow of cash and cash equivalents in respect of the disposal	-

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SECTION C: INVESTMENTS

C10 CONTINGENT LIABILITIES ASSOCIATED WITH INVESTING ACTIVITIES

C10.1 *Significant accounting judgements and estimates*

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

C10.2 *Regulatory Matters*

As previously reported, the Company's wholly-owned subsidiary, NRIPL, was the subject of an investigation by the Accounting and Corporate Regulatory Authority ("ACRA") relating to potential non-compliance with accounting standards. As announced by ACRA on 24 August 2022, the investigation is now completed. There are no penalties or fines being imposed on NRIPL. Consequently, no provision is deemed necessary to be made by NRIPL in relation to this matter.

The Group investigated certain historical commodity sale contracts related to the use of and payments to third-party agents. These investigations were conducted internally with the assistance of external legal counsel. Further details of these investigations have not been disclosed as they are subject to legal privilege. These investigations were concluded in 2021 and no provision has been recorded as at the end of the financial year. No contingent liability arising out of or related to this matter is deemed likely.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SECTION C: INVESTMENTS

C11 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS – CASH FLOWS FROM INVESTING ACTIVITIES

	Notes	2021 US\$'000	2020 US\$'000
Purchase of property, plant and equipment	C2.2	(10,236)	(14,358)
Purchase of non-current assets classified as held for sale	E2.2	-	(1,322)
Purchase of mine properties	C3.3	-	(802)
Proceeds from disposal of non-current assets classified as held for sale		-	39,506
Net cash outflow from disposal of subsidiaries	C9	(996)	(50)
Purchase of equity instruments at FVOCI	C5.2	-	(394)
Proceeds from refund of capital of a joint venture	C4.3	-	745
Proceeds from disposal of equity instruments at FVOCI	C5.2	26,455	4,210
Proceeds from repayment of long-term loans	C6.3	902	138,894
Dividend income from equity instruments at FVOCI	C5.2	283	745
Dividend income from joint ventures	C4.3	1,545	-
(Increase)/decrease in amounts due from joint ventures	C4.3	(1,448)	885
Receipt of net investment in lease:			
- Principal portion		12,596	3,205
- Interest portion		970	493
		<u>30,071</u>	<u>171,757</u>

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SECTION D: CAPITAL, FUNDING AND LIQUIDITY

D1 CAPITAL MANAGEMENT

D1.1 *General*

The Group's capital management focuses on ensuring the ability to continue as a going concern while providing an adequate return to the Group's shareholders and economic benefits for the Group's other stakeholders. The Group manages its capital structure and makes adjustments to it in consideration of factors including:

- (a) the nature of the Group's assets to be funded;
- (b) the assessment of the appropriate structure to fund the Group's business initiatives;
- (c) the availability and cost of various financing strategies;
- (d) the Company's credit quality; and
- (e) the impact of changes in liquidity and funding of its commercial activities.

The Group assesses the overall need for capital to be utilised in its business activities, taking into account the intended use of the capital. In addition, the Group considers the use of capital with respect to several factors including its cost, availability, and the ability to generate adequate returns on the invested capital. The Group's primary use of capital in 2021 was for working capital.

In order to adjust or maintain the capital structure, the Group may issue debt of either a fixed or floating nature, unsecured or secured, arrange committed or uncommitted debt facilities, issue new shares, adjust dividend payments, or consider investments in or the sale of assets or businesses.

As the Group pursues an asset light trading strategy, it will adjust its capital structure to reflect the increased need to fund short-term working capital assets.

Generally, the Group maintains a capital structure which is consistent with the nature of the assets to be funded by such capital and one that provides a solid consolidated statement of financial position. In order to ensure the adequacy of capital, the Group regularly assesses and quantifies the potential capital requirements with respect to working capital required for trading activities as well as new investment opportunities.

Capital is calculated as the total debt and equity which is available to the Group. At 31 December 2021, the Group calculated the sum of the total bank and capital market debt and equity capital of the Group to be US\$1,214,122,000 (2020: US\$1,216,658,000), consisting of US\$1,627,765,000 (2020: US\$1,467,043,000) of short and long-term debts, and US\$413,643,000 (2020: US\$250,385,000) of shareholder's deficit.

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SECTION D: CAPITAL, FUNDING AND LIQUIDITY

D2 CASH AND CASH EQUIVALENTS

D2.1 *Significant accounting policies*

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, cash provided to futures brokers to cover margin requirements, short-term time deposits and short-term liquid investments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are adjusted for cash provided to futures brokers which is not immediately available for use in the Group's business operations as it is covering fair value losses on futures positions and is not substitutable with alternative collateral.

The Group places cash with futures brokers to meet the initial and variation margin requirements in respect of its outstanding futures positions on commodity exchanges. The Group can also use credit facilities granted by these brokers or stand-by letters of credit to meet these requirements in lieu of cash. Accordingly, the Group regards such cash as part of its liquid cash that is used in its daily cash management. For the purpose of the consolidated statement of financial position, the whole amount of the cash balance with futures brokers is included as cash and cash equivalents. However, for the purpose of the consolidated statement of cash flows, only the portion of the cash balance with futures brokers that is immediately available for use in the business operations is included as cash and cash equivalents.

The carrying amounts of cash and cash equivalents approximate to their fair values because of their immediate or short-term maturity.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SECTION D: CAPITAL, FUNDING AND LIQUIDITY

D2 CASH AND CASH EQUIVALENTS (continued)

D2.2 *Cash and cash equivalents*

	Notes	2021 US\$'000	2020 US\$'000
Bank balances and short-term time deposits		169,026	240,282
Cash balances with futures brokers		19,178	8,848
Cash balances in collection accounts	D2.3	56,959	62,231
Restricted cash*		120,566	66,011
		<u>365,729</u>	<u>377,372</u>

* Restricted cash represents cash balances not immediately available for use in the Group's business operations. They are:

- cash with futures brokers earmarked to cover unrealised losses on futures contracts, and that cannot be replaced by alternative collateral arrangements such as stand-by letters of credit; and
- cash with security agents used to collateralise letters of credit and trade finance instruments that have been issued by the Group.

Cash at banks earns interest at floating rates based on bank deposit rates. Short-term deposits are made for varying periods of between one to three months (2020: one to three months) depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. At 31 December 2021, the original maturity periods of the short-term deposits was for two months (2020: three months) and the interest rate was 0.07% per annum (2020: 0.15% per annum).

The ECL for cash and cash equivalents is immaterial at year end.

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SECTION D: CAPITAL, FUNDING AND LIQUIDITY

D2 CASH AND CASH EQUIVALENTS (continued)

D2.3 *Collection accounts*

Collection accounts were established as part of the business separation arrangements on establishment of the Group as explained further in Note A1.

Master Collection Account

This is a segregated account in the name of Asset Co which is operated by NRIPL pursuant to a cash management agreement between Asset Co and NRIPL.

The Master Collection Account collects surplus cash from the Jamalco Collection Account and Vessels Collection Account, sales proceeds and loan repayments from Palm, and sales proceeds and distributions from Harbour, and makes payment of operating costs, reimbursable costs and fees on Palm and Harbour. Surplus cash in the Master Collection Account will be used for settlement of the bond issued by Asset Co and redemption of the preference shares.

Jamalco Collection Account

This is a segregated account in the name of Asset Co which is operated by NRIPL pursuant to a cash management agreement between Asset Co and NRIPL.

Amounts received in relation to the GRTA will be deposited to the Jamalco Collection Account. Payments of operating costs, capital expenditure costs, management fees and finance costs from the Jamalco Collection Account may only be made in accordance with a payment waterfall. A certain amount will be retained in the Jamalco Collection Account, and any surplus will be transferred to the Master Collection Account.

Vessels Collection Account

This is a segregated account in the name of Asset Co which is operated by NRIPL pursuant to a cash management agreement between Asset Co and NRIPL.

All amounts received in respect of the Vessels (including proceeds from disposal of vessels and charter income) must be deposited to the Vessels Collection Account. Payments of service fees, operating costs, and management fees from the Vessels Collection Account may only be made in accordance with a payment waterfall. Any surplus will be transferred to the Master Collection Account.

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SECTION D: CAPITAL, FUNDING AND LIQUIDITY

D3 LEASE LIABILITIES

D3.1 *Significant accounting policies*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable. The lease payments also include payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

D3.2 *Significant accounting judgements and estimates*

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the Group has an enforceable right to extend the lease term and the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Management has considered to exercise all extension options available in the lease contracts which have commenced, and therefore, all future cash outflows to which the Group is potentially exposed have already been reflected in the measurement of lease liabilities.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SECTION D: CAPITAL, FUNDING AND LIQUIDITY

D3 LEASE LIABILITIES (continued)

D3.2 *Significant accounting judgements and estimates (continued)*

Allocation of charter hire payments between lease and non-lease components

The Group separates lease and non-lease components for leases of charter contracts on vessels. For these contracts, the estimated non-lease component (daily running costs) is excluded from the ROU assets. Assessing the measurement of the non-lease component includes a significant accounting judgement. Non-lease items were determined by looking at the ship manager expenses and composed of items such as crew wages and expenses, insurance, spare parts and, these were classified as non-lease elements. The same percentage was applied to the vessel lease portfolio. The exercise is performed once a year near the year end.

D3.3 *Detail of lease liabilities*

	2021 US\$'000	2020 US\$'000
Current	14,348	42,656
Non-current	1,967	65,267
	<u>16,315</u>	<u>107,923</u>

Set out below are the carrying amounts of the Group's lease liabilities and the movements during the year:

	Notes	2021 US\$'000	2020 US\$'000
At 1 January		107,923	120,605
Addition for the year		-	35,270
Lease modification		11,245	13,381
Early termination of lease		(58,750)	(927)
Interest expense	A4.2	5,538	10,916
Payment of lease liabilities	D11	(48,896)	(72,883)
Exchange differences		(745)	1,561
At 31 December		<u>16,315</u>	<u>107,923</u>

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SECTION D: CAPITAL, FUNDING AND LIQUIDITY**D4 BANK DEBTS AND BONDS****D4.1 *Significant accounting policies***

Bank debts and bonds are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process.

Bank debts and bonds are derecognised upon settlement. Any gain or loss on settlement is recognised in the consolidated income statement in the year the liability is derecognised and is measured as the difference between the net cash used in retirement of the liability and the carrying amount of the relevant liability.

D4.2 *Bank debts*

	2021		2020	
	Average effective interest rate (%)	US\$'000	Average effective interest rate (%)	US\$'000
Current bank debts				
secured by vessels (Note C2.2)	3.0	5,345	3.7	1,137
secured by trade receivables	-	-	2.1	8,195
secured by all assets	0.6	84,491	-	-
unsecured loan	4.0	3,691	3.5	7,385
		<u>93,527</u>		<u>16,717</u>
Long-term bank debts				
secured by vessels (Note C2.2)	-	-	3.7	5,345
		<u>93,527</u>		<u>22,062</u>

All bank debts are denominated in USD. The maturity profile for bank debts is disclosed in Note D9.1.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SECTION D: CAPITAL, FUNDING AND LIQUIDITY

D4 BANK DEBTS AND BONDS (continued)

D4.3 *Bonds*

	2021 US\$'000	2020 US\$'000
<u>Current portion</u>		
US\$549,090,540 (2020: US\$Nil) bonds due 20 June 2022	549,761	-
<u>Non-current portion</u>		
US\$Nil (2020: US\$498,040,399) bonds due 20 June 2022	-	496,413
US\$631,236,329 (2020: US\$631,236,329) bonds due 20 June 2023	628,787	627,121
US\$360,287,247 (2020: US\$327,570,620) bonds due 20 December 2025	355,690	321,447
	<u>1,534,238</u>	<u>1,444,981</u>
Fair value	<u>946,309</u>	<u>942,599</u>

As at 31 December 2021 and 2020, the bonds were classified as Level 2 in the fair value hierarchy. The bonds were valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs.

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SECTION D: CAPITAL, FUNDING AND LIQUIDITY

D4 BANK DEBTS AND BONDS (continued)

D4.3 ***Bonds (continued)***

Noble New Asset Co Limited US\$549,090,540 (Originally US\$700,000,000) senior secured notes due 20 June 2022

In December 2018, Asset Co issued the Asset Co Notes. Interest is calculated and payable semi-annually in arrears. Asset Co is required to issue additional Asset Co Notes in lieu of cash interest due on each interest payment date (“PIK Interest”), as stipulated in the Terms and Conditions of the Asset Co Notes. The Asset Co Notes are guaranteed by certain subsidiaries of Asset Co and are secured by all of the assets of the Asset Co Group (other than any interests in the Harbour asset).

Asset Co has the right to redeem some or all of the principal amount of the Asset Co Notes at any time, upon not less than 10 nor more than 60 days’ prior notice, at a redemption price of 100%, plus accrued and unpaid interest, if any, stipulated in Terms and Conditions of the Asset Co Notes.

Asset Co made mandatory repayment of US\$40,130,000 of the Asset Co Notes as vessel sales were completed in 2019. Such Asset Co Notes were cancelled subsequent to the repayments in 2019.

On 13 February 2020, Asset Co made mandatory prepayment of the Asset Co Notes amounting to US\$17,224,000 of the principal amount in conformance with the Terms and Conditions of Asset Co Notes after the sales of the vessel M/V Ocean Sapphire.

According to a Supplemental Trust Deed signed on 5 May 2020, consent was granted by the holders of the Asset Co Notes pursuant to an Extraordinary Resolution for Asset Co to repurchase Asset Co Notes at a price lower than 100% of the principal amount, plus accrued and unpaid interest, if any.

On 25 June 2020, Asset Co made a tender offer to repurchase for cash the Asset Co Notes that it can repurchase for US\$50,000,000, from holders of the Asset Co Notes. On 29 July 2020, Asset Co repurchased an aggregate principal amount of US\$66,915,000 of Asset Co Notes at the purchase price approximately equal to 75.8% of the principal amount. The total purchase price paid by Asset Co was US\$50,733,000. The gain on redemption of Asset Co Notes of US\$16,182,000 was included in note A4 “finance income and costs” in the consolidated statement of comprehensive income.

On 25 August 2020, Asset Co made a tender offer to repurchase for cash the Asset Co Notes that it can repurchase for US\$40,000,000 (increased to US\$170,000,000 subsequently) from holders of the Asset Co Notes. On 6 October 2020, Asset Co repurchased an aggregate principal amount of US\$206,769,000 of Asset Co Notes at the purchase price approximately equal to 82.2% of the principal amount. The total purchase price paid by the Asset Co was US\$170,000,000, which included the proceeds from the sale of the vessel Ocean Garnet of US\$11,285,000. The gain on redemption of Asset Co Notes of US\$36,769,000 was included in Note A4 “finance income and costs” in the consolidated statement of comprehensive income.

During the year, Asset Co issued US\$51,049,000 (2020: US\$59,336,000) additional Asset Co Notes having an aggregate principal amount equal to the amount of interest that would have otherwise been payable in cash.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

SECTION D: CAPITAL, FUNDING AND LIQUIDITY

D4 BANK DEBTS AND BONDS (continued)

D4.3 ***Bonds (continued)***

Noble Trading Co Limited US\$631,236,329 (Originally US\$700,000,000) senior secured notes due 20 June 2023

In December 2018, Trading Co issued the Trading Co Notes which bears interest at the rate of a) 8.75% per annum from and including 20 December 2018 to 19 June 2020; and b) 9.75% per annum from and including 20 June 2020 to the maturity date. The Trading Co Notes are guaranteed by certain subsidiaries of Trading Co.

Trading Co may elect to pay up to 50% of the interest due, on each of the first two interest payment dates, by issuing additional Trading Co Notes having an aggregate principal amount equal to the amount of interest that would have otherwise been payable in cash.

Trading Co has the right to redeem some or all of the principal amount of the Trading Co Notes at any time, upon not less than 10 nor more than 60 days' prior notice, at a redemption price equal to the percentage of principal amount of the Trading Co Notes so redeemed set forth below, plus accrued and unpaid interest, if any stipulated in "Terms and Conditions of the Notes – Redemption and Purchase" in the Trust Deed.

Redemption Date	Redemption Price
On any date in the period from the Issue Date to 19 January 2020	101%
On any date in the period from 20 January 2020 to 19 January 2021	103%
On any date in the period from 20 January 2021 to 19 January 2022	102%
On any date in the period from 20 January 2022 to 19 January 2023	101%
On any date in the period from 20 January 2023 to the Maturity Date	100%

Trading Co repurchased US\$12,000,000 at a gain of US\$1,315,000, and made mandatory prepayments of US\$13,003,000 of the Trading Co Notes post receipt of NAC and NAGP Escrows (Definition refers to Trust Deed of Trading Co Bonds). Such Trading Co Notes were cancelled subsequent to the repurchases and prepayments in 2019.

On 25 August 2020, Trading Co made a tender offer to repurchase for cash the Trading Co Notes that it can repurchase for US\$50,000,000, from holders of the Trading Co Notes. On 29 September 2020, Trading Co repurchased an aggregate principal amount of US\$73,906,000 of Trading Co Notes at the purchase price approximately equal to 67.7% of the principal amount. The total purchase price paid by Trading Co was US\$50,000,000. The gain on redemption of Trading Co Notes of US\$23,906,000 was included in Note A4 "finance income and costs" in the consolidated statement of comprehensive income.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

SECTION D: CAPITAL, FUNDING AND LIQUIDITY

D4 BANK DEBTS AND BONDS (continued)

D4.3 ***Bonds (continued)***

Noble Trading Hold Co Limited US\$360,287,247 (originally US\$300,000,000) senior secured notes due 20 December 2025

In December 2018, Trading Hold Co issued the Trading Hold Co Notes which bears interest at the rate of a) 5% per annum from and including 20 December 2018 to 19 June 2020; and b) 9.75% per annum from and including 20 June 2020 to the maturity date.

Interest on the Trading Hold Co Notes may be paid in cash or by issuing additional Notes, as stipulated in the Terms and Conditions of the Notes.

Trading Hold Co has the right to redeem some or all of the principal amount of the Trading Hold Co Notes at any time, upon not less than 10 nor more than 60 days' prior notice, at a redemption price equal to the percentage of principal amount of the Trading Hold Co Notes so redeemed set forth below, plus accrued and unpaid interest, if any stipulated in "Terms and Conditions of the Notes – Redemption and Purchase" in the Trust Deed.

Redemption Date	Redemption Price
On any date in the period from the Issue Date to 19 January 2020	101%
On any date in the period from 20 January 2020 to 19 January 2021	103%
On any date in the period from 20 January 2021 to 19 January 2022	102%
On any date in the period from 20 January 2022 to 19 January 2023	101%
On any date in the period from 20 January 2023 to the Maturity Date	100%

Trading Hold Co repurchased US\$10,000,000 of the Trading Hold Co Notes due 2025 at a gain of \$2,592,000 in 2019. Such Trading Hold Co Notes were cancelled subsequent to the repurchases in 2019.

Trading Hold Co cancelled US\$7,000 of the Trading Hold Co Notes in 2020 and issued US\$32,717,000 (2020: US\$22,845,000) additional Trading Hold Co Notes during the year having an aggregate principal amount equal to the amount of interest that would have otherwise been payable in cash.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SECTION D: CAPITAL, FUNDING AND LIQUIDITY

D5 CAPITAL SECURITIES

2.5% US\$25,000,000 Perpetual Capital Securities

The Company issued perpetual capital securities with a par value of US\$25,000,000 for consideration worth zero on 21 December 2018, as part of the Scheme. US\$25,000,000 was transferred from the contributed surplus to the capital securities within equity on the same day.

The capital securities are perpetual and do not have a fixed redemption date. The distribution rate of the securities is 2.5% per annum, shall be payable once in each financial year on or prior to the date on which the Company proceeds with the payment of any dividend on its ordinary shares. The Company shall have no obligation to pay a distribution in any financial year if it elects not to pay any dividend on its ordinary shares. The Company may, on giving not more than 60 nor less than 10 days' notice to the holders in writing, redeem all but not some only of the securities in accordance with the terms and conditions of the securities.

In the event of a winding-up, the rights and claims of the holders in respect of the capital securities shall rank ahead of claims in respect of the Company's shareholders, but shall be subordinated in right of payment to the claims of all present and future unsubordinated obligations, except for obligations of the Company that are expressed to rank pari passu with, or junior to, its obligations under the capital securities.

D6 SHARE CAPITAL AND RESERVES

D6.1 *Significant accounting policies*

Capital securities distribution

The distribution on the capital securities is shown as a movement in retained profits within the equity section of the consolidated statement of financial position.

Treasury shares

Group equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. On sales, any difference between the carrying amount and the consideration received is recognised in equity.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SECTION D: CAPITAL, FUNDING AND LIQUIDITY

D6 SHARE CAPITAL AND RESERVES (continued)

D6.2 *Share capital*

	2021 US\$'000	2020 US\$'000
Authorised:		
700,000,000 (2020: 700,000,000) shares of US\$0.01 each, equivalent to US\$7,000,000 (2020: US\$7,000,000)	<u>7,000</u>	<u>7,000</u>
Issued and fully paid:		
663,761,605 (2020: 663,761,605) shares of US\$0.01 each, equivalent to US\$6,637,616 (2020: US\$6,637,616)	<u>6,638</u>	<u>6,638</u>

Notes:

(a) The movement in the Company's issued share capital during the year were:

	2021		2020	
	Share'000	US\$'000	Share'000	US\$'000
At 1 January and 31 December	<u>663,762</u>	<u>6,638</u>	<u>663,762</u>	<u>6,638</u>

(b) There were 3,766,009 shares held as treasury shares as at 31 December 2021 (2020: Nil). By excluding these treasury shares, the total number of issued shares as at 31 December 2021 was 659,995,596 (2020: 663,761,605) shares.

D6.3 *Contributed surplus*

The contributed surplus balance arises as a consequence of the restructuring transaction in December 2018. Following the transaction, the excess value of the shares acquired over the nominal value of the shares issued was credited to a contributed surplus account of the Company.

D6.4 *Reserves*

(a) Share-based payment reserve

The share-based payment reserve is the reserve accumulated for the cost of the share bonus paid for the purpose of providing incentives and rewards to eligible participants.

(b) Fair value reserve of equity instruments at FVOCI

The fair value reserve of equity instruments at FVOCI relates to the mark-to-market valuation of equity instruments at FVOCI.

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SECTION D: CAPITAL, FUNDING AND LIQUIDITY**D7 CONTINGENT LIABILITIES ASSOCIATED WITH FINANCING ACTIVITIES****D7.1 *Significant accounting policies***

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. As part of the Group's ordinary course of business, the Company issues bank guarantees accepting responsibility for the Company subsidiaries' contractual obligations.

D7.2 *Details of contingent liabilities – bank guarantees*

	2021	2020
	US\$'000	US\$'000
Guarantees given to the banks and financial institutions for banking facilities granted to subsidiaries	15,000	251,220
Amount of utilised banking facilities covered by guarantees	6,812	121,301
Parent guarantees for subsidiaries given to trade counterparties	<u>159,328</u>	<u>159,669</u>

D8 DIVIDENDS PAID AND PROPOSED**D8.1 *Significant accounting policies***

Dividends declared after the reporting period but before the consolidated financial statements are authorised for issue are not recognised as a liability in the consolidated statement of financial position.

D8.2 *Details of dividends paid and proposed*

No dividend was declared for the year ended 31 December 2021 (2020: nil).

D9 LIQUIDITY, INTEREST RATE AND FOREIGN CURRENCY RISK MANAGEMENT

The following analysis did not consider the impact from assets in subsidiaries classified as held for sale and non-current assets classified as held for sale.

D9.1 *Liquidity and funding risk*

A constraint in trade and hedge facilities could prevent us from transacting when required. Insufficient cash funds could lead to payment delays.

Exposures and availability under trade and hedging facilities and the day-to-day management of available liquidity and funding are managed by the Group Treasury and the Chief Operating Officer. Before any transaction is undertaken, the Business Units need to obtain clearance from the Treasury and the Chief Operating Officer for any funding or other facility usage.

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SECTION D: CAPITAL, FUNDING AND LIQUIDITY

D9 LIQUIDITY, INTEREST RATE AND FOREIGN CURRENCY RISK MANAGEMENT (continued)

D9.1 *Liquidity and funding risk (continued)*

At the WMC, the Business Unit heads discuss their forward-looking cash and other requirements.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2021 and 2020 based on contractual undiscounted payments.

	On demand and < 3 months US\$'000	3 – 12 months US\$'000	1 – 2 years US\$'000	2 – 5 years US\$'000	> 5 years US\$'000	Total US\$'000
<u>2021</u>						
Bank debts	84,780	8,747	-	-	-	93,527
Bonds	30,773	638,090	662,009	500,799	-	1,831,671
Total debts	115,553	646,837	662,009	500,799	-	1,925,198
Trade and other payables and accrued liabilities	268,232	26,998	-	-	-	295,230
Provisions	54,245	-	-	-	-	54,245
Fair value losses on commodity and other derivative financial instruments	67,682	37,261	(70)	-	-	104,873
Lease liabilities	9,645	8,613	2,082	48	-	20,388
Guarantees given in connection with facilities granted	6,812	-	-	-	-	6,812
Total	<u>522,169</u>	<u>719,709</u>	<u>664,021</u>	<u>500,847</u>	<u>-</u>	<u>2,406,746</u>
<u>2020</u>						
Bank debts	8,481	8,236	5,345	-	-	22,062
Bonds	-	61,546	634,292	1,149,270	-	1,845,108
Total debts	8,481	69,782	639,637	1,149,270	-	1,867,170
Trade and other payables and accrued liabilities	251,121	30,780	-	-	-	281,901
Provisions	62,112	-	-	-	-	62,112
Fair value losses on commodity and other derivative financial instruments	39,630	17,667	(25)	-	-	57,272
Lease liabilities	11,211	43,053	56,427	21,063	1,069	132,823
Guarantees given in connection with facilities granted	9,540	-	-	-	-	9,540
Total	<u>382,095</u>	<u>161,282</u>	<u>696,039</u>	<u>1,170,333</u>	<u>1,069</u>	<u>2,410,818</u>

D9.2 *Foreign exchange and interest rate risk*

The vast majority of Noble's transactions and activities are denominated in USD. However, part of the cost base (office leases, salaries, etc.) are paid for in local currencies. There are also some products where the buying and selling currencies are different or a currency exposure is created through the difference in the physical flow and a financial hedge. The Group has a policy of reducing its foreign currency risk from its trading activities.

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SECTION D: CAPITAL, FUNDING AND LIQUIDITY

D9 LIQUIDITY, INTEREST RATE AND FOREIGN CURRENCY RISK MANAGEMENT
(continued)

D9.2 *Foreign currency and interest rate risk (continued)*

The Group publishes its consolidated financial statements in USD and, as a result, it is also subject to foreign currency exchange translation risk in respect of the results and underlying net assets of its foreign operations whose functional currency is not USD. Net investments in foreign operations are long-term investments. Their fair value changes through movements in currency exchange rates. In the very long term, however, the difference in the inflation rate correlates to the currency exchange rate movements, so that the market value of the foreign non-monetary assets will compensate for the change due to currency movements. For this reason, the Group only hedges the net investments in foreign subsidiaries in exceptional circumstances.

A 0.5% strengthening of the currencies in the table below against the USD at 31 December 2021 and 2020 would have increased/(decreased) loss before tax and equity by the amounts shown below. The analysis assumes that all other variables remain constant.

	Loss before tax		Equity	
	Increase/(decrease)		Increase/(decrease)	
	Period from		2021	2020
	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000
AUD	151	141	(1,153)	(1,168)
CNY	464	397	403	481
EUR	(822)	(818)	-	-
JMD	92	78	-	-
MNT	(53)	(53)	(53)	14
	<u>(53)</u>	<u>(53)</u>	<u>(53)</u>	<u>14</u>

The Group's interest rate risk relates primarily to the Group's variable interest-bearing bank balances, floating interest bank debts and fixed interest-bearing bonds.

NOBLE GROUP HOLDINGS LIMITED

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SECTION D: CAPITAL, FUNDING AND LIQUIDITY

D10 PREFERENCE SHARES TO NON-CONTROLLING INTEREST IN A SUBSIDIARY

Asset Co issued 516,243,700 preference shares comprising 51,624,370 preference shares to NGHL and 464,619,330 preference shares to a major shareholder of NGHL.

All preference shares do not carry voting rights. The shareholders of preference shares are not entitled to receive dividends declared by Asset Co.

Following the repayment of the Asset Co Notes in full, any excess proceeds and cash flows from the disposal of the Asset Co Assets will be applied to redeem the preference shares. Asset Co has the right to acquire part or all of the preference shares held by other shareholders at the issue price or the remaining amount payable if prior payments have been made.

The preference shares are junior to all debt obligations of Asset Co and are preferred to all claims of equity holders of Asset Co in a liquidation.

D11 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS – CASH FLOWS USED IN FINANCING ACTIVITIES

	Notes	2021 US\$'000	2020 US\$'000
Interest paid on financing activities		(73,242)	(71,899)
Bank debts:			
– Additions		14,310	14,747
– Repayments		(19,141)	(8,498)
– Net movement of receivable purchase programme		(8,195)	(31,132)
– Net movement of payable discount programme		84,491	-
Payment of lease liabilities:			
- Principal portion	D3.3	(43,358)	(61,967)
- Interest portion	D3.3	(5,538)	(10,916)
Repurchase and redemption of bonds	D4.3	-	(288,210)
		<u>(50,673)</u>	<u>(457,875)</u>

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SECTION D: CAPITAL, FUNDING AND LIQUIDITY

D12 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank debts US\$'000	Current bonds US\$'000	Non- current bonds US\$'000	Accrued interest on bonds US\$'000	Lease liabilities US\$'000	Other payables US\$'000	Total US\$'000
At 1 January 2020	46,945	-	1,722,321	1,714	120,605	642	1,892,227
<i>Cash</i>							
Net borrowing of bank debts	6,249	-	-	-	-	-	6,249
Bank debts from receivable purchase program	(31,132)	-	-	-	-	-	(31,132)
Repurchase of bonds	-	-	(288,210)	-	-	-	(288,210)
Settlement of bond interest and other finance costs	(10,276)	-	-	(61,623)	-	-	(71,899)
Payment of lease – principal portion	-	-	-	-	(61,967)	-	(61,967)
Payment of lease – interest portion	-	-	-	-	(10,916)	-	(10,916)
<i>Non-cash</i>							
Amortisation of bonds	-	-	5,253	-	-	-	5,253
Gain on repurchase of bonds	-	-	(76,864)	-	-	-	(76,864)
Interest accrued for bonds that are capitalised	-	-	57,561	-	-	-	57,561
Interest accrued for bonds not yet capitalised	-	-	24,920	71,543	-	-	96,463
Interest accrued and other finance costs	1,113	-	-	-	10,916	-	12,029
New leases	-	-	-	-	35,270	-	35,270
Dividend accrued for capital securities	-	-	-	-	-	625	625
Accrued credit facility fee	-	-	-	-	-	590	590
Others	9,163	-	-	(9,753)	14,015	-	13,425
At 31 December 2020 and at 1 January 2021	22,062	-	1,444,981	1,881	107,923	1,857	1,578,704
<i>Cash</i>							
Net repayment of bank debts	(4,831)	-	-	-	-	-	(4,831)
Bank debts from receivable purchase program	(8,195)	-	-	-	-	-	(8,195)
Bank debts from payable discount program	84,491	-	-	-	-	-	84,491
Settlement of bond interest and other finance costs	(42,469)	-	-	(30,773)	-	-	(73,242)
Payment of lease – principal portion	-	-	-	-	(43,358)	-	(43,358)
Payment of lease – interest portion	-	-	-	-	(5,538)	-	(5,538)
<i>Non-cash</i>							
Reclassification from non-current to current	-	520,799	(520,799)	-	-	-	-
Amortisation of bonds	-	1,137	4,101	-	-	-	5,238
Interest accrued for bonds not yet capitalised	-	27,825	56,194	61,545	-	-	145,564
Interest accrued and other finance costs	24,847	-	-	-	5,538	-	30,385
Lease modification	-	-	-	-	11,245	-	11,245
Early termination of lease	-	-	-	-	(58,750)	-	(58,750)
Dividend accrued for capital securities	-	-	-	-	-	(642)	(642)
Accrued credit facility fee	-	-	-	-	-	2,846	2,846
Others	17,622	-	-	-	(745)	-	16,877
At 31 December 2021	93,527	549,761	984,477	32,653	16,315	4,061	1,680,794

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SECTION E: GROUP STRUCTURE AND MANAGEMENT REMUNERATION**E1 SUBSIDIARIES****E1.1 *Significant accounting policies***

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) any contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

Please refer to Note C9 for details of acquisition of subsidiaries in 2021 and 2020 respectively.

E1.2 *List of principal subsidiaries*

Name	Place of incorporation/ registration	Value of issued share capital	Principal activities
General Alumina Jamaica Limited** (formerly known as General Alumina Jamaica LLC)	Saint Lucia	US\$1	Investment holding for bauxite mining and alumina refining
Kalon Resources Limited @	Hong Kong	US\$100	Commodity trading
Noble Chartering Limited @	Hong Kong	HK\$2	Ship chartering
Noble Clean Fuels Limited +	United Kingdom	Ordinary GBP1,250,000 Redeemable US\$30,000,000	Commodity trading
Noble Netherlands B.V.*	Netherlands	EUR151,586,900	Investment holding
Falcon Heights Limited *	British Virgin Islands	US\$1	Investment holding
Newmight Limited *	Bermuda	US\$1	Investment holding

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SECTION E: GROUP STRUCTURE AND MANAGEMENT REMUNERATION

E1 SUBSIDIARIES (continued)

E1.2 *List of principal subsidiaries (continued)*

Name	Place of incorporation/ registration	Value of issued share capital	Principal activities
Noble Resources International Pte. Ltd #	Singapore	Ordinary S\$88,136,500 Redeemable Preference US\$3,328,223,904	Supply of industrial and energy products
Noble Resources Limited @	Hong Kong	HK\$77,600,000 & US\$1,526,508,986	Supply of industrial products
Noble Resources (Shanghai) Company Limited @	PRC	US\$110,610,000	Supply of industrial and energy products
Noble Trading Hold Co Limited @	British Virgin Islands	US\$101	Investment holding
Noble Trading Co Limited @	British Virgin Islands	US\$101	Investment holding
Noble New Asset Co Limited @	British Virgin Islands	Ordinary US\$43,841,000 Redeemable Preference US\$200,000,000	Investment holding

** Statutory auditors – PricewaterhouseCoopers

@ Statutory auditors – BDO

Statutory auditors – Moore Stephens LLP

+ Statutory auditors – MHA MacIntyre Hudson

* No statutory audit requirement

The Company held a 100% interest in all the above subsidiaries as at 31 December 2021.

All the above subsidiaries are indirectly held by the Company. The above list of principal subsidiaries of the Company, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The Group's Board and Audit Committee are satisfied that the appointment of different auditors for its subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

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SECTION E: GROUP STRUCTURE AND MANAGEMENT REMUNERATION

E2 ASSETS/SUBSIDIARIES CLASSIFIED AS HELD FOR SALE

E2.1 *Significant accounting policies*

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sales plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets or disposal group, are recognised at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

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SECTION E: GROUP STRUCTURE AND MANAGEMENT REMUNERATION

E2 ASSETS/SUBSIDIARIES CLASSIFIED AS HELD FOR SALE (continued)

E2.2 *Non-current assets classified as held for sale*

These are in respect of three dry bulk carrier vessels available for immediate sale, all of which were sold in 2020.

	2020 US\$'000
At 1 January	43,631
Addition	1,322
Disposal	(41,722)
Impairment	(3,231)
At 31 December	<u><u>-</u></u>

E2.3 *Palm*

The investments in PT HIP and PT Pusaka Agro Lestari (PT PAL) are classified as subsidiaries classified as held for sale on 20 December 2018. On 23 May 2019, the Group announced that it has entered into definitive agreements for the sale of PT HIP and PT PAL for an aggregate share consideration of US\$31,850,000. The disposal of PT HIP was completed in May 2019. For details, please refer to Note C9.

The major classes of assets and liabilities for the business held for sale as at 31 December 2021 and 2020 are stated at the lower of cost and recoverable amount and were as follows:

	2021 US\$'000	2020 US\$'000
<u>Assets</u>		
Cash and cash equivalents	<u>113</u>	<u>77</u>
Assets in subsidiaries classified as held for sale	<u>113</u>	<u>77</u>
<u>Liabilities</u>		
Trade and other payables and accrued liabilities	<u>6,458</u>	<u>6,234</u>
Liabilities in subsidiaries classified as held for sale	<u>6,458</u>	<u>6,234</u>
Net liabilities associated with subsidiaries classified as held for sale	<u><u>(6,345)</u></u>	<u><u>(6,157)</u></u>
Non-controlling interests attributable to subsidiaries classified as held for sale	<u><u>(635)</u></u>	<u><u>(617)</u></u>

An impairment loss of US\$Nil (2020: US\$27,493,000) was made during the year. The fair value is classified as a Level 3 measurement. During the year 2021, PT PAL filed for voluntary insolvency as it has historically been loss making and was unable to find an alternative investor or buyer for this business. As a result, the fair value of the assets held for sale has been assessed to NIL as there is no selling value in the market and liabilities accrued as estimated to be incurred until final liquidation.

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SECTION E: GROUP STRUCTURE AND MANAGEMENT REMUNERATION

E3 RELATED PARTY TRANSACTIONS

E3.1 *Significant accounting policies*

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.

- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Company is itself such a plan, the sponsoring employers are also related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependents of that person or that person's spouse or domestic partner.

E3.2 *Details of related party transactions*

In the normal course of business, the Group enters into various transactions which were entered into at terms mutually agreed with the related parties. The following are the significant transactions between the Group and related parties which took place during the financial year.

(a) Name and relationship

<u>Name of the key related parties</u>	<u>Relationship with the Group</u>
YN Energy	Joint venture of the Group
Nice Venture Limited	Joint venture of the Group
Acme Venture Limited	Joint venture of the Group
Alvarez & Marsal Asia Limited	Provides key management personnel services to the Group
THM Partners	Provides key management personnel services to the Group

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SECTION E: GROUP STRUCTURE AND MANAGEMENT REMUNERATION

E3 RELATED PARTY TRANSACTIONS (continued)

E3.2 *Details of related party transactions (continued)*

(b) Related party transactions

	Notes	2021 US\$'000	2020 US\$'000
Sales of thermal coal to: YN Energy	(i)	52,312	29,366
Purchases of thermal coal from: YN Energy	(i)	155,146	57,129
Professional fee paid to related companies	(ii)	<u>4,506</u>	<u>6,087</u>

(i) The directors considered that the sales and purchases were made according to prices and conditions similar to those offered to other vendors and customers.

(ii) Professional fees were incurred as part of ongoing support to the Group post restructuring. The fees and terms were mutually agreed between the Group and the related parties.

(c) Details of the Group's balances with joint ventures and associates as at the end of the reporting period are included in Notes C4.3 and C4.5 to the consolidated financial statements, respectively.

(d) Details of the key management personnel's remuneration are included in Note E4 to the consolidated financial statements.

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SECTION E: GROUP STRUCTURE AND MANAGEMENT REMUNERATION**E4 DIRECTORS' AND KEY MANAGEMENT PERSONNEL'S REMUNERATION**

The Company recognises the importance of an independent Remuneration & Options Committee which is chaired by, and consists entirely of, Independent non-executive directors, all of whom have a depth of knowledge and experience necessary to govern the balance of a competitive compensation environment and progressive policies which are aligned to the long-term strategic objectives of the business and risk policies of the Group. The Remuneration & Options Committee therefore plays an important role in helping to ensure that the Company is able to attract, motivate and retain the right talent to drive the Group's business forward.

The principles for Remuneration & Compensation are regularly reviewed by the Committee and are based on the following components – competitive fixed salary; discretionary bonus award; and long-term incentive plans.

Key management personnel include Matt Hinds and Ajay Mishra who are executive directors. James Dubow and Timothy Gazzard who ceased being an executive director during 2021. Their remuneration, including exit, redundancy and other costs together with the fees paid to non-executive directors, is set out below:

	2021 US\$'000	2020 US\$'000
Directors' fees	2,014	3,991
Other emoluments	5,358	5,362
	<u>7,372</u>	<u>9,353</u>

During the year ended 31 December 2021, no shares (2020: nil) were issued to the directors of the Company.

Mr Dubow was appointed as an Executive Chairman of the Company in 2020, contracted with a management entity to provide business consultancy services to the Company. Mr Dubow received no fees during the year in his capacity as Executive Chairman of the Company.

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SECTION E: GROUP STRUCTURE AND MANAGEMENT REMUNERATION

E5 RESTRICTED SHARE PLAN

E5.1 *Significant accounting policies*

The Group operates a restricted share plan for the purpose of providing incentives and rewards to eligible participants, including the Group's directors, who contribute to the success of the Group operations.

Employees (including senior executives) of the Group and other parties receive remuneration in the form of share-based payment transactions, whereby employees and other parties render services in consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. For the granting of equity instruments, the goods or services received, and the corresponding increase in equity, they are measured with reference to the fair value of the equity instruments granted at the date of grant. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company, if applicable.

The cost of equity-settled transactions is recognised, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

An expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they are a modification of the original award, as described above.

The relevant cost of the share awards to the Group's employees is recorded as an expense in the Group's consolidated income statement.

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SECTION E: GROUP STRUCTURE AND MANAGEMENT REMUNERATION**E5 RESTRICTED SHARE PLAN (continued)****E5.2 *Details of restricted share plan***

(a) The principal rules of the NGHL Restricted Share Plan (“RSP”) are as follows:

Eligible members	Save for the recipients of Management Equity, Controlling Shareholders and their associates who are not eligible to participate in the Plan, the following persons shall be eligible to participate in the Plan at the absolute discretion of the Committee: (a) Group Employees (i) Group Employees; (ii) Non-executive directors; and (iii) Employees who qualify under sub-paragraph (a)(i) above and who are seconded to an Associated Company, or any other company outside the Group in which the Company and/or the Group has an equity interests. (b) Associated Company Employees (i) Employees of an Associate Company; (ii) Directors of an Associated Company who perform an executive function; and (iii) Non-executive directors of an Associate Company
Maximum number	The total number of shares which may be delivered, allotted and issued pursuant to awards granted under the plan on any date plus the total number of Shares subject to any other share option or share incentive schemes of the Company, shall not exceed 3% of the total number of issued Shares (excluding treasury shares) from time to time.
Duration	The plan shall continue to be in force at the discretion of the Remuneration and Options Committee, subject to a maximum period of five years commencing on the Adoption Date.
Vesting condition	A specified period as prescribed by the remuneration and options committee.
Cash settlement	At the discretion of the Remuneration and Options Committee.
Governance	The schemes are managed by members of the Remuneration and Options Committee which comprise Messrs. James Michael Dubow, Claus-Georg Nette and Jeremy East.

The fair value of the shares at the grant date was estimated by reference to the quoted price of NIL which is the major shareholder of NGHL investing in both NGHL and Asset Co Preference Shares.

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SECTION E: GROUP STRUCTURE AND MANAGEMENT REMUNERATION

E5 RESTRICTED SHARE PLAN (continued)

E5.2 *Details of restricted share plan (continued)*

(b) A summary of the RSP is as follows:

	Number of share units	Weighted average price US cents
Outstanding at 1 January 2020	4,984,850	0.52
Forfeited	<u>(497,822)</u>	0.52
Outstanding at 31 December 2020 and 1 January 2021	4,487,028	0.52
Forfeited	<u>(1,115,119)</u>	0.52
Outstanding at 31 December 2021	<u><u>3,371,909</u></u>	0.52

(c) The expense arising from equity-settled share-based payment transactions recognised for RSP during the year is US\$267,000 (2020:US\$680,000).

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SECTION F: OTHER DISCLOSURES

F1 OTHER SIGNIFICANT ACCOUNTING POLICIES

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset through a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of the ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. The Group applies this accounting policy to financing arrangements related to the Group's trade receivables when the cost of these financing arrangements takes the form of discounts.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated income statement.

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SECTION F: OTHER DISCLOSURES

F1 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and non-current assets held-for-sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash generating units ("CGU")'s value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money, fair value less costs to sell and the risks specific to the asset. An impairment loss is charged to the consolidated income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset, other than goodwill, is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Impairment of financial assets

The Group recognises an allowance for ECLs for all debt instruments, including long-term loans (Note C6), 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 Group 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). 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). The Group uses credit default and recovery data from external credit rating agencies both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

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SECTION F: OTHER DISCLOSURES

F1 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group 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 Group considers a financial asset in default when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay the Group without taking into account any collateral held by the Group or if the contractual payments are 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Foreign currencies

These consolidated financial statements are presented in the United States dollar, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period.

All differences arising on the settlement or translation of monetary items are taken to the consolidated income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign entity. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the consolidated income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded within equity.

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SECTION F: OTHER DISCLOSURES

F1 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the United States dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company (the United States dollar) at the rate of exchange ruling at the end of the reporting period and their income statements are translated at the weighted average exchange rates for the period.

The exchange differences arising on the translation are taken directly to the exchange fluctuation reserve, which is a separate component of equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement.

Sales tax

Revenue, expenses, assets and liabilities are recognised net of the amount of sales tax except:

- (a) where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- (b) for receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Pension costs

The Group operates a number of defined contribution plans throughout the world, the assets of which are held in separate trustee-administered funds. The pension plans are funded by payments from employees and by the relevant group companies.

The Group's contributions to defined contribution pension plans are charged to the consolidated income statement in the period to which the contributions relate.

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SECTION F: OTHER DISCLOSURES

F2 OTHER NEW AND REVISED ACCOUNTING STANDARDS

Impact of other new and revised international financial reporting standards

In current year, the Group has applied for the first time the following new and amendments to IFRSs, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2021.

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

Amendments to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The adoption of the amendments to IFRSs has no material impact on the consolidated financial statements.

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

(b) Amendments to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

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SECTION F: OTHER DISCLOSURES

F2 OTHER NEW AND REVISED ACCOUNTING STANDARDS (continued)

Issued but not yet effective international financial reporting standards

The Group has not applied the following new and revised IFRSs, that may be applicable to the Group and have been issued but are not yet effective, in these consolidated financial statements.

IAS 1 Amendments	Classification of Liabilities as Current or Non-current ²
IFRS 3 Amendments	Reference to the Conceptual Framework ¹
IAS 16 Amendments	Property, Plant and Equipment: Proceeds before Intended Use ¹
IAS 37 Amendments	Onerous Contracts – Costs of Fulfilling a Contract ¹
IFRS 9 Amendments	Fees in the ‘10 per cent’ test for derecognition of financial liabilities ¹
IAS 1 Amendments and IFRS Practice Statement 2	Disclosure of Accounting Policies ²
IAS 8 Amendments	Disclosure of Accounting Estimates ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Annual improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9 and Illustrative Examples accompanying IFRS 16 ¹

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ No mandatory effective date yet determined but available for adoption

(a) Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to IAS 1 Classification of Liabilities as Current or Non-Current, providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

The amendments to the classification of liabilities is not expected to have a significant impact on the Group’s consolidated financial statements.

(b) Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are not expected to have a material impact on the Group.

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SECTION F: OTHER DISCLOSURES

F2 OTHER NEW AND REVISED ACCOUNTING STANDARDS (continued)

Issued but not yet effective international financial reporting standards (continued)

(c) Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments are not expected to have a material impact on the Group.

(d) Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The amendments are not expected to have a material impact on the Group.

(e) Amendments to IAS 1 – Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 – Disclosure of Accounting Policies, which provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments replace the requirement to disclose significant accounting policies with a requirement to disclose material accounting policies. In assessing the materiality of accounting policy information, both quantitative and qualitative aspects need to be considered. Entity-specific accounting policy information is more useful for users of financial statements than the standardised information. The amendments also add guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments are not expected to have a material impact on the Group.

(f) Amendment to IAS 8 – Disclosure of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8 – Disclosure of Accounting Estimates, which are designed to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments explain how entities use measurement techniques and inputs to develop accounting estimates and state that these can include estimation and valuation techniques. The amendments clarify that not all estimates will meet the definition of an accounting estimate, but rather may refer to inputs used in developing accounting estimates. The amendments are not expected to have a material impact on the Group.

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SECTION F: OTHER DISCLOSURES

F2 OTHER NEW AND REVISED ACCOUNTING STANDARDS (continued)

Issued but not yet effective international financial reporting standards (continued)

(g) Amendment to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9 and Illustrative Examples accompanying IFRS 16. Details of the amendments that are expected to be applicable to the Group are as follows:

(a) IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

(b) IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

SECTION F: OTHER DISCLOSURES

F3 FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amount of the Group's financial assets and financial liabilities are measured at amortised cost as at 31 December 2021 and 2020 except for certain financial assets and liabilities that are measured at FVTPL and FVOCI. The financial assets and liabilities measured at FVTPL included certain long-term loans, fair value gains/losses on commodity and other derivative financial instruments, assets in subsidiaries classified as held for sale and liabilities in subsidiaries classified as held for sale. The financial asset measured at FVOCI included equity instruments at FVOCI.

F4 COMPARATIVES

Certain comparative amounts in the consolidated financial statements have also been reclassified to conform with the current year's presentation due to the following change in accounting policy.