

Report of the Directors and Audited Financial Statements

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

31 December 2019

NOBLE GROUP HOLDINGS LIMITED

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NOBLE GROUP HOLDINGS LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of Noble Group Holdings Limited (“the Company”) and its subsidiaries (together “the Group”) for the year ended 31 December 2019.

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 2019 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 11 to 134.

No dividend is proposed in respect of the year ended 31 December 2019.

Property, plant and equipment

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

Mine properties

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

Subsidiaries

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

Joint ventures

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

Associates

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

Bank debts

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

Share capital

Details of movements in the Company’s share capital during the year are set out in note D6 to the 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:

William James Randall
Ajit Vijay Joshi
James Michael Dubow
Joseph William Swanson (resigned on 3 June 2020)
David Isaac Adelman (appointed on 28 May 2019)
Claus-Georg Nette (appointed on 28 May 2019)
Steve James Hodgson (appointed on 1 August 2019)
Paul Jeremy Brough (resigned on 11 October 2019)
Fraser James Pearce (resigned on 11 October 2019)
Paul Alan Jackaman (resigned on 1 August 2019)
Andrew William Herd (resigned on 1 August 2019)
Garret Douglas Soden (appointed on 21 February 2020)
Jeremy John East (appointed on 15 April 2020)
Paul David Copley (appointed on 1 June 2020)

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


Mr. Ajit Vijay Joshi and Mr. William James Randall will retire by rotation at the forth coming 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. Ambassador David Isaac Adelman, Mr. Claus-Georg Nette, Mr. Steven James Hodgson, Mr. Garret Douglas Soden, Mr. Jeremy John East and Mr. Paul David Copley will retire from office pursuant to the Company's Bye-law 85(2). Mr. William James Randall, Ambassador David Isaac Adelman, Mr. Claus-Georg Nette, Mr. Steven James Hodgson, Mr. Garret Douglas Soden, Mr. Jeremy John East and Mr. Paul David Copley will offer themselves for re-election at the forthcoming special general meeting. Mr. Ajit Vijay Joshi will not offer himself for re-election.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming special general meeting.

On behalf of the Board of Directors


.....
Director
22 June 2020


.....
Director



Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

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 ("the Group") set out on pages 11 to 134, which comprise the consolidated statement of financial position of the Group as at 31st December 2019, 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 of the Group 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 financial position of the Group as at 31st December 2019 and of the Group's 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. We have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter:	How our audit addressed the key audit matter:
<i>Debt Repayment and Liquidity</i> <i>Related disclosures in the Financial Statements are included in Section D Capital, Funding and Liquidity and Note A7 Events after the Reporting Period</i>	<i>Debt Repayment and Liquidity</i> We read each of the legal agreements that were executed to effect the financing of the Group to establish our understanding of the commercial and economic impact of the agreements.

Key audit matter:	How our audit addressed the key audit matter:
<p>As part of the Scheme of Arrangement executed on 20th December 2018 the Group issued the following bonds and preference shares and entered into the following banking facilities:</p> <ul style="list-style-type: none"> • US\$700,000,000 Senior Secured Notes due 2023, issued by Noble Trading Co Limited, • US\$700,000,000 Senior Secured PIK Notes due 2022, issued by Noble New Asset Co Limited, • US\$300,000,000 Senior Secured PIK Toggle Notes due 2025, issued by Noble Trading Hold Co Limited, • US\$200,000,000 Preference Shares, issued by Noble New Asset Co Limited, • US\$600,000,000 Trade Finance Facility and US\$100,000,000 Hedging Support Facility entered into by Noble Trading Co Limited and certain financial institutions, • US\$100,000,000 Receivables Purchase Program entered into by Noble Trading Co Limited and a financial institution. <p>Under the Scheme of Arrangement the purpose of these facilities is to allow the Group to grow its business, and create sufficient cashflow and equity to repay the bonds and preference shares.</p> <p>The bonds, preference shares and banking facilities contain a number of different covenants and restrictions that apply to the Group until they are repaid.</p> <p>In the period between 31st December 2019 and the date of this report, the Group updated and finalized its cashflow projections and business plan for 2020 – 2022, and agreed a new covenant for the Senior Secured Notes due 2023 issued by Noble Trading Co Limited.</p>	<p>We obtained and understood the Group's three year business plan, 2020 – 2022, to assess the Group's expected business performance and compliance with covenants and restrictions, including assessing the cash flow forecasts that underpin the business plan. We developed and ran stress scenarios on the cash flow forecasts.</p> <p>We understood the performance of the business from 1st January 2020 to the date of our audit opinion, which included obtaining and reading the available monthly management accounts.</p> <p>We made our own assessment of the feasibility of the Group's business plan.</p> <p>We also assessed the adequacy of the related disclosures in the notes to the financial statements.</p>
<p>Business Separation</p> <p><i>Related disclosures in the Financial Statements are included in Note A1 Establishment of the Group</i></p> <p>As part of the Scheme of Arrangement executed on 20th December 2018 certain assets of Noble Group Holdings Limited were ring fenced in a subsidiary called Noble New Asset Co Limited. The remaining businesses of Noble Group Holdings Limited are held by its subsidiary, Noble Trading Hold Co Limited.</p> <p>Under the Scheme of Arrangement, Noble New Asset Co Limited issued US\$700,000,000 Senior</p>	<p>Business Separation</p> <p>We read each of the legal agreements that were executed to effect the business separation to establish our understanding of the commercial and economic impact of the agreements.</p> <p>We determined our own view of the accounting implications of the agreements under the requirements of IFRS to the accounting records of Noble New Asset Co Limited, Noble Trading Hold Co Limited and compared this to the Group's own analysis.</p> <p>We audited the accounting journals prepared by the Group to ensure that the accounting implications of</p>

Key audit matter:	How our audit addressed the key audit matter:
<p>Secured PIK Notes due 2022, and US\$200,000,000 Preference Shares to investors. The ring fenced assets act as security for these instruments, and the repayment of the instruments will be financed through either the sale of the assets or operational cashflows from the assets.</p> <p>These arrangements apply to four classes of assets being:</p> <ul style="list-style-type: none"> • NGHL’s interests in Jamalco, a Jamaican based Alumina producer, and related contracts (“Jamalco”), • NGHL’s interests in palm oil plantations in Indonesia (“Palm”), • NGHL’s interests in five wholly owned vessels (“Vessels”), • NGHL’s investment in Harbour Energy LP (“Harbour”). <p>Due to various legal considerations, while the legal ownership of Jamalco and Palm remain outside Noble New Asset Co Ltd, the beneficial interests have been transferred through legal contract. Noble New Asset Co Ltd directly controls the Vessels and Harbour assets.</p> <p>As Noble New Asset Co Ltd has no employees, it has established management service arrangements for each asset class with a fellow subsidiary, Noble Resources International Pte Ltd.</p> <p>Noble New Asset Co Ltd has also established financing and cash management arrangements with Noble Resources International Pte Ltd.</p> <p>During the year ended 31st December 2019 and up to the date of this report, three of the wholly owned vessels and one of the two subsidiaries holding NGHL’s interests in palm oil plantations were sold to third parties. As a result of these sales, a portion of the Noble New Asset Co Limited Senior Secured PIK Notes were mandatorily repurchased from investors and cancelled.</p> <p>Accounting for these arrangements has involved areas of significant management judgement and is complex.</p>	<p>the agreements were accurately reflected in the financial statements of the Group.</p> <p>For the sale of vessels and the subsidiary containing a palm oil plantation, we</p> <ul style="list-style-type: none"> • read each sale agreement to establish our understanding of the terms of the sale; • audited the accounting journals prepared by the Group to derecognize the assets /subsidiary to ensure the derecognition was complete; • traced the cash received from the sales to the relevant bank statements; and • made our own assessment of the appropriateness of the gain or loss on disposal recognized, and the consequential impact to the valuation of the relevant business separation agreements. <p>For the mandatory repurchases of the Senior Secured PIK Notes, we</p> <ul style="list-style-type: none"> • obtained the formal communications with the trustee and paying agent and made our own assessment as to whether the amounts repurchased were appropriate under the terms of the Senior Secured PIK Notes; • agreed the payment of the repurchases to the relevant bank statements; and • audited the related accounting journals prepared by the Group. <p>We also assessed the adequacy of the related disclosures in the notes to the financial statements.</p>
<p>Accounting for Long Term Commodity Contracts</p> <p><i>Related disclosures in the Financial Statements are included in Note B5 Commodity and Other Derivative Financial Instruments.</i></p>	<p>Accounting for Long Term Commodity Contracts</p> <p>We evaluated the Group’s accounting policies and guidelines including its mark-to-market policy and fair value governance policy relating to long term</p>

Key audit matter:	How our audit addressed the key audit matter:
<p>The Group has a portfolio of individually material long term commodity contracts, which are accounted for as derivatives under IFRS, and recorded at fair value on the statement of financial position.</p> <p>The Group is required to reassess the fair value of these contracts at each reporting period end date, and the measurement of the fair value of these contracts involves significant estimation uncertainty, including the Group's estimation of long term forward price curves, assumptions about the future and the application of significant judgement.</p> <p>In estimating the fair value, the Group makes valuation adjustments to address model uncertainty and other risks inherent in estimating value in these contracts. The valuation adjustments have a material impact on the carrying value of the contracts, and in some cases result in the carrying value being zero. The contracts are assigned to Level 2 or Level 3 in the fair value hierarchy based on the Group's assessment of the significance of unobservable inputs to the overall valuation of the contract.</p> <p>The contracts were bought by the Group as part of the business acquisition on 20th December 2018, and their fair values were assessed as part of the purchase price allocation process on initial recognition. They were then reassessed at fair value at 31st December 2019.</p>	<p>commodity contracts, and assessed these policies in relation to applicable IFRS requirements and current market practice in the application thereof.</p> <p>We confirmed the terms of the contracts and contract amendments with the Group's counterparties for a sample of contracts.</p> <p>We tested the valuation of all individually material long term contracts and a representative sample of individually immaterial contracts.</p> <p>For each of the aforementioned contracts:</p> <p>We tested whether we agreed with the classification and accounting adopted with reference to the Group's policies and guidelines and IFRS.</p> <p>We tested the valuation of each contract, by assessing the ability of the model to accurately capture the risks of the underlying contract, testing the observable market inputs to third party derived data sources, evaluating other assumptions in the model, and testing the mathematical integrity of the model.</p> <p>Certain inputs to the models are unobservable, and in these cases we assessed the reasonableness of the Group's estimates of these inputs through understanding how they had been derived and agreeing back to the Group's source data, and testing whether the approach aligned with our understanding of market practice. We also tested the consistency of application of the valuation methodologies across the portfolio.</p> <p>We understood and evaluated the methodology employed to derive forward price curves for a sample of commodities and discount curves for a sample of contracts. For forward price curves, we tested the observable inputs to third party sourced data, and corroborated the reasonableness of unobservable inputs by comparing to available data sources, including consensus forecasts for long term prices. We also ensured that the derived curves were internally consistent. We tested the mathematical integrity of the price curve models and that they were appropriately applied to the contracts. For discount curves, we tested the observable inputs to third party sourced data, and corroborated the reasonableness of unobservable inputs by comparing to available data sources, including credit ratings of the contracting parties determined by external credit rating agencies. We tested whether the tenors of the discount curves were consistent with the underlying contracts.</p>

Key audit matter:	How our audit addressed the key audit matter:
	<p>We employed EY valuation specialists to assist us with our audit of the valuation models, including the price assumptions used by management.</p> <p>We evaluated the rationale for valuation adjustments that were taken at both an individual contract level and for the portfolio as a whole. We assessed the reasonableness of the valuation adjustments based on our understanding of the risks inherent in the contract, performance of the contract, the counterparty, and the current market environment.</p> <p>We also assessed the adequacy of the related disclosures in the notes to the financial statements.</p>
<p>Accounting for Investment in Harbour Energy LP and EIG Harbour Energy Advisor LP</p> <p><i>Related disclosures in the Financial Statements are included in Note C4 Investments in Joint Ventures and Associates and Note A7 Events after the Reporting Period</i></p> <p>The Group's subsidiary Noble New Asset Co Limited holds an investment in Harbour Energy LP and EIG Harbour Energy Advisor LP (together "Harbour"), which was acquired as part of the business acquisition on 20th December 2018.</p> <p>The Group has determined it has significant influence over Harbour as a result of nominating two of the nine Board Directors, and having an ownership interest in Harbour of more than 20%.</p> <p>As a result the Group has presented its investment in Harbour as an investment in an associate on the statement of financial position. As explained further in note C4 to the financial statements, the Group has judged that Noble New Asset Co Limited is an entity similar to a venture capital organization, a mutual fund or a unit trust and has therefore elected to account for the investment in Harbour at fair value through profit and loss, rather than using equity accounting.</p> <p>As a result of this decision the Group has been required to assess the fair value of the investment in Harbour at 31st December 2019.</p> <p>Accounting for this investment has involved significant management judgement and valuation estimates, including assessing the discount rate and commodity prices used within the underlying valuation model as well as management judgement of the point within the acceptable</p>	<p>Accounting for Investment in Harbour Energy LP and EIG Harbour Energy Advisor LP</p> <p>We assessed the Group's judgement relating to the purpose of Noble New Asset Co Ltd, and its determination to account for its investment in Harbour at fair value through profit and loss against the requirements of IFRS.</p> <p>We understood the Group's approach to estimating the fair value of Harbour and assessed the appropriateness of the methodology adopted against the requirements of IFRS.</p> <p>In addition, we obtained the audited financial statements of Harbour and determined our own fair value and assessed whether the fair value ascribed to Harbour was consistent.</p> <p>We employed EY valuation specialists to assist us with our audit of the valuation performed by the Group.</p> <p>We also assessed the adequacy of the related disclosures in the notes to the financial statements.</p>

Key audit matter:	How our audit addressed the key audit matter:
<p>valuation range that the fair value was recorded at 31 December 2019.</p>	
<p><i>Impairment of trade receivables and long-term loans</i></p> <p><i>Related disclosures in the Financial Statements are included in Note B1 Trade Receivables and C6 Loans</i></p> <p>At 31 December 2019 the Group's total gross carrying value of trade receivables and loans amounted to \$482 million and \$355 million respectively. The Group adopted the expected credit loss model to estimate the impairment allowances for these balances as required by IFRS 9 Financial Instruments. The expected credit loss model incorporates factors, including past due records, assessments of credit quality and financial capability of the counterparties which involve management judgement.</p> <p>As significant management judgment and estimation was involved in assessing the expected credit losses, we considered this as a key audit matter.</p>	<p><i>Impairment of trade receivables and long-term loans</i></p> <p>We evaluated the Group's expected credit loss model for estimating the impairment of trade receivables and loans against the requirements of IFRS 9.</p> <p>We assessed the appropriateness of the assumptions used in the Group's expected credit loss model including the evaluation of the probability of default and loss given default assumptions.</p> <p>We employed EY internal specialists to assist us with our audit of the expected credit loss model prepared by the Group.</p> <p>We developed our understanding of significant credit exposures which were in default through review of credit reports produced by the credit department, review of legal reports produced by the legal department, and analysis of aged trade receivables and loans. For those exposures that we selected, we tested the individual probability-weighted expected credit losses determined through management's evaluation of a range of possible recovery outcomes against proposed or existing workout plans, settlement agreements and repayment schedules, and other relevant and supportable information.</p> <p>We also assessed the adequacy of the related disclosures in the notes to the financial statements.</p>

Other information included in the Annual Report

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 and the Financial and Operational Report 2019.

Our opinion on the 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 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 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 the other information that we obtained prior to the date of this audit report, 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.

Responsibilities of the Directors and the Audit Committee for the Consolidated Financial Statements

The Directors are responsible for the preparation of 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 assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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.

As part of an audit in accordance with HKSAAs, 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 management.
- Conclude on the appropriateness of management's 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.

We communicate with management and 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, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Peter Picton-Phillipps.



Certified Public Accountants
Hong Kong
22 June 2020

NOBLE GROUP HOLDINGS LIMITED
CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2019

	Notes	Year ended 31 December 2019 US\$'000	Period from 13 August 2018 (date of incorporation) to 31 December 2018 US\$'000
REVENUE	A3	3,511,066	198,614
Cost of sales and services	A3	<u>(3,304,276)</u>	<u>(194,980)</u>
Operating income from supply chains		206,790	3,634
Gain/(loss) on supply chain assets	A3	(105,449)	327
Share of profits and losses of:			
Joint ventures		1,057	(554)
Associates		<u>128,462</u>	<u>(762)</u>
TOTAL OPERATING INCOME		230,860	2,645
Other income net of other expenses	A3	7,588	116
Selling, administrative and operating expenses	A3	<u>(155,422)</u>	<u>(4,845)</u>
PROFIT/(LOSS) BEFORE INTEREST AND TAX		83,026	(2,084)
Finance income	A4	37,129	1,146
Finance costs	A4	<u>(168,500)</u>	<u>(4,223)</u>
LOSS BEFORE TAX	A5	(48,345)	(5,161)
Taxation	A5	<u>(7,969)</u>	<u>(1,214)</u>
LOSS FOR THE YEAR/PERIOD		<u><u>(56,314)</u></u>	<u><u>(6,375)</u></u>
Attributable to:			
Equity holders of the parent		(55,970)	(6,232)
Non-controlling interests		<u>(344)</u>	<u>(143)</u>
		<u><u>(56,314)</u></u>	<u><u>(6,375)</u></u>

The accounting policies and explanatory notes on pages 17 to 134 form an integral part of the financial statements.

NOBLE GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	Year ended 31 December 2019 US\$'000	Period from 13 August 2018 (date of incorporation) to 31 December 2018 US\$'000
LOSS FOR THE YEAR/PERIOD	<u>(56,314)</u>	<u>(6,375)</u>
OTHER COMPREHENSIVE INCOME		
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of associates	(446)	-
Exchange differences on translation of foreign operations	<u>(1,790)</u>	<u>465</u>
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Net profit/(loss) on equity instruments at fair value through other comprehensive income ("FVOCI") (Note C5)	(14,671)	3,195
Remeasurement of post-employment benefit obligations	<u>(1,049)</u>	<u>-</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD, NET OF TAX	<u>(17,956)</u>	<u>3,660</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD, NET OF TAX	<u>(74,270)</u>	<u>(2,715)</u>
Attributable to:		
Equity holders of the parent	(73,926)	(2,572)
Non-controlling interests	<u>(344)</u>	<u>(143)</u>
	<u>(74,270)</u>	<u>(2,715)</u>

NOBLE GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 US\$'000	2018 US\$'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	C2	302,907	225,826
Mine properties	C3	4,882	-
Investments in joint ventures	C4	14,806	23,286
Investments in associates	C4	419,327	298,589
Equity instruments at FVOCI	C5	66,187	73,744
Long term loans	C6	280,924	268,756
Deferred tax assets	A5	94,240	95,552
Total non-current assets		<u>1,183,273</u>	<u>985,753</u>
CURRENT ASSETS			
Cash and cash equivalents	D2	480,195	506,072
Trade receivables	B1	465,801	534,875
Prepayments, deposits and other receivables	B2	222,786	294,040
Fair value gains on commodity and other derivative financial instruments	B5	104,630	143,733
Inventories	B3	183,657	106,162
Tax recoverable		12,876	6,718
		<u>1,469,945</u>	<u>1,591,600</u>
Assets in subsidiaries classified as held for sale	E2	31,839	80,431
Non-current assets classified as held for sale	E2	43,631	92,558
Total current assets		<u>1,545,415</u>	<u>1,764,589</u>
CURRENT LIABILITIES			
Trade and other payables and accrued liabilities	B4	509,959	561,399
Accrued interest on bonds		1,714	850
Fair value losses on commodity and other derivative financial instruments	B5	46,484	84,027
Lease liabilities	D3	39,455	-
Bank debts	D4	46,945	44,793
Tax payable		43,664	51,989
		<u>688,221</u>	<u>743,058</u>
Liabilities in subsidiaries classified as held for sale	E2	10,387	13,551
Total current liabilities		<u>698,608</u>	<u>756,609</u>
NET CURRENT ASSETS		<u>846,807</u>	<u>1,007,980</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,030,080</u>	<u>1,993,733</u>

continued/

NOBLE GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2019

	Notes	2019 US\$'000	2018 US\$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	A5	1,840	-
Lease liabilities	D3	63,997	-
Bonds	D4	1,722,321	1,678,358
Total non-current liabilities		<u>1,788,158</u>	<u>1,678,358</u>
NET ASSETS		<u>241,922</u>	<u>315,375</u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	D6	6,638	6,638
Contributed surplus	D6	101,877	101,877
Capital securities	D5, D6	25,000	25,000
Reserves		(13,702)	3,660
Accumulated losses		<u>(62,884)</u>	<u>(6,249)</u>
		<u>56,929</u>	<u>130,926</u>
Preference shares to non-controlling interests in a subsidiary	D10	180,000	180,000
Non-controlling interests		3,541	2,569
Non-controlling interests attributable to subsidiaries classified as held for sale	E2	1,452	1,880
		<u>184,993</u>	<u>184,449</u>
TOTAL EQUITY		<u>241,922</u>	<u>315,375</u>

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Director

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Director

The accounting policies and explanatory notes on pages 17 to 134 form an integral part of the financial statements.

NOBLE GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Notes	Attributable to equity holders of the parent										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 US\$'000
		Reserves													
		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					
At 13 August 2018 (date of incorporation)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of shares	D6.2	6,638	126,877	-	-	-	-	-	-	133,515	-	-	-	133,515	
Loss for the period		-	-	-	-	-	-	-	(6,232)	(6,232)	-	(148)	5	(6,375)	
Other comprehensive income for the period, net of tax:		-	-	-	-	3,195	465	-	-	3,660	-	-	-	3,660	
Total comprehensive income/(loss), net of tax		-	-	-	-	3,195	465	-	(6,232)	(2,572)	-	(148)	5	(2,715)	
Non-controlling interests arising from business combination	A1.3	-	-	-	-	-	-	-	-	-	180,000	2,717	1,875	184,592	
Issuance of capital securities	D5	-	(25,000)	25,000	-	-	-	-	-	-	-	-	-	-	
Capital securities dividend	D6.1	-	-	-	-	-	-	-	(17)	(17)	-	-	-	(17)	
At 31 December 2018 and at 1 January 2019		6,638	101,877	25,000	-	3,195	465	-	(6,249)	130,926	180,000	2,569	1,880	315,375	
Loss for the year		-	-	-	-	-	-	-	(55,970)	(55,970)	-	84	(428)	(56,314)	
Other comprehensive loss for the year, net of tax:		-	-	-	-	(14,671)	(2,236)	(1,049)	-	(17,956)	-	-	-	(17,956)	
Total comprehensive loss, net of tax		-	-	-	-	(14,671)	(2,236)	(1,049)	(55,970)	(73,926)	-	84	(428)	(74,270)	
Non-controlling interests arising from business combination	C8	-	-	-	-	-	-	-	-	-	-	888	-	888	
Share-based payments	E5	-	-	-	554	-	-	-	-	554	-	-	-	554	
Transfer of fair value reserve of equity instruments designated at FVOCI	C5.2	-	-	-	-	40	-	-	(40)	-	-	-	-	-	
Capital securities dividend	D6.1	-	-	-	-	-	-	-	(625)	(625)	-	-	-	(625)	
At 31 December 2019		6,638	101,877	25,000	554	(11,436)	(1,771)	(1,049)	(62,884)	56,929	180,000	3,541	1,452	241,922	

The accounting policies and explanatory notes on pages 17 to 134 form an integral part of the financial statements.

NOBLE GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	Year ended 31 December 2019 US\$'000	Period from 13 August 2018 (date of incorporation) to 31 December 2018 US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(48,345)	(5,161)
Adjustments to loss before tax	A8	205,812	7,942
Operating profit before working capital changes		157,467	2,781
Increase in working capital	B7	(68,969)	(28,270)
Interest received		22,946	1,146
Taxes (paid)/refunded		(15,375)	55
Net cash flows from/(used in) operating activities before changes in restricted cash		96,069	(24,288)
Increase in restricted cash		(53,582)	(20,929)
Net cash flows from/(used in) operating activities		42,487	(45,217)
NET CASH FLOWS FROM INVESTING ACTIVITIES	C10	39,898	465,870
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	D11	(160,612)	823
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(78,227)	421,476
Net foreign exchange differences		(1,791)	253
Cash and cash equivalents at beginning of year/period		421,729	-
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		341,711	421,729
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	D2.2	480,195	506,072
Cash balances attributable to subsidiaries classified as held for sale		43	602
Total cash and cash equivalents		480,238	506,674
Less: Restricted cash not immediately available for use in the business operations	D2.2	(138,527)	(84,945)
Cash and cash equivalents as stated in the statement of cash flows		341,711	421,729

The accounting policies and explanatory notes on pages 17 to 134 form an integral part of the financial statements.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2019

CORPORATE INFORMATION AND APPROVAL OF THE 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 Group operates 17 offices worldwide and employed over 300 employees as at 31 December 2019.

The consolidated financial statements of the Company for the year ended 31 December 2019 were approved and authorised for issue in accordance with a resolution of the Board of Directors on 22 June 2020.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2019

BASIS OF PRESENTATION, PREPARATION AND CONSOLIDATION

Basis of presentation and preparation

These 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 2019, together with the relevant transitional provisions, have been adopted by the Group in the preparation of the financial statements.

The 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.

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 2019. 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) pledged trade receivables and inventories, see Notes B1.3 and B3.2; (ii) pledged vessels, see Note C2.2; and (iii) 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 A1.4, certain assets in which the Group has a legal ownership interest act as security for the Noble New Asset Co Limited US\$700 million senior secured notes and US\$200 million preference shares.

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

31 December 2019

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 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 Noble Trading Co Limited (“NTCL” or “Trading Co” and together with its subsidiaries, the “Trading Co Group”) and Noble New Asset Co Limited (“NNAACL” or “Asset Co”, and together with its subsidiaries, the “Asset Co Group”).

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 A1.4) with the Trading Co 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 A1.4) with the Trading Co Group. During the year, one of the subsidiaries was sold (Note C8).
3. Vessels
Asset Co held five dry bulk carrier vessels as subsidiaries at the acquisition date and has the intention to generate cash inflows by selling the vessels. These vessels are classified as non-current assets being held for sale in the financial statements. During the year, two dry bulk carrier vessels were disposed (Note E2.2). Post year end a further vessel was sold (Note A7).
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 focuses on investment in the energy sector. It is 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 and preference shares issued by Asset Co. Further details are provided in Notes D4 and D10.

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 A1.4.

31 December 2019

SECTION A: PERFORMANCE

A1 ESTABLISHMENT OF THE GROUP (continued)

A1.2 *Significant accounting policies*

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at fair value, consisting of the fair values of assets transferred, and any new liabilities assumed to the seller and any equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with subsequent changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (provided it does not exceed goodwill) if it was incurred during the measurement period or recognised in the income statement.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2019

SECTION A: PERFORMANCE

A1 ESTABLISHMENT OF THE GROUP (continued)

A1.3 *Details of acquisition of subsidiaries in 2018*

The fair values of the identifiable assets and liabilities of the NIHCL Group as at the acquisition date in 2018 were as follows:

	Fair value recognised on acquisition US\$'000
Property, plant and equipment	319,356
Investments in joint ventures	23,856
Investments in associates	299,286
Equity instruments at FVOCI	63,089
Long term loans	276,331
Deferred tax assets	96,557
Cash and cash equivalents	529,058
Trade receivables	428,576
Prepayments, deposits and other receivables	341,339
Fair value gains on commodity and other derivative financial instruments	162,037
Inventories	139,441
Tax recoverable	6,361
Assets in subsidiaries classified as held for sale	80,384
Trade and other payables and accrued liabilities	(626,111)
Fair value losses on commodity and other derivative financial instruments	(87,811)
Tax payable	(11,353)
Bank debts	(33,780)
Liabilities in subsidiaries classified as held for sale	(13,509)
Bonds	(1,675,000)
Preference shares to non-controlling interests in a subsidiary	(180,000)
Non-controlling interests	(2,717)
Non-controlling interests attributable to subsidiaries classified as held for sale	(1,875)
Total identifiable net assets at fair value	<u>133,515</u>
Less: Imputed consideration	<u>(133,515)</u>
Goodwill on acquisition	<u>-</u>
Cash inflow on acquisition:	
Net cash acquired with the subsidiary	529,058
Less: Restricted cash	<u>(63,033)</u>
Net cash inflow	<u><u>466,025</u></u>

The business combination was effected as a result of the Scheme. No consideration was transferred to the previous owner of the NIHCL Group. Therefore, the imputed consideration is deemed to be equivalent to the fair value of the net assets acquired as a result of the Scheme in exchange for shares issued by NGHL to its shareholders. At the same time, as a result of the Scheme, intra-group receivables of US\$110,067,000 and preference shares of US\$20,000,000 issued by entities so become subsidiaries of NIHCL were transferred to NGHL, which have been eliminated from the above analysis.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2019

SECTION A: PERFORMANCE

A1 ESTABLISHMENT OF THE GROUP (continued)

A1.3 *Details of acquisition of subsidiaries in 2018 (continued)*

The fair value of the trade receivables amounts to US\$428,576,000. The gross amount of trade receivables is US\$438,043,000 and it is expected that the full contractual amounts can be collected.

The fair value of the long term loans amounts to US\$276,331,000. The gross amount of long term loans is US\$283,768,000 and it is expected that the full contractual amounts can be collected.

The Group increased its onerous contract and legal liability provisions by US\$12,666,000 in the course of the acquisition of Noble Resources Limited Group. Details of contingent liabilities being identified but not recognised are provided in Note C9.2.

From the date of acquisition, the NIHCL Group contributed US\$198,614,000 of revenue and US\$9,463,000 to the net loss for the period ended 31 December 2018. If the combination had taken place at the beginning of the period, revenue would have been US\$1,894,790,000 and net loss for the Group would have been US\$522,403,000 for the period ended 31 December 2018.

For details of acquisition of subsidiaries during the current year, please refer to Note C8.

31 December 2019

SECTION A: PERFORMANCE

A1 ESTABLISHMENT OF THE GROUP (continued)

A1.4 *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 General Alumina Holdings Limited (“GAHL”), related offtake contracts and on-sale agreements and loan receivables (collectively known as “Jamalco”) to the Asset Co Group. 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.
- 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.

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.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2019

SECTION A: PERFORMANCE

A1 ESTABLISHMENT OF THE GROUP (continued)

A1.4 ***Business Separation Agreements (continued)***

Noble Plantations Business Separation Documents (continued)

- 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.

31 December 2019

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 in seaborne LNG 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. Asia Base Metals, trading and providing supply chain management services in copper, zinc, lead, nickel and other raw materials.

iii. Tech Metals, investing in tech metal assets across the value chain.

iv. Special Ores and Industrial Material focusing on manganese, chrome, tin and tungsten.

v. Aluminium, a vertically integrated bauxite, alumina and aluminium supply chain.

vi. Met Coal and Coke, a non-producer shipper of HCC, PCI, semisoft coal and met coke.

vii. 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 Noble Trading Hold Co Limited, 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 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.

NOBLE GROUP HOLDINGS LIMITED
NOTES TO FINANCIAL STATEMENTS

31 December 2019

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 2019:

	Trading Co 2019 US\$'000	Asset Co 2019 US\$'000	Other 2019 US\$'000	Consolidated 2019 US\$'000
REVENUE AND GAINS	3,056,989	162,123	291,954	3,511,066
EXPENSES				
Cost of sales and services	(2,886,212)	-	(418,064)	(3,304,276)
Expenses	-	(66,756)	66,756	-
	<u>(2,886,212)</u>	<u>(66,756)</u>	<u>(351,308)</u>	<u>(3,304,276)</u>
Operating income/(loss) from supply chains	170,777	95,367	(59,354)	206,790
Loss on supply chain assets, net	(72,155)	-	(33,294)	(105,449)
Share of profits and losses of:				
Joint ventures	1,057	-	-	1,057
Associates	(1,791)	-	130,253	128,462
	<u>97,888</u>	<u>95,367</u>	<u>37,605</u>	<u>230,860</u>
TOTAL OPERATING INCOME	97,888	95,367	37,605	230,860
Other income net of other expenses	22,347	-	(14,759)	7,588
Selling, administrative and operating expenses	<u>(130,465)</u>	<u>-</u>	<u>(24,957)</u>	<u>(155,422)</u>
PROFIT/(LOSS) BEFORE INTEREST AND TAX	(10,230)	95,367	(2,111)	83,026
Finance income	37,140	13	(24)	37,129
Finance costs	<u>(78,774)</u>	<u>(72,755)</u>	<u>(16,971)</u>	<u>(168,500)</u>
PROFIT/(LOSS) BEFORE TAX	(51,864)	22,625	(19,106)	(48,345)
Taxation	<u>(2,894)</u>	<u>(4,941)</u>	<u>(134)</u>	<u>(7,969)</u>
PROFIT/(LOSS) FOR THE YEAR	<u>(54,758)</u>	<u>17,684</u>	<u>(19,240)</u>	<u>(56,314)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>(71,664)</u>	<u>17,684</u>	<u>(20,290)</u>	<u>(74,270)</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 income statement information regarding Trading Co and Asset Co for the period from 13 August 2018 (date of incorporation) to 31 December 2018:

	Trading Co 2018 US\$'000	Asset Co 2018 US\$'000	Other 2018 US\$'000	Consolidated 2018 US\$'000
REVENUE AND GAINS	173,164	8,050	17,400	198,614
EXPENSES				
Cost of sales and services	(177,235)	-	(17,745)	(194,980)
Expenses	-	(3,615)	3,615	-
	<u>(177,235)</u>	<u>(3,615)</u>	<u>(14,130)</u>	<u>(194,980)</u>
Operating income/(loss) from supply chains	(4,071)	4,435	3,270	3,634
Profit/(loss) on supply chain assets, net	(254)	-	581	327
Share of profits and losses of:				
Joint ventures	(554)	-	-	(554)
Associates	(762)	-	-	(762)
	<u>(5,641)</u>	<u>4,435</u>	<u>3,851</u>	<u>2,645</u>
TOTAL OPERATING INCOME/(LOSS)	(5,641)	4,435	3,851	2,645
Other income net of other expenses	146	-	(30)	116
Selling, administrative and operating expenses	(4,785)	-	(60)	(4,845)
	<u>(10,280)</u>	<u>4,435</u>	<u>3,761</u>	<u>(2,084)</u>
PROFIT/(LOSS) BEFORE INTEREST AND TAX	(10,280)	4,435	3,761	(2,084)
Finance income	1,144	2	-	1,146
Finance costs	(5,005)	(2,004)	2,786	(4,223)
	<u>(14,141)</u>	<u>2,433</u>	<u>6,547</u>	<u>(5,161)</u>
PROFIT/(LOSS) BEFORE TAX	(14,141)	2,433	6,547	(5,161)
Taxation	35	-	(1,249)	(1,214)
	<u>(14,106)</u>	<u>2,433</u>	<u>5,298</u>	<u>(6,375)</u>
PROFIT/(LOSS) FOR THE PERIOD	<u>(14,106)</u>	<u>2,433</u>	<u>5,298</u>	<u>(6,375)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>(10,447)</u>	<u>2,433</u>	<u>5,299</u>	<u>(2,715)</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 financial position information regarding Trading Co and Asset Co as at 31 December 2019:

	Trading Co 2019 US\$'000	Asset Co 2019 US\$'000	Other 2019 US\$'000	Consolidated 2019 US\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	106,216	-	196,691	302,907
Mine properties	4,882	-	-	4,882
Investments in joint ventures	14,806	-	-	14,806
Investments in associates	34,944	384,383	-	419,327
Equity instruments at FVOCI	66,187	-	-	66,187
Equity instruments at fair value through profit or loss ("FVTPL")	199,693	-	(199,693)	-
Financial assets at FVTPL	-	339,125	(339,125)	-
Long term loans	280,924	-	-	280,924
Deferred tax assets	31,439	-	62,801	94,240
Total non-current assets	739,091	723,508	(279,326)	1,183,273
CURRENT ASSETS				
Amount due from the ultimate holding company	3,892	-	(3,892)	-
Amount due from intermediate holding company	36,134	-	(36,134)	-
Amounts due from fellow subsidiaries	13,726	145,026	(158,752)	-
Cash and cash equivalents	412,972	56,536	10,687	480,195
Financial assets at FVTPL	-	35,699	(35,699)	-
Trade receivables	347,139	-	118,662	465,801
Prepayments, deposits and other receivables	218,479	160	4,147	222,786
Fair value gains on commodity and other derivative financial instruments	104,630	-	-	104,630
Inventories	146,984	1,176	35,497	183,657
Tax recoverable	5,168	305	7,403	12,876
	1,289,124	238,902	(58,081)	1,469,945
Assets in subsidiaries classified as held for sale	-	-	31,839	31,839
Equity instruments at FVTPL classified as held for sale	20,000	-	(20,000)	-
Non-current assets classified as held for sale	-	43,631	-	43,631
Total current assets	1,309,124	282,533	(46,242)	1,545,415
CURRENT LIABILITIES				
Amount due to the immediate holding company	257,789	-	(257,789)	-
Amount due to fellow subsidiaries	2,978	14,994	(17,972)	-
Financial liabilities at FVTPL	35,699	-	(35,699)	-
Trade and other payables and accrued liabilities	426,189	747	83,023	509,959
Accrued interest on bonds	1,714	-	-	1,714
Fair value losses on commodity and other derivative financial instruments	46,484	-	-	46,484
Lease liabilities	38,161	-	1,294	39,455
Bank debts	46,945	-	-	46,945
Tax payable	43,074	-	590	43,664
	899,033	15,741	(226,553)	688,221
Liabilities in subsidiaries classified as held for sale	-	-	10,387	10,387
Total current liabilities	899,033	15,741	(216,166)	698,608
NET CURRENT ASSETS	410,091	266,792	169,924	846,807
TOTAL ASSETS LESS CURRENT LIABILITIES	1,149,182	990,300	(109,402)	2,030,080
NON-CURRENT LIABILITIES				
Deferred tax liabilities	1,840	-	-	1,840
Lease liabilities	59,535	-	4,462	63,997
Bonds	699,355	726,342	296,624	1,722,321
Financial liabilities at FVTPL	339,125	-	(339,125)	-
Total non-current liabilities	1,099,855	726,342	(38,039)	1,788,158
NET ASSETS/(LIABILITIES)	49,327	263,958	(71,363)	241,922

NOBLE GROUP HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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 2018:

	Trading Co 2018 US\$'000 (restated)	Asset Co 2018 US\$'000	Other 2018 US\$'000	Consolidated 2018 US\$'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment	30,629	-	195,197	225,826
Investments in joint ventures	23,286	-	-	23,286
Investments in associates	34,657	263,932	-	298,589
Equity instruments at FVOCI	73,744	-	-	73,744
Equity instruments at FVTPL	204,233	-	(204,233)	-
Financial assets at FVTPL	-	331,667	(331,667)	-
Long term loans	268,756	-	-	268,756
Deferred tax assets	33,894	-	61,658	95,552
Total non-current assets	669,199	595,599	(279,045)	985,753
CURRENT ASSETS				
Amounts due from fellow subsidiaries	14,994	79,198	(94,192)	-
Cash and cash equivalents	486,357	6,108	13,607	506,072
Financial assets at FVTPL	-	166,247	(166,247)	-
Trade receivables	478,256	-	56,619	534,875
Prepayments, deposits and other receivables	326,803	1,147	(33,910)	294,040
Fair value gains on commodity and other derivative financial instruments	143,733	-	-	143,733
Inventories	59,762	381	46,019	106,162
Tax recoverable	8,089	-	(1,371)	6,718
	1,517,994	253,081	(179,475)	1,591,600
Assets in subsidiaries classified as held for sale	-	-	80,431	80,431
Equity instruments at FVTPL classified as held for sale	65,000	-	(65,000)	-
Non-current assets classified as held for sale	-	92,558	-	92,558
Total current assets	1,582,994	345,639	(164,044)	1,764,589
CURRENT LIABILITIES				
Amount due to the ultimate holding company	113,182	-	(113,182)	-
Amount due to the immediate holding company	289,993	-	(289,993)	-
Amount due to fellow subsidiaries	6,466	-	(6,466)	-
Financial liabilities at FVTPL	65,000	-	(65,000)	-
Trade and other payables and accrued liabilities	482,200	460	78,739	561,399
Accrued interest on bonds	850	-	-	850
Fair value losses on commodity and other derivative financial instruments	84,027	-	-	84,027
Bank debts	44,793	-	-	44,793
Tax payable	51,615	-	374	51,989
	1,138,126	460	(395,528)	743,058
Liabilities in subsidiaries classified as held for sale	-	-	13,551	13,551
Total current liabilities	1,138,126	460	(381,977)	756,609
NET CURRENT ASSETS	444,868	345,179	217,933	1,007,980
TOTAL ASSETS LESS CURRENT LIABILITIES	1,114,067	940,778	(61,112)	1,993,733
NON-CURRENT LIABILITIES				
Bonds	693,397	694,504	290,457	1,678,358
Financial liabilities at FVTPL	428,400	-	(428,400)	-
Total non-current liabilities	1,121,797	694,504	(137,943)	1,678,358
NET ASSETS/(LIABILITIES)	(7,730)	246,274	76,831	315,375

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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 2019:

	Trading Co 2019 US\$'000	Asset Co 2019 US\$'000	Other 2019 US\$'000	Consolidated 2019 US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax	(51,864)	22,625	(19,106)	(48,345)
Adjustments to profit/(loss) before tax	166,371	14,862	24,579	205,812
Operating profit before working capital changes	114,507	37,487	5,473	157,467
Decrease/(increase) in working capital	(106,767)	30,690	7,108	(68,969)
Interest received	22,957	13	(24)	22,946
Taxes paid	(1,629)	(4,245)	(9,501)	(15,375)
Net cash flows from operating activities before changes in restricted cash	29,068	63,945	3,056	96,069
Increase in restricted cash	(3,734)	(49,848)	-	(53,582)
Net cash flows from operating activities	25,334	14,097	3,056	42,487
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
	31,290	27,400	(18,792)	39,898
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES				
	(131,735)	(40,917)	12,040	(160,612)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
Net foreign exchange differences	(75,111)	580	(3,696)	(78,227)
Net foreign exchange differences	(2,008)	-	217	(1,791)
Cash and cash equivalents at beginning of year	407,517	3	14,209	421,729
CASH AND CASH EQUIVALENTS AT END OF YEAR	330,398	583	10,730	341,711
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents as stated in the statement of financial position	412,972	56,536	10,687	480,195
Cash balances attributable to subsidiaries classified as held for sale	-	-	43	43
Total cash and cash equivalents	412,972	56,536	10,730	480,238
Less: Restricted cash not immediately available for use in the business operations	(82,574)	(55,953)	-	(138,527)
Cash and cash equivalents as stated in the statement of cash flows	330,398	583	10,730	341,711

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 2019: (continued)

	Trading Co 2019 US\$'000	Asset Co 2019 US\$'000	Other 2019 US\$'000	Consolidated 2019 US\$'000
Adjustments to loss before tax:				
Depreciation	38,022	-	19,063	57,085
Impairment/(reversal of impairment) of:				
- Property, plant and equipment	1,026	-	-	1,026
- Right-of-use ("ROU") assets	538	-	-	538
- Joint ventures/associates	13,895	-	-	13,895
- Long term loans	1,213	-	-	1,213
- Trade receivables	42,931	-	(464)	42,467
- Prepayments, deposits and other receivables	5,341	-	-	5,341
- Short term loans	(13,989)	-	-	(13,989)
Fair value adjustment of:				
- Non-current assets classified as held for sale	-	21,534	-	21,534
- Assets in subsidiaries classified as held for sale	8,000	-	3,760	11,760
Loss/(gain) on disposal of:				
- Non-current assets classified as held for sale	-	(7)	-	(7)
- Subsidiaries	1,635	-	-	1,635
Share of profits and losses of joint ventures/associates	734	(130,253)	-	(129,519)
Gain on repurchase of bonds	(1,315)	-	(2,592)	(3,907)
Dividend income from equity instruments at FVOCI	(1,251)	-	-	(1,251)
Expected credit loss ("ECL") on amounts due from fellow subsidiaries	1,522	6,674	(8,196)	-
Performance fee settled in cash	-	9,802	-	9,802
Share-based payment expenses	-	-	554	554
Fair value adjustment of a long term loan	(3,246)	-	-	(3,246)
Gain on lease termination	(2,839)	-	-	(2,839)
Gain on bargain purchase	(632)	-	-	(632)
Provision for legal claims	52,570	-	-	52,570
Provision for onerous contracts	4,572	-	-	4,572
Amortisation of lease assets	5,839	-	-	5,839
Unrealised fair value (gain)/loss	(29,829)	34,370	(4,541)	-
Net finance costs	41,634	72,742	16,995	131,371
	<u>166,371</u>	<u>14,862</u>	<u>24,579</u>	<u>205,812</u>
Decrease/(increase) in working capital includes:				
Decrease/(increase) in trade receivables	86,420	-	(62,353)	24,067
Decrease/(increase) in prepayments, deposits and other receivables	113,153	985	(40,130)	74,008
Decrease in net fair value gains/losses in commodity and other derivative financial instruments	1,560	-	-	1,560
Decrease/(increase) in inventories	(87,223)	(795)	11,373	(76,645)
Increase/(decrease) in trade and other payables and accrued liabilities	(96,595)	(712)	5,348	(91,959)
Increase/(decrease) in amounts due from/to fellow subsidiaries	(124,082)	31,212	92,870	-
	<u>(106,767)</u>	<u>30,690</u>	<u>7,108</u>	<u>(68,969)</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 2019: (continued)

	Trading Co 2019 US\$'000	Asset Co 2019 US\$'000	Other 2019 US\$'000	Consolidated 2019 US\$'000
Net cash flows from/(used in) investing activities:				
Purchase of property, plant and equipment	(926)	-	(17,565)	(18,491)
Purchase of mine properties	(305)	-	-	(305)
Proceeds from disposal of non-current assets classified as held for sale	-	27,400	-	27,400
Net cash inflow from acquisition of subsidiaries	20	-	-	20
Net cash inflow from disposal of subsidiaries	37,365	-	(1,227)	36,138
Investment in joint ventures/associates	(13,534)	-	-	(13,534)
Purchase of equity instruments at FVOCI	(9,211)	-	-	(9,211)
Proceeds from disposal of equity instruments at FVOCI	2,641	-	-	2,641
Proceeds from repayment of long term loans	6,700	-	-	6,700
Dividend income from equity instruments at FVOCI	1,251	-	-	1,251
Dividend income from joint ventures	6,486	-	-	6,486
Decrease in amounts due from joint ventures	1,799	-	-	1,799
Increase in amounts due from associates	(996)	-	-	(996)
	<u>31,290</u>	<u>27,400</u>	<u>(18,792)</u>	<u>39,898</u>
Net cash flows from/(used in) financing activities:				
Interest paid on financing activities	(33,322)	(24)	(44)	(33,390)
Bank debts – additions	222	-	-	222
Bank debts – repayments	(1,865)	-	-	(1,865)
Bank debts – net movement of the receivable purchase programme	3,795	-	-	3,795
Payment of lease liabilities:				
- Principal portion	(44,658)	-	(1,192)	(45,850)
- Interest portion	(10,306)	-	(570)	(10,876)
Repurchase and redemption of bonds	(24,157)	(40,893)	(7,598)	(72,648)
Increase/(decrease) in an amount due to the ultimate/ immediate holding company	(21,444)	-	21,444	-
	<u>(131,735)</u>	<u>(40,917)</u>	<u>12,040</u>	<u>(160,612)</u>

NOBLE GROUP HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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 period from 13 August 2018 (date of incorporation) to 31 December 2018:

	Trading Co 2018 US\$'000	Asset Co 2018 US\$'000	Other 2018 US\$'000	Consolidated 2018 US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax	(14,141)	2,433	6,547	(5,161)
Adjustments to profit/(loss) before tax	8,933	4,074	(5,065)	7,942
Operating profit/(loss) before working capital changes	(5,208)	6,507	1,482	2,781
Increase in working capital	(12,105)	(401)	(15,764)	(28,270)
Interest received	1,144	2	-	1,146
Taxes refunded	55	-	-	55
Net cash flows from/(used in) operating activities before changes in restricted cash	(16,114)	6,108	(14,282)	(24,288)
Increase in restricted cash	(14,824)	(6,105)	-	(20,929)
Net cash flows from/(used in) operating activities	(30,938)	3	(14,282)	(45,217)
NET CASH FLOWS FROM INVESTING ACTIVITIES	203,807	-	262,063	465,870
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	234,613	-	(233,790)	823
NET INCREASE IN CASH AND CASH EQUIVALENTS	407,482	3	13,991	421,476
Net foreign exchange differences	35	-	218	253
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>407,517</u>	<u>3</u>	<u>14,209</u>	<u>421,729</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents as stated in the statement of financial position	486,357	6,108	13,607	506,072
Cash balances attributable to subsidiaries classified as held for sale	-	-	602	602
Total cash and cash equivalents	486,357	6,108	14,209	506,674
Less: Restricted cash not immediately available for use in the business operations	(78,840)	(6,105)	-	(84,945)
Cash and cash equivalents as stated in the statement of cash flows	<u>407,517</u>	<u>3</u>	<u>14,209</u>	<u>421,729</u>

NOBLE GROUP HOLDINGS LIMITED

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31 December 2019

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 period from 13 August 2018 (date of incorporation) to 31 December 2018 (continued):

	Trading Co 2018 US\$'000	Asset Co 2018 US\$'000	Other 2018 US\$'000	Consolidated 2018 US\$'000
Adjustments to profit before tax:				
Depreciation	271	-	384	655
Impairment of non-current assets	254	-	-	254
Fair value adjustment of assets in subsidiaries classified as held for sale	-	-	(581)	(581)
Impairment of long term loans	146	-	-	146
Reversal of impairment of trade receivables	(371)	-	224	(147)
Unrealised fair value gain	-	(222)	222	-
ECL on amounts due from fellow subsidiaries	234	2,294	(2,528)	-
Share of profits and losses of joint ventures/associates	1,316	-	-	1,316
Onerous lease provision	3,222	-	-	3,222
Net finance costs	3,861	2,002	(2,786)	3,077
	<u>8,933</u>	<u>4,074</u>	<u>(5,065)</u>	<u>7,942</u>
Decrease/(increase) in working capital includes:				
Decrease/(increase) in trade receivables	(111,108)	-	5,436	(105,672)
Decrease/(increase) in prepayments, deposits and other receivables	66,477	(771)	(8,049)	57,657
Decrease in net fair value gains/losses in commodity and other derivative financial instruments	11,024	-	3,496	14,520
Decrease/(increase) in inventories	34,051	(50)	(881)	33,120
Decrease in trade and other payables and accrued liabilities	(4,120)	(12)	(23,763)	(27,895)
Increase/(decrease) in amount due from/to fellow subsidiaries	(8,429)	432	7,997	-
	<u>(12,105)</u>	<u>(401)</u>	<u>(15,764)</u>	<u>(28,270)</u>
Net cash flows from investing activities				
Additions of property, plant and equipment	(12)	-	(159)	(171)
Net cash received on acquisitions of subsidiaries	203,803	-	262,222	466,025
Decrease in amounts due from joint ventures/associates	16	-	-	16
	<u>203,807</u>	<u>-</u>	<u>262,063</u>	<u>465,870</u>
Net cash flows from financing activities:				
Interest paid on financing activities	(3,257)	-	3,242	(15)
Bank debts – additions	838	-	-	838
Increase in an amount due to the ultimate holding company	237,039	-	(237,039)	-
Decrease in amount due to the immediate holding company	(7)	-	7	-
	<u>234,613</u>	<u>-</u>	<u>(233,790)</u>	<u>823</u>

NOBLE GROUP HOLDINGS LIMITED

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SECTION A: PERFORMANCE

A2 BUSINESS UNIT INFORMATION (continued)

A2.3 *Geographical information*

	<u>Income statement</u>		<u>Statement of financial position</u>	
	Revenue from external customers		Specified non-current assets	
	Year ended 31 December 2019	Period from 13 August 2018 (date of incorporation) to 31 December 2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Hong Kong (place of domicile)	-	-	102,245	29,721
PRC (excluding Hong Kong)	1,010,802	29,041	1,663	186
India	483,824	53,625	1,979	2,055
Australia	27,258	2,215	551	-
Asia Pacific (excluding Hong Kong, the PRC, India and Australia)	1,440,983	89,304	28,457	42,848
North America	115,026	92	399,606	272,238
South America	36,448	35	196,722	195,217
Africa	133,163	7,893	10,291	4,263
Europe	263,562	16,409	408	1,173
	<u>3,511,066</u>	<u>198,614</u>	<u>741,922</u>	<u>547,701</u>

The determining factor of the above selected geographical information in the income statement and 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

NOBLE GROUP HOLDINGS LIMITED

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31 December 2019

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 recognized 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. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices.

For certain transactions of sales of commodities, the sales price is determined on a provisional basis at the date of sale as the final selling price is subject to movements in market prices up to the date of final pricing, normally ranging from 30-90 days after initial booking (provisionally priced sales). Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable. The Group's general payment terms are within 3 months from invoice date.

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.

31 December 2019

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 recognized on a straight line basis over the term of the lease. Revenue is not recognized when collection is not reasonably assured. Lease incentives are recognized 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 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 gain on repurchase of bonds, gain 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 FINANCIAL STATEMENTS

31 December 2019

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:

	Year ended 31 December 2019 US\$'000	Period from 13 August 2018 (date of incorporation) to 31 December 2018 US\$'000
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>		
Sale of commodities	3,323,797	183,559
<i>Recognised over time</i>		
Ship management fee	54,311	3,842
Voyage charter income	58,798	5,556
Revenue from other sources:		
Lease component of charter contracts	74,160	5,657
	<u>3,511,066</u>	<u>198,614</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:

	Year ended 31 December 2019 US\$'000	Period from 13 August 2018 (date of incorporation) to 31 December 2018 US\$'000
Ship management fee	2,268	-
Voyage charter income	2,433	-
	<u>4,701</u>	<u>-</u>

NOBLE GROUP HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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 2019 are as follows:

	2019 US\$'000	2018 US\$'000
Within one year	813	843
More than one year	6,544	8,782
	<u>7,357</u>	<u>9,625</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**

	Year ended 31 December 2019 US\$'000	Period from 13 August 2018 (date of incorporation) to 31 December 2018 US\$'000
Cost of inventories sold and unrealised mark-to-market movements	3,060,095	175,159
Freight expenses	67,327	2,090
Lease payments for leases previously classified as operating leases under IAS 17	-	13,851
Lease payments not included in the measurement of lease liabilities:		
- Short term leases	86,520	-
Provision for onerous contracts	4,572	3,222
Impairment/(reversal of impairment) of:		
- Long term loans	1,213	-
- Trade receivables	42,467	-
- Prepayments, deposits and other receivables	5,341	48
- Short term loans	(13,989)	-
Depreciation related to:		
- Production activities	17,887	610
- Right-of-use ("ROU") assets – equipment	2,253	-
- ROU assets – vessels	30,585	-
- ROU assets – motor vehicles	5	-
	<u>3,304,276</u>	<u>194,980</u>

NOBLE GROUP HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

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SECTION A: PERFORMANCE

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

A3.4 *Gain/(loss) on supply chain assets*

	Notes	Year ended 31 December 2019 US\$'000	Period from 13 August 2018 (date of incorporation) to 31 December 2018 US\$'000
Provision for legal claims		(52,570)	-
Amortisation of lease assets		(5,839)	-
Reversal of impairment/(impairment) of:			
- Vessels	C2.2	(1,026)	(254)
- ROU assets	C2.2	(538)	-
- Joint ventures/associates		(12,479)	-
- Non-current assets classified as held for sale	E2.2	(21,534)	-
- Assets in subsidiaries classified as held for sale		(11,760)	581
Gain on disposal of subsidiaries	C8	365	-
Gain on lease termination		2,839	-
Gain on bargain purchase	C8	632	-
Others		(3,539)	-
		<u>(105,449)</u>	<u>327</u>

NOBLE GROUP HOLDINGS LIMITED
 NOTES TO FINANCIAL STATEMENTS

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SECTION A: PERFORMANCE

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

A3.5 *Other income net of other expenses*

	Year ended 31 December 2019 US\$'000	Period from 13 August 2018 (date of incorporation) to 31 December 2018 US\$'000
Gain on repurchase of bonds	3,907	-
Dividend income from equity instruments at FVOCI	1,251	-
ECL on amount due from joint ventures/associates	(1,416)	-
Exchange differences and others	3,846	116
	<u>7,588</u>	<u>116</u>

A3.6 *Selling, administrative and operating expenses*

	Year ended 31 December 2019 US\$'000	Period from 13 August 2018 (date of incorporation) to 31 December 2018 US\$'000
Employee benefit expenses:		
Salaries and bonuses	82,787	2,355
Pension scheme contributions	1,606	61
Share-based payment expenses	554	-
Legal and professional fees	28,408	279
Audit fee	5,384	540
Other fees paid to auditors	2,585	57
Depreciation	1,181	45
Depreciation related to ROU assets – office premises	5,175	-
Lease payments for leases previously classified as operating leases under IAS 17	-	235
Lease payments not included in the measurement of lease liabilities:		
- Low-value leases	119	-
- Short term leases	1,179	-
Others	26,444	1,273
	<u>155,422</u>	<u>4,845</u>

NOBLE GROUP HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

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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).

A4.2 *Net finance costs*

	Year ended 31 December 2019 US\$'000	Period from 13 August 2018 (date of incorporation) to 31 December 2018 US\$'000
Interest income:		
Bank deposits	3,884	205
Long term loans	33,245	941
	<u>37,129</u>	<u>1,146</u>
Interest expense:		
Bank debts	(2,045)	(15)
Lease liabilities	(10,876)	-
Bonds	(155,579)	(4,208)
	<u>(168,500)</u>	<u>(4,223)</u>
Net finance costs	<u>(131,371)</u>	<u>(3,077)</u>

31 December 2019

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 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.

31 December 2019

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 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\$14.47 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.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

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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 Company 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 expense in the consolidated income statement comprises the following:

	Year ended 31 December 2019 US\$'000	Period from 13 August 2018 (date of incorporation) to 31 December 2018 US\$'000
Provision current tax	(1,937)	(209)
Net deferred tax provision	(6,032)	(1,005)
	<u>(7,969)</u>	<u>(1,214)</u>

NOBLE GROUP HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2019

SECTION A: PERFORMANCE

A5 TAXATION (continued)

A5.3 *Tax (continued)*

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

	Year ended 31 December 2019 US\$'000	Period from 13 August 2018 (date of incorporation) to 31 December 2018 US\$'000
Loss before tax	<u>(48,345)</u>	<u>(5,161)</u>
Tax credit at the applicable rates in the countries concerned*	208,288	1
Income not subject to tax	28,498	202
Unrecognised deferred taxes	(3,727)	(1,323)
Non-deductible expenses*	(232,410)	(121)
Others	<u>(8,618)</u>	<u>27</u>
Tax expense for the year/period	<u>(7,969)</u>	<u>(1,214)</u>

* Includes a tax credit of US\$222,756,000 derived from the impairment on investment in subsidiaries which is non-deductible from Dutch tax perspective. The impairment loss is eliminated in group level and is not included in the consolidated loss before tax.

A5.4 *Deferred tax assets and liabilities*

Deferred tax assets have been recognised at 31 December 2019 and 2018 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 2019 and 2018 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 2019 and 2018. Jamaica and Singapore allow indefinite carry forward of tax losses.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2019

SECTION A: PERFORMANCE

A5 TAXATION (continued)

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

Although the Group believes that as of 31 December 2019 and 2018, 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 Australia, Indonesia, Singapore, the UK and Mainland China. 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:

	2019 US\$'000	2018 US\$'000
Tax losses not benefited	2,753,937	3,357,029
Deferred tax assets not recognised in respect of such tax losses	<u>235,424</u>	<u>272,312</u>

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

Deferred tax assets

	Tax losses and credits carried forward US\$'000	Compensation accrual and others US\$'000	Total US\$'000
Acquisition of subsidiaries	88,948	7,609	96,557
Benefit utilised during period: in the income statement	<u>(1,055)</u>	<u>-</u>	<u>(1,005)</u>
At 31 December 2018 and at 1 January 2019	87,943	7,609	95,552
Benefit recognised/(utilised) during year: in the income statement	<u>(3,536)</u>	<u>2,224</u>	<u>(1,312)</u>
At 31 December 2019	<u>84,407</u>	<u>9,833</u>	<u>94,240</u>

Deferred tax liabilities

	Investment and other US\$'000	Total US\$'000
At 31 December 2018 and at 1 January 2019	-	-
Liabilities discharged during year: in the income statement	<u>(1,840)</u>	<u>(1,840)</u>
At 31 December 2019	<u>(1,840)</u>	<u>(1,840)</u>

31 December 2019

SECTION A: PERFORMANCE**A6 OPERATING LEASE COMMITMENTS****A6.1 *Significant accounting policies***

The Group is the lessee in respect of a number of vessels, office premises and office equipment held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases. From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in Note D3, and the details regarding the Group's future lease payments are disclosed in Note D9.1.

Please refer to Note F2 for more details on IFRS 16 *Leases* and the impact assessment on IFRS 16 adoption performed by the Group.

A6.2 *Details of operating lease commitments*

Future minimum lease receivables as a lessor and payables as a lessee of the unexpired leases under non-cancellable operating leases as at 31 December 2018 were as follows:

	Vessels	Office, facilities & premises	Terminals and equipment	Total
<u>As lessor</u>				
Lease term	N/A	Up to 3 years	N/A	
	US\$'000	US\$'000	US\$'000	US\$'000
Within one year	-	203	-	203
In the second to fifth years, inclusive	-	107	-	107
After five years	-	-	-	-
	-	310	-	310
<u>As lessee</u>				
Lease term	2 months to 9 years	Up to 6 years	Up to 2 months	
	US\$'000	US\$'000	US\$'000	US\$'000
Within one year	85,918	6,547	4	92,469
In the second to fifth years, inclusive	192,575	11,708	-	204,283
After five years	46,627	458	-	47,085
	325,120	18,713	4	343,837

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SECTION A: PERFORMANCE

A7 EVENTS AFTER THE REPORTING PERIOD

Asset Sales

Subsequent to the reporting period, the Group completed the sale of the vessel M/V Ocean Sapphire for an aggregate consideration of US\$12,750,000. The net proceeds from the disposal (after deducting broker commission) are US\$12,622,600. The gain on disposal of US\$283,000 will be recognised in 2020.

In February the Group announced that Noble New Asset Co Limited made a mandatory prepayment of Notes amounting to approximately US\$17.2 million of the principal amount.

New Board Members

During 2020 the Company has announced the appointment of Garrett Soden and Jeremy East as Independent Non-Executive Directors and the appointment of Paul Copley as a Non-Executive Director. Mr Copley joins the Board as Noble Investors Limited's ("NIL") appointed director replacing the previous appointee, Joseph Swanson, who stepped down as NED with effect from 3 June 2020.

Impact of the recent COVID-19 global outbreak

Subsequent to end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020.

The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business. Commodities markets have seen significant volatility, notably in the oil liquids sector. Although the continued scale and duration of these developments remain uncertain as at the date of this report, they have had an impact on our earnings, cash flow and financial condition. As reported in our 1Q 2020 financial report, the fair value of Harbour was marked down by US\$100 million due to the volatility in oil spot and forward curves at that time.

It is difficult to precisely quantify the impact of the outbreak's longer term effects or Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Group at this time. The Group has maintained stable and improving liquidity levels up to the date of this report.

The Group continues to focus on reorganizing for a more sustainable future and with this goal in mind re-sizing of business footprints will take place as appropriate, including in the post-balance sheet date period.

The financial statements have been prepared based upon conditions existing at 31 December 2019 and considering those events occurring subsequent to that date that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19.

Bond Covenants

Covenants in respect of Noble Trading Co Limited's US\$700,000,000 Senior Secured Notes due 2023 were amended in agreement with the bond holders on 16 June 2020.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

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SECTION A: PERFORMANCE

A7 EVENTS AFTER THE REPORTING PERIOD (continued)

Ricardo Leiman Case

The final Court of Appeal judgment in the case between Ricardo Leiman and a Group company was handed down in May 2020, partially finding in favour of Ricardo Leiman. The Group has provisions in place to cover any final settlement as a result of the judgment.

A8 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS – ADJUSTMENTS TO LOSS BEFORE TAX

	Notes	Year ended 31 December 2019 US\$'000	Period from 13 August 2018 (date of incorporation) to 31 December 2018 US\$'000
Depreciation	C2.2	57,085	655
Impairment/(reversal of impairment) of:			
- Vessels	C2.2	1,026	254
- ROU assets	C2.2	538	-
- Joint ventures/associates		13,895	-
- Long term loans	A3.3	1,213	146
- Trade receivables	A3.3	42,467	(147)
- Prepayments, deposits and other receivables	A3.3	5,341	-
- Short term loans	A3.3	(13,989)	-
Fair value adjustment of:			
- Non-current assets classified as held for sale	E2.2	21,534	-
- Assets in subsidiaries classified as held for sale	A3.4	11,760	(581)
Loss/(gain) on disposal of:			
- Non-current assets classified as held for sale		(7)	-
- Subsidiaries		1,635	-
Share of profits and losses of joint ventures/associates	C4.3, C4.5	(129,519)	1,316
Gain on repurchase of bonds	A3.5	(3,907)	-
Dividend income from equity instruments at FVOCI	A3.5	(1,251)	-
Performance fee settled in cash	C4.5	9,802	-
Share-based payment expenses	A3.6	554	-
Fair value adjustment of long term loans	C6.3	(3,246)	-
Gain on lease termination	A3.4	(2,839)	-
Gain on bargain purchase	C8	(632)	-
Provision for legal claims	A3.4	52,570	-
Provision for onerous contracts	A3.3	4,572	3,222
Amortisation of lease assets	A3.4	5,839	-
Net finance costs	A4.2	131,371	3,077
		<u>205,812</u>	<u>7,942</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 expected credit loss assessment. Gains and losses are recognised in the 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.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

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SECTION B: WORKING CAPITAL MANAGEMENT AND TRADING POSITIONS

B1 TRADE RECEIVABLES (continued)

B1.3 *Details of trade receivables*

	2019 US\$'000	2018 US\$'000
Trade receivables	482,344	542,147
Allowance for ECLs	(16,543)	(7,272)
	<u>465,801</u>	<u>534,875</u>

Ageing analysis

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

	2019				2018			
	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	2.8%	450,902	12,451	438,451	7.9%	407,316	7,272	400,044
Overdue:								
< 30 days	3.1%	13,505	413	13,092	n/a	50,096	-	50,096
31-60 days	1.5%	5,394	83	5,311	n/a	18,041	-	18,041
61-90 days	12.2%	975	119	856	n/a	27,698	-	27,698
>90 days	30.1%	11,568	3,477	8,091	n/a	38,996	-	38,996
		<u>482,344</u>	<u>16,543</u>	<u>465,801</u>		<u>542,147</u>	<u>7,272</u>	<u>534,875</u>

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. As stated in Note B6.1, the Group Risk Committees are 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. In 2018, the business combination on 20 December 2018 resulted in an increase in trade receivables of US\$450 million. The above ageing analysis presents information carried forward from transactions that occurred in the subsidiaries before acquisition. From acquisition until 31 December 2018, the Group had an increase in trade receivables within the scope of IFRS 9 ("new assets originated") of US\$92 million. US\$7 million was recognised for the new assets originated in the income statement as provision for ECLs on trade receivables.

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SECTION B: WORKING CAPITAL MANAGEMENT AND TRADING POSITIONS

B1 TRADE RECEIVABLES (continued)

B1.4 *Receivable purchase programmes*

On 20 December 2018, Noble Trading Co Limited entered into a receivable purchase programme of US\$100,000,000 with associated credit insurance. The Group utilised this programme to discount a portion of its receivables within the Energy Coal and Metals businesses.

On 24 March 2019, Noble Trading Co Limited and ING Belgium SA/NV, the Agent and Trustee, agreed to amend certain terms of the receivable programme. The Group will sell up to 95% of the trade receivables to the bank.

As at 31 December 2019, trade receivables with a credit period of up to 180 days of US\$44,481,000 were discounted at 95% of the invoice value which amounted to US\$42,257,000 (2018: US\$64,752,000 were discounted at 100% of the invoice value), out of which US\$2,930,000 (2018: US\$29,220,000) was received from the customers and the balance of US\$39,327,000 (2018: US\$35,532,000) was recorded as bank borrowings. The Group does not retain any rights over the trade receivables, except for a potential future cash receipt from the cash reserve account mentioned below. At the end of the reporting period, US\$12,500,000 was held in a separate cash reserve account and another US\$1,183,000 (2018: US\$15,160,000) of cash was held on behalf of the Group by the bank. Both amounts are treated as restricted cash in Note D2.2. The separate cash reserve account is maintained to fund any credit losses or delayed payment interest on the portfolio of trade receivables. Any credit loss in excess of US\$12,500,000 will be covered by the credit insurance programme. The balance of the cash reserve account will be released to the Group upon termination of the financing facility. Under the terms of the financing facility, the Group will have to repurchase the receivables at the original invoice amount upon the occurrence of defined repurchase events, including as a result of a commercial dispute between the Group and the receivable payer as well as in the event that the credit insurer should become insolvent prior to the termination of the receivable programme.

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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	2019 US\$'000	2018 US\$'000 (restated)
Trade and other prepayments		119,990	146,240
Deposits and other receivables		36,706	102,499
Current portion of long term loans	C6.3	64,869	28,855
Contract assets*		1,221	16,446
		<u>222,786</u>	<u>294,040</u>

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

During the year/period, prepayments and other receivables of US\$5,268,000 (2018: US\$48,000) were impaired. ECL of US\$73,000 (2018: nil) on contract assets and US\$617,000 (2018: nil) on amount due from joint venture and associates were provided.

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. The balance of contract assets decreased in 2019 due to an increase in numbers of voyage charter contracts were completed before year end compared to 2018.

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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 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*

	2019 US\$'000	2018 US\$'000
Commodity inventories at fair value		
- Level 1	33,318	50,239
- Level 2	146,884	50,298
	<u>180,202</u>	<u>100,537</u>
Other inventories at the lower of cost and net realisable value	3,455	5,625
	<u>183,657</u>	<u>106,162</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 2019, RMI amounted to US\$142,596,000 (2018: US\$55,782,000), which represented 78% (2018: 53%) of total inventories, of which inventories in transit to customers were US\$5,914,000 (2018: US\$10,828,000).

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SECTION B: WORKING CAPITAL MANAGEMENT AND TRADING POSITIONS**B4 TRADE AND OTHER PAYABLES AND ACCRUED LIABILITIES****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*

	2019	2018
	US\$'000	US\$'000 (restated)
Trade payables (non-interest-bearing)	259,678	270,267
Other payables and accrued liabilities	164,374	220,099
Provision for legal contingencies	77,824	31,859
Provision for onerous contract	4,905	28,785
Contract liabilities*	3,178	10,389
	<u>509,959</u>	<u>561,399</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.

NOBLE GROUP HOLDINGS LIMITED

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SECTION B: WORKING CAPITAL MANAGEMENT AND TRADING POSITIONS

B4 TRADE AND OTHER PAYABLES AND ACCRUED LIABILITIES (continued)

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

Accrued liabilities include provisions to cover onerous contracts and legal contingencies which are detailed as below:

	Onerous contract US\$'000	Legal contingencies US\$'000	Total US\$'000
Addition on acquisition of subsidiaries	22,267	35,159	57,426
Additional/(written-back) provisions made	6,518	(3,300)	3,218
At 31 December 2018 and at 1 January 2019	28,785	31,859	60,644
Reclassified to ROU assets at 1 January 2019	(32,038)	-	(32,038)
Additional provisions made	10,743	52,570	63,313
Utilised during the year	(2,585)	(6,605)	(9,190)
At 31 December 2019	<u>4,905</u>	<u>77,824</u>	<u>82,729</u>

The provision for onerous contracts and legal contingencies represents the unavoidable costs of meeting these commitments and obligations after deducting the associated, expected future benefits and/ or estimated recoverable value.

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 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.

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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)*

Commodity contracts (continued)

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 statement of financial position.

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 2019 and 2018:

	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	Level 3	
2019									
Current assets:									
Trading									
Physical contracts	86,379	-	-	-	-	-	86,379	-	86,379
Cash-settled contracts	18,251	-	-	-	-	18,030	221	-	18,251
Total	<u>104,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,030</u>	<u>86,600</u>	<u>-</u>	<u>104,630</u>
Current liabilities:									
Trading									
Physical contracts	(28,515)	-	-	-	-	-	(28,515)	-	(28,515)
Cash-settled contracts	(16,849)	(899)	-	-	-	(16,209)	(1,539)	-	(17,748)
FX	(221)	-	-	-	-	(221)	-	-	(221)
Total	<u>(45,585)</u>	<u>(899)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,430)</u>	<u>(30,054)</u>	<u>-</u>	<u>(46,484)</u>
Net financial assets	<u>59,045</u>	<u>(899)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,600</u>	<u>56,546</u>	<u>-</u>	<u>58,146</u>
Percentage of total net financial assets	102%	(2%)	n/a	n/a	n/a	3%	97%	n/a	100%

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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	Level 3	
2018									
Current assets:									
Trading Physical contracts	136,392	1,188	1,194	-	-	-	138,774	-	138,774
Cash-settled contracts	4,959	-	-	-	-	4,614	345	-	4,959
Total	<u>141,351</u>	<u>1,188</u>	<u>1,194</u>	<u>-</u>	<u>-</u>	<u>4,614</u>	<u>139,119</u>	<u>-</u>	<u>143,733</u>
Current liabilities:									
Trading Physical contracts	(80,736)	-	-	-	-	-	(80,736)	-	(80,736)
Cash-settled contracts	(3,291)	-	-	-	-	(918)	(2,373)	-	(3,291)
Total	<u>(84,027)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(918)</u>	<u>(83,109)</u>	<u>-</u>	<u>(84,027)</u>
Net financial assets	<u>57,324</u>	<u>1,188</u>	<u>1,194</u>	<u>-</u>	<u>-</u>	<u>3,696</u>	<u>56,010</u>	<u>-</u>	<u>59,706</u>
Percentage of total net financial assets	96%	2%	2%	n/a	n/a	6%	94%	n/a	100%

During the year ended 31 December 2019 and for the period from 13 August 2018 (date of incorporation) to 31 December 2018, 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.

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 flow	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 2019 and from the date of acquisition to 31 December 2018.

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 2019 and 2018:

	2019 US\$'000	2018 US\$'000
<i>Trading – physical contracts</i>		
Gross nominal value	<u>2,458,211</u>	<u>2,466,850</u>
Gross discounted value	419,177	542,600
Reserves	<u>(419,177)</u>	<u>(542,600)</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:

	2019 US\$'000	2018 US\$'000
At 1 January	-	-
Realised during the year	(4,528)	-
Unrealised loss during the year	(118,895)	-
Reserve released to the income statement	123,423	-
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.

Monthly Business Performance Review Meeting (“MBPRM”)

The purpose of the MBPRM is to provide leaders of each business an opportunity to review all of the large contracts in their prospective books with their controllers, credit risk team and Group CFO. This committee includes representatives from the Management Committee, Finance and Credit Risk team. It reviews the following reports and items related to fair valuation of derivative financial instruments:

- Deal restructuring and highlights of any issues with back-testing, key risks on each transaction and any potential operational issues
- Large deal valuations and adjustments to the profits and losses and reserves of the Group
- Stress test reports
- Price curves used in fair valuation models

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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 have to be presented to and approved monthly in the MBPRM.

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, Research and Market Risk to agree a fair valuation methodology.
- Product Control team is responsible for the daily forward curve update process and validating the fair valuation by agreeing with third party sources.
- Market Risk team reviews the trader's fair value information submission which incorporates the updated forward curves against the reported risk position. Any significant variances will be investigated.
- All variances are reviewed and agreed by the Front Office on a daily basis. Significant exceptions are reported to Group Business Finance with variance commentary.

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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 Group 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.

The Group has a Monthly Business Sign Off Committee where businesses self-identify their current and emerging risks. The Committee membership includes the Chief Executive Office, Chief Financial Officer and Chief Risk Officer of the Group.

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SECTION B: WORKING CAPITAL MANAGEMENT AND TRADING POSITIONS**B6 FINANCIAL RISK MANAGEMENT (continued)****B6.1 General (continued)**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 as follows:

Financial Risk	Management Committee	Accountable Executive
Commodity Price Risk	Group Risk Committee	Chief Risk Officer
Counterparty Payment and Performance Risk	Group Risk Committee	Chief Risk Officer
Inventory and Supply Chain Risk	Operating Committee	Chief Operating Officer
Geopolitical and Jurisdictional Risk	Group Risk Committee	Chief Risk Officer
Foreign Exchange and Interest Rate Risk	Asset and Liability Committee	Head of Treasury
Liquidity and Funding Risk	Asset and Liability Committee	Head of Treasury

Third Line of Defense

Group Internal Audit performs 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.

The Group manages these risks primarily through Value at Risk ("VaR"). VaR is a statistical estimate of the potential one day loss at a 95% confidence interval on Noble's positions and inventories due to adverse market moves.

Each revenue generating unit has a VaR limit and no limit breaches have been recorded.

The Group's VaR as a percentage of shareholder's equity in 2019 and 2018 is as follows:

	2019	2018
As at 31 December	0.71%	2.69%
Average	1.08%	2.74%
Maximum	1.96%	2.84%
Minimum	0.44%	2.61%

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SECTION B: WORKING CAPITAL MANAGEMENT AND TRADING POSITIONS

B6 FINANCIAL RISK MANAGEMENT (continued)

B6.2 *Commodity price risk (continued)*

Certain commodity price risk is not suitable for VaR treatment due to lack of observable and independent pricing and liquidity. The Group uses complementary quantitative measures including stop loss limits on trading activities and absolute stress testing of trading positions.

Qualitative management of commodity price risk is key to the Group's risk management ethos. The Group has established a Group Risk Committee whose responsibility is to review on a weekly basis the trading activities covering past performance and the near term outlook.

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.

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

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SECTION B: WORKING CAPITAL MANAGEMENT AND TRADING POSITIONS**B6 FINANCIAL RISK MANAGEMENT (continued)****B6.3 *Counterparty payment and performance risk (continued)***

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.

	2019 US\$'000	2018 US\$'000
Maximum exposure covered by credit insurance	58,712	233,647
Parent guarantees received from parent companies of counterparties	<u>835,588</u>	<u>868,693</u>

The Group Risk Committee performs a monthly review of the credit portfolio and expected outlook.

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 country and region limits and the Group Risk Committee is delegated to review the exposures on a monthly basis. Risk to a new jurisdiction requires approval from both the Asset and Liability Committee and Chief Risk Officer.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

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SECTION B: WORKING CAPITAL MANAGEMENT AND TRADING POSITIONS

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

	Year ended 31 December 2019 US\$'000	Period from 13 August 2018 (date of incorporation) to 31 December 2018 US\$'000
Decrease/(increase) in trade receivables	24,067	(105,672)
Decrease in prepayments, deposits and other receivables	74,008	57,657
Decrease in net fair value gains/losses in commodity and other derivative financial instruments	1,560	14,520
Decrease/(increase) in inventories	(76,645)	33,120
Decrease in trade and other payables and accrued liabilities	(91,959)	(27,895)
	<u>(68,969)</u>	<u>(28,270)</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 income statement in the period 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 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 income statement. Depreciation other than those used for production activities is charged to the selling, administrative and operating expenses in the income statement.

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.

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SECTION C: INVESTMENTS

C2 PROPERTY, PLANT AND EQUIPMENT (continued)

C2.1 *Significant accounting policies (continued)*

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 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 downward movement in market rates over the course of the year for certain sized vessels indicated the need for an impairment assessment to be performed.

For ROU vessels affected the recoverable amount was calculated by reference to expected future revenue streams compared to the carrying value of the assets. This resulted in an impairment charge for the year-ended 31 December 2019 of US\$0.5 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 impaired by US\$1.0 million for the year ended 31 December 2019.

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

NOBLE GROUP HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

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SECTION C: INVESTMENTS

C2 PROPERTY, PLANT AND EQUIPMENT (continued)

C2.2 Details of property, plant and equipment

	Land and buildings US\$'000	Leasehold improve- ments US\$'000	Vessels US\$'000	Plant and equipment US\$'000	Motor vehicles US\$'000	Assets under development US\$'000	ROU Assets				Total US\$'000
							ROU office premises US\$'000	ROU equipment US\$'000	ROU vessels US\$'000	ROU motor vehicles US\$'000	
Cost:											
Addition on acquisition of subsidiaries	140,058	1,396	26,000	37,756	59	21,462	-	-	-	-	226,731
Additions	-	-	-	6	6	-	-	-	-	-	12
Exchange adjustments	10	5	(36)	7	(3)	-	-	-	-	-	(17)
At 31 December 2018 and 1 January 2019	140,068	1,401	25,964	37,769	62	21,462	-	-	-	-	226,726
Adoption of IFRS 16	-	-	-	-	-	-	11,987	6,948	82,324	-	101,259
Addition on acquisition of subsidiaries	425	-	-	323	62	-	-	-	-	-	810
Additions	-	441	-	667	-	13,139	1,907	-	18,619	65	34,838
Asset transfers	3,285	-	-	2,797	-	(6,082)	-	-	-	-	-
Lease modification	-	-	-	-	-	-	1,473	-	-	-	1,473
Disposal	-	(537)	-	-	-	-	(2,316)	-	-	-	(2,853)
Exchange adjustments	(7)	-	-	(1)	(1)	-	(9)	-	-	-	(18)
At 31 December 2019	143,771	1,305	25,964	41,555	123	28,519	13,042	6,948	100,943	65	362,235

NOBLE GROUP HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

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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 US\$'000	Leasehold improvements US\$'000	Vessels US\$'000	Plant and equipment US\$'000	Motor vehicles US\$'000	Assets under development US\$'000	ROU Assets				Total US\$'000
							ROU office premises US\$'000	ROU equipment US\$'000	ROU vessels US\$'000	ROU motor vehicles US\$'000	
Accumulated depreciation and impairment:											
Provided during the period	237	33	-	369	4	-	-	-	-	-	643
Impairment	-	-	254	-	-	-	-	-	-	-	254
Exchange adjustments	(2)	5	-	-	-	-	-	-	-	-	3
At 31 December 2018 and 1 January 2019	235	38	254	369	4	-	-	-	-	-	900
Provided during the year	10,264	654	924	7,191	34	-	5,175	2,253	30,585	5	57,085
Impairment	-	-	1,026	-	-	-	-	-	538	-	1,564
Disposal	-	-	-	(250)	-	-	-	-	-	-	(250)
Exchange adjustments	40	(9)	-	(3)	1	-	-	-	-	-	29
At 31 December 2019	10,539	683	2,204	7,307	39	-	5,175	2,253	31,123	5	59,328
Net book value:											
At 31 December 2018	139,833	1,363	25,710	37,400	58	21,462	-	-	-	-	225,826
At 31 December 2019	133,232	622	23,760	34,248	84	28,519	7,867	4,695	69,820	60	302,907

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 NOTES TO FINANCIAL STATEMENTS
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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

	2019 US\$'000	2018 US\$'000
<i>Country</i>		
Jamaica	140,666	137,381
India	1,937	1,937
Others	1,168	750
	<u>143,771</u>	<u>140,068</u>

Vessels

As at 31 December 2019, a vessel with a net carrying amount of US\$23,760,000 (2018: US\$25,710,000) was pledged 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

	2019 US\$'000	2018 US\$'000
Land and buildings	22,293	18,517
Other plant and equipment	6,226	2,945
	<u>28,519</u>	<u>21,462</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 capitalized 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 judgments 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*

	Mine Exploration and Properties 2019 US\$'000
Cost:	
Addition of exploration and mine under construction assets from acquisition of subsidiaries	4,577
Exploration costs during the year	305
At 31 December 2019	<u>4,882</u>

The Group's exploration and evaluation assets include licences, development of access roads and costs incurred in exploration of mineral resources.

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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 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 income statement.

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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 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 amortized 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 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 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 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 Harbour's year-end partnership financial statements in which a discounted cash flow valuation model is used to value underlying investments in North Sea assets. The valuation is dependent upon a number of variables including discount rates and commodity price estimates, primarily based on observable forward inputs extending up to 5 years. A range of values can be calculated as these variables are subject to judgement as to the appropriate year end mark. Within this range, the Group assesses independently the appropriate valuation with particular consideration given to downside commodity price risk.

If any associate or joint venture has not issued its audited financial statements for the year ended 31 December 2019, 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 by using a pro-rata methodology.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

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SECTION C: INVESTMENTS

C4 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

C4.3 Investments in joint ventures

	Note	Share of net assets US\$'000	Long term balances* Due from joint ventures US\$'000	Total US\$'000
Additions on acquisition of subsidiaries		20,520	3,336	23,856
Share of loss		(554)	-	(554)
Change in long term balances		-	(16)	(16)
At 31 December 2018 and at 1 January 2019		19,966	3,320	23,286
Additions		4,050	-	4,050
Share of profit		1,057	-	1,057
Dividend received		(6,486)	-	(6,486)
Provision for impairment**	C4.6	(4,424)	(741)	(5,165)
Change in long term balances		-	(1,799)	(1,799)
Provision for ECL		-	(158)	(158)
Exchange difference		21	-	21
At 31 December 2019		14,184	622	14,806

* 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	*1	Hong Kong	50	50	50	Ship operator
Comvest Resources Pte. Ltd.	*6	Singapore	50	50	50	Commodities trading and investments
K Noble Hong Kong Limited	*3	Hong Kong	51	50	51	Ship operator
K-Noble Pte. Ltd.	*2	Singapore	51	50	51	Ship operator
Nice Venture Limited	*1	Hong Kong	50	50	50	Ship operator
Padma Shipping Limited	*3	Hong Kong	50	50	50	Ship operator
Spinel Investments Limited	*7	Cayman Islands	50	50	50	Investment holding
Watt Power Limited	*4	United Kingdom	75	50	75	Developer of power generation assets
YN Energy Pty Ltd ("YN Energy")	*5	Australia	50	50	50	Coal supply and trading

List of statutory auditors

*1 PwC

*2 Entrust Public Accounting Corporation

*3 Ernst & Young

*4 Scott Moncrieff

*5 Deloitte Touche Tohmatsu

*6 Not yet appointed as newly incorporated in May 2019

*7 No statutory audit requirement

NOBLE GROUP HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

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SECTION C: INVESTMENTS

C4 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

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

Material joint venture

YN Energy

YN Energy is a joint venture acquired through the acquisition of NIHCL. 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:

	2019 US\$'000	2018 US\$'000
Revenue	<u>180,546</u>	<u>174,524</u>
Profit for the year and total comprehensive income for the year	<u>2,358</u>	<u>2,497</u>
Dividend received	<u>-</u>	<u>-</u>
	Year ended 31 December 2019 US\$'000	Period from 13 August 2018 (date of incorporation) to 31 December 2018 US\$'000
Share of profit/(loss) for the year/period and total comprehensive income for the year/period	<u>667</u>	<u>(597)</u>

NOBLE GROUP HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

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SECTION C: INVESTMENTS

C4 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

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

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:

	2019 US\$'000	2018 US\$'000
Non-current assets	-	14
Current assets	28,918	17,037
Current liabilities	(21,871)	(12,392)
Non-current liabilities	(30)	-
Net assets	<u>7,017</u>	<u>4,659</u>
Goodwill recorded in financial statements	-	-
Net assets, excluding goodwill	<u>7,017</u>	<u>4,659</u>
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the joint venture	3,509	2,330
Acquisition fair value adjustments <Note>	7,400	7,400
Other adjustments	(601)	1,012
Carrying amount of the investment	<u><u>10,308</u></u>	<u><u>10,742</u></u>

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

Other joint ventures

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

	Year ended 31 December 2019 US\$'000	Period from 13 August 2018 (date of incorporation) to 31 December 2018 US\$'000
Share of profit of joint ventures and total comprehensive income of joint ventures	<u><u>390</u></u>	<u><u>43</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 2019 and 2018 are as follows:

Name of partnership	Country of incorporation and place of business	Principal activities	Proportion (%) of ownership interest	
			2019	2018
Jamalco	Jamaica	Bauxite mining and Alumina production	55%	55%

C4.5 *Investment in associates*

	Note	Share of net assets US\$'000	Associates held at FVTPL US\$'000	Long term balances* Due from associates US\$'000	Total US\$'000
Additions on acquisition of subsidiaries		32,554	263,932	2,800	299,286
Share of loss		(762)	-	-	(762)
Share of other comprehensive income		65	-	-	65
At 31 December 2018 and at 1 January 2019		31,857	263,932	2,800	298,589
Additions		9,484	-	-	9,484
Share of loss		(1,791)	-	-	(1,791)
Share of other comprehensive loss		(446)	-	-	(446)
Reversal of prior year valuation reserve		-	19,011	-	19,011
Performance fee		-	41,328	-	41,328
Performance fee settled in cash		-	(9,802)	-	(9,802)
Fair value adjustment		-	69,914	-	69,914
Change in long term balances		-	-	996	996
Provision for impairment**	C4.6	(7,314)	-	-	(7,314)
Provision for ECL		-	-	(642)	(642)
At 31 December 2019		31,790	384,383	3,154	419,327

* 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.

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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	
			2019	2018		2019	2018
						US\$'000	US\$'000
<u>Listed</u>							
Aspire Mining Limited (“Aspire”)	*1	Australia	13.1	19.9	Coal exploration	6,981	8,914
Resource Generation Limited (“Resgen”)	*2	Australia	13.7	13.7	Coal mining	5,301	4,781
Xanadu Mines Ltd (“XML”)	*3	Australia	8.0	8.0	Coal exploration	1,318	3,843
<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”)	*4	British Virgin Islands	49.0	20.0	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)	*4	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 No statutory audit requirement

*5 PwC

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.

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 an investment in an associate.

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SECTION C: INVESTMENTS

C4 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

C4.5 *Investments in associates (continued)*

Material associates (continued)

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

	2019 US\$'000	2018 US\$'000
<u>Harbour LP</u>		
Current assets	1,567,085	1,371,869
Current liabilities	(1,926)	(358)
Net assets	<u>1,565,159</u>	<u>1,371,511</u>
 <u>EIG Harbour</u>		
Current assets	<u>184,371</u>	<u>130,287</u>
Net assets	<u>184,371</u>	<u>130,287</u>

Highlights of Harbour LP and EIG Harbour's income statement are as follows:

	2019 US\$'000	2018 US\$'000
Total income	<u>285,340</u>	<u>222,929</u>
Profit for the year and total comprehensive income for the year	<u>277,139</u>	<u>222,376</u>
Dividend declared	<u>-</u>	<u>-</u>
	Year ended 31 December 2019 US\$'000	Period from 13 August 2018 (date of incorporation) to 31 December 2018 US\$'000
Performance fee	<u>41,328</u>	<u>-</u>

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SECTION C: INVESTMENTS**C4 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)****C4.5 *Investments in associates (continued)***Quantitative information of significant unobservable inputs – Level 3

During 2019, Harbour completed its acquisition of the ConocoPhillips UK North Sea portfolio. As of 31 December 2019, a discount rate of 20.0% and an exit multiple of 3.5x 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 31 December 2019, in addition to the Chrysaor investment, Harbour also held prepaid expenses 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\$41.5 million in the value of the investments. A decrease in exit EBITDA multiple of 0.5x would lead to a decrease of approximately US\$38.6 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:

	2019 US\$'000	2018 US\$'000
At 1 January	263,932	-
As part of the acquisition of the NIHCL Group (Note A1)	-	263,932
Reversal of prior year valuation reserve	19,011	-
Performance fee	41,328	-
Performance fee settled in cash	(9,802)	-
Fair value adjustment	69,914	-
At 31 December	<u>384,383</u>	<u>263,932</u>

Performance fees are paid in the form of cash and/or additional equity interests in the underlying assets, and hence are incorporated into the fair value of the associates. To the extent that cash is paid from the associate to the Group, this is a reduction in the fair value.

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:

	Year ended 31 December 2019 US\$'000	Period from 13 August 2018 (date of incorporation) to 31 December 2018 US\$'000
Share of loss of associates excluding major associates	(1,791)	(762)
Share of other comprehensive income/(losses) of associates excluding major associates	<u>(446)</u>	<u>65</u>
Share of total comprehensive loss of associates excluding major associates	<u>(2,237)</u>	<u>(697)</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 2019 and 2018 together with the details of impairment assessment.

Description	Year ended 31 December 2019 US\$'000	Period from 13 August 2018 (date of incorporation) to 31 December 2018 US\$'000	Details of impairment assessment
<u>Joint ventures</u>			
Padma Shipping	4,798		- The Group reviewed the financial position of Padma Shipping and concluded that the investment is not recoverable but the receivable from Padma Shipping is still recoverable. Accordingly, the total carrying value of Padma Shipping was impaired down to the current account with Padma Shipping.
			The carrying amount including current account of the joint venture was US\$1,184,000 as at 31 December 2019 (2018: US\$6,002,000).
Others	367		- These impairment charges were driven by the Group's reassessment of expected future income streams.
	<u>5,165</u>	<u>-</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)*

Set out below are the details of the impairment charge during 2019 and 2018 together with the details of impairment assessment.

Description	Year ended 31 December 2019 US\$'000	Period from 13 August 2018 (date of incorporation) to 31 December 2018 US\$'000	Details of impairment assessment
<u>Associates</u> XML	2,696		- In 2019, the Group performed a review on the recoverable amount based on the quoted price for listed investments. As a result of the impairment assessment, an impairment loss of US\$2,696,000 was recognised. The carrying amount of the associate was US\$1,307,000 as at 31 December 2019 (2018: US\$4,030,000).
Aspire	2,444		- On 3 December 2019, Aspire issued placement shares to majority shareholder to increase his investment from 27.5% to 51% (the "Placement") resulting in Aspire becoming a majority Mongolian owned entity. Following issuance of placement shares by Aspire on 3 December 2019, Noble's shareholding in Aspire has been diluted from 19.96% to 13.49%. The Company also entered into a 10 for 1 share consolidation. During the year, the Group performed impairment assessment and impaired the value of the recoverable amount based on an independent expert report from BDO. The carrying amount of the associate was US\$6,924,000 as at 31 December 2019 (2018: US\$9,744,000).
TPP	1,187		- The Group performed a review on the recoverable amount based on the income approach based on financial projections. As a result of the impairment assessment, an impairment loss of US\$1,187,000 was recognised. The carrying amount of the associate was US\$2,044,000 as at 31 December 2019 (2018: US\$3,223,000).
Others	987		- These impairment charges were driven by the Group's reassessment of expected future income streams.
	<u>7,314</u>	<u>-</u>	

31 December 2019

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 OCI 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, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

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

C5.2 *Equity instruments at FVOCI*

	2019 US\$'000	2018 US\$'000
Listed equity securities, at level 1 fair valuation based on observable market prices:		
TerraCom Limited	17,784	25,561
PT Atlas Resources TBK	15,406	18,850
PT Dana Brata Luhur	8,759	-
Tharisa plc	6,224	7,718
Yancoal Australia Limited (“Yancoal”)	5,732	10,357
Arafura Resources Limited	3,517	-
Mkango Resources Ltd.	1,650	1,544
Symbol Mining Limited	-	1,217
Others	1,160	327
	<u>60,232</u>	<u>65,574</u>
Unlisted equity instruments, at level 3		
Piran Resources Limited	4,500	4,500
Talenta Bumi	-	2,100
Others	1,455	1,570
	<u>5,955</u>	<u>8,170</u>
Total of listed and unlisted equity instruments	<u><u>66,187</u></u>	<u><u>73,744</u></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\$14.7 million in 2019 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 latest round of funding	Unlisted equity instruments at FVOCI	Valuation based on latest round of funding

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 year ended 31 December 2019 and for the period from 13 August 2018 (date of incorporation) to 31 December 2018, there were no transfers between Level 2 and Level 3 fair value measurements.

During the year ended 31 December 2019, equity instruments designated at FVOCI of US\$2.6 million were disposed of at their fair value on the date of derecognition for US\$2.6 million because they were no longer aligned with the Group's investment strategy. At the date of derecognition, US\$40,000 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 2019. Dividends were received from Yancoal and TerraCom Limited for US\$0.9 million and US\$0.3 million during the year (2018: nil). No dividends were received on other equity instruments during the year (2018: nil).

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SECTION C: INVESTMENTS

C6 LOANS

C6.1 *Significant accounting policies*

Long term loans include financial assets at amortized 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 amortized 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 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 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 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 statement of financial position at fair value with net changes in fair value recognised in the 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

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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.

	Note	2019 US\$'000	2018 US\$'000
Long term loans		355,023	297,632
Less: Current portion of long term loans	B2.3	(71,506)	(28,855)
		<u>283,517</u>	<u>268,777</u>
Less: Allowance for ECL		(2,593)	(21)
		<u><u>280,924</u></u>	<u><u>268,756</u></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.

Internal rating grade	2019					Total US\$'000
	FVTPL US\$'000	Stage 1 US\$'000	Stage 2 US\$'000	Stage 3 US\$'000	Purchased or originated credit- impaired US\$'000	
Performing						
Investment grade	-	-	-	-	-	-
Sub-investment grade	203,795	75,140	42,280	-	30,309	351,524
Past due but not impaired	-	-	-	-	-	-
Non-performing						
Individually impaired	-	-	-	1,238	2,261	3,499
Total	<u>203,795</u>	<u>75,140</u>	<u>42,280</u>	<u>1,238</u>	<u>32,570</u>	<u>355,023</u>

Internal rating grade	2018					Total US\$'000
	FVTPL US\$'000	Stage 1 US\$'000	Stage 2 US\$'000	Stage 3 US\$'000	POCI US\$'000	
Performing						
Investment grade	-	-	-	-	-	-
Sub-investment grade	158,031	127,340	-	-	10,046	295,417
Past due but not impaired	-	-	-	-	-	-
Non-performing						
Individually impaired	-	-	-	-	2,215	2,215
Total	<u>158,031</u>	<u>127,340</u>	<u>-</u>	<u>-</u>	<u>12,261</u>	<u>297,632</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:

	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>						
Addition on acquisition of subsidiaries	158,748	126,893	-	-	19,545	305,186
New assets originated or purchased	334	447	-	-	-	781
Assets derecognised or repaid (excluding write-offs)	(479)	-	-	-	(7,284)	(7,763)
Changes in fair value	(572)	-	-	-	-	(572)
As at 31 December 2018 and at 1 January 2019	158,031	127,340	-	-	12,261	297,632
Addition	-	12,866	-	-	-	12,866
Interest capitalised	10,079	5,756	762	-	-	16,597
Loan balance previously written off	-	174	1,514	-	20,340	22,028
Amount repaid	(12,847)	-	(150)	-	-	(12,997)
Converted to equity instruments at FVOCI	(712)	-	-	-	-	(712)
Changes in fair value	3,246	-	-	-	-	3,246
Modification	45,998	(29,650)	-	-	-	16,348
Transfer between stages	-	(41,350)	40,154	1,196	-	-
Exchange difference	-	4	-	42	(31)	15
As at 31 December 2019	<u>203,795</u>	<u>75,140</u>	<u>42,280</u>	<u>1,238</u>	<u>32,570</u>	<u>355,023</u>
<u>ECL</u>						
New assets originated or purchased	-	21	-	-	-	21
As at 31 December 2018 and at 1 January 2019	-	21	-	-	-	21
Charged during the year	-	1,008	7,153	927	164	9,252
Transfer between stages	-	14	(14)	-	-	-
Exchange difference	-	-	-	(42)	-	(42)
As at 31 December 2019	-	<u>1,043</u>	<u>7,139</u>	<u>885</u>	<u>164</u>	<u>9,231</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

NOBLE GROUP HOLDINGS LIMITED

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SECTION C: INVESTMENTS

C6 LOANS (continued)

C6.3 *Long term loans (continued)*

As part of the acquisition of the NIHCL Group (Note A1), the Group acquired a long term loan portfolio of US\$127 million. No additional losses were recognised as the fair value had already taken into account expected losses at a probability weighted amount which reflects the possibility that future credit losses occur. From the acquisition date until 31 December 2018, the Group had an increase in loans of US\$0.4 million which resulted in an increase in ECL of US\$0.02 million. In 2018, the Group acquired a portfolio categorised as POCI with a fair value of US\$20 million with a contractual principal of US\$44 million, and a portfolio categorised as fair value through profit and loss with a fair value of US\$159 million.

The increase in ECLs of the portfolio was driven by an increase in the gross size of the portfolio and 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	2019 US\$'000	2018 US\$'000
Within one year	B2.3	64,869	28,855
1 - 2 years		109,551	60,633
2 - 5 years		80,233	138,294
> 5 years		91,139	69,829
Total		<u>345,792</u>	<u>297,611</u>

C7 CAPITAL COMMITMENTS

At 31 December 2019, the Group has entered into contracts to acquire certain construction assets of US\$14,264,000 (2018: US\$9,486,000) which have not been provided for in the financial statements.

In addition, the Group was committed at 31 December 2019 to enter into operating leases for vessels that have not yet commenced of US\$71 million. These operating leases will commence in the fiscal year of 2020 with lease terms of 7 years.

NOBLE GROUP HOLDINGS LIMITED

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SECTION C: INVESTMENTS

C8 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

2019 Acquisition

On 2 August 2019, the Group acquired a 60% equity interest in Imperial JV Limited (“IJVL”), a company incorporated in Nigeria, at a cash consideration and debt forgiveness of US\$700,003.

The fair values of the identifiable assets and liabilities of IJVL as at the acquisition dates were as follows:

	Fair value recognised on acquisition US\$'000
Property, plant and equipment	810
Mine properties	4,577
Cash and cash equivalents	20
Prepayments, deposits and other receivables	92
Trade and other payables and accrued liabilities	(3,116)
Tax payable	(163)
Total identifiable net assets at fair value	<u>2,220</u>
Non-controlling interests	<u>(888)</u>
Equity value attributable to the Group (60%)	1,332
Less: Consideration	-
Less: Pre-existing loan	(700)
Gain on bargain purchase (Note A3.4)	<u>632</u>
Cash inflow on acquisition:	
Net cash acquired with the subsidiary	20
Cash paid	-
Net cash inflow	<u>20</u>

From the date of acquisition, IJVL contributed no revenue and US\$32,000 to the net profit for the year ended 31 December 2019. If the combination had taken place at the beginning of the year, revenue would have been US\$14,000 and net loss for the Group would have been US\$6,175,000 for the year ended 31 December 2019.

NOBLE GROUP HOLDINGS LIMITED

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SECTION C: INVESTMENTS

C8 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

2019 Disposal

In May 2019, the Group disposed of 100% of its interest in PT Henrison Inti Persada (“PT HIP”) for a consideration of US\$37,365,000. The carrying amounts of the assets and liabilities at the date of disposal are detailed below:

	US\$'000
Assets	
Property, plant and equipment	32,509
Agricultural assets	229
Cash and cash equivalents	1,227
Trade receivables	774
Prepayments, deposits and other receivables	6,331
Inventories	2,169
Trade and other payables and accrued liabilities	<u>(6,239)</u>
Net assets	37,000
Non-controlling interests	<u>-</u>
Equity value attributable to the Group	37,000
Gain on disposal	<u>365</u>
Consideration received in cash	<u><u>37,365</u></u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	US\$'000
Cash consideration	37,365
Cash and cash equivalents disposed of	<u>(1,227)</u>
Net inflow of cash and cash equivalents in respect of the disposal	<u><u>36,138</u></u>

NOBLE GROUP HOLDINGS LIMITED

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SECTION C: INVESTMENTS

C9 CONTINGENT LIABILITIES ASSOCIATED WITH INVESTING ACTIVITIES

C9.1 *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.

C9.2 *Regulatory Matters*

As previously reported, the Company's wholly-owned subsidiary, NRIPL, is the subject of an investigation by the Accounting and Corporate Regulatory Authority ("ACRA") relating to potential non-compliance with accounting standards. The Group and NRIPL are cooperating fully with the investigation. In respect of this investigation, the potential offences are in relation to laying or presenting accounts that are false and misleading under Section 201, Section 401, and Section 402 of the Companies Act (CAP. 50). The fines run to a maximum of S\$100,000 per charge.

C10 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS – CASH FLOWS FROM INVESTING ACTIVITIES

	Notes	Year ended 31 December 2019 US\$'000	Period from 13 August 2018 (date of incorporation) to 31 December 2018 US\$'000
Purchase of property, plant and equipment	C2.2	(18,491)	(171)
Purchase of mine properties	C3.3	(305)	-
Proceeds from disposal of non-current assets classified as held for sale		27,400	-
Net cash inflow from acquisitions of subsidiaries*	C8	20	466,025
Net cash inflow from disposal of subsidiaries	C8	36,138	-
Investments in joint ventures/associates	C4.3, C4.5	(13,534)	-
Purchase of equity instruments at FVOCI	C5.2	(9,211)	-
Proceeds from disposal of equity instruments at FVOCI	C5.2	2,641	-
Proceeds from repayment of long term loans		6,700	-
Dividend income from equity instruments at FVOCI		1,251	-
Dividend income from joint ventures	C4.3	6,486	-
Decrease in amounts due from joint ventures	C4.3	1,799	16
Increase in amounts due from associates	C4.5	(996)	-
		<u>39,898</u>	<u>465,870</u>

* The US\$466,025,000 is "net" of restricted cash acquired. Refer to Note A1.3 for analysis of the gross and restricted cash.

31 December 2019

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 2019 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 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 2019, the Group calculated the sum of the total bank and capital market debt and equity capital of the Group to be US\$2,011,188,000 (2018: US\$2,038,526,000), consisting of US\$1,769,266,000 (2018: US\$1,723,151,000) of short and long term debts, and US\$241,922,000 (2018: US\$315,375,000) of total equity.

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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 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 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 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 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

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SECTION D: CAPITAL, FUNDING AND LIQUIDITY

D2 CASH AND CASH EQUIVALENTS (continued)

D2.2 *Cash and cash equivalents*

	2019 US\$'000	2018 US\$'000
Bank balances and short term time deposits	309,428	403,012
Cash balances with futures brokers	32,240	18,115
Cash balances in collection accounts	55,953	6,105
Restricted cash*	82,574	78,840
	<u>480,195</u>	<u>506,072</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;
- cash with security agents used to collateralise letters of credit and trade finance instruments that have been issued by the Group; and
- cash held by a bank in relation to the receivable purchase program as described in Note B1.4.

Cash at banks earns interest at floating rates based on bank deposit rates. Short term deposits are made for varying periods of between one day and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. At 31 December 2019, the original maturity periods of deposits were less than 31 days (2018: 90 days) and the interest rate was 1.5% (2018: ranging from 1.3% to 7.1%) per annum depending on the currency and tenor.

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*

The Group had to change its accounting policies for leases with effect from 1 January 2019 as a result of adopting the new lease accounting standard IFRS 16 Leases. The effect of adoption of IFRS 16 is summarised in Note F2. 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.

Upon adoption of IFRS 16 and during the year ended 31 December 2019, 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.

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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*

	2019 US\$'000	2018 US\$'000
Current	39,455	-
Non-current	63,997	-
	<u>103,452</u>	<u>-</u>

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

	Notes	2019 US\$'000	2018 US\$'000
At 1 January		-	-
Adoption of IFRS 16		133,076	-
Addition for the year/period		20,591	-
Lease modification		1,473	-
Early termination of lease		(5,722)	-
Interest expense	A4.2	10,876	-
Payment of lease liabilities	D11	(56,726)	-
Exchange differences		(116)	-
At 31 December		<u>103,452</u>	<u>-</u>

31 December 2019

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 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 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*

	2019		2018	
	Average effective interest rate (%)	US\$'000	Average effective interest rate (%)	US\$'000
Current bank debts				
secured by vessels (Note C2.2)	7.1	7,618	5.35	9,255
secured by trade receivables (Note B1.4)	3.49	39,327	3.29	35,532
others	n/a	-	n/a	6
		<u>46,945</u>		<u>44,793</u>

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

D4.3 *Bonds*

	2019	2018
	US\$'000	US\$'000
US\$729,613,011 bonds due 20 June 2022	726,342	694,504
US\$705,142,120 bonds due 20 June 2023	699,355	693,397
US\$304,732,500 bonds due 20 December 2025	296,624	290,457
	<u>1,722,321</u>	<u>1,678,358</u>
Fair value	<u>1,409,662</u>	<u>1,678,358</u>

As at 31 December 2019, the bonds were classified as Level 2 in the fair value hierarchy. The bonds were valued base on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs. Due to the low liquidity of the bonds in the market from the date of issuance to 31 December 2018, rather than using market prices, the Board estimated the fair value of the bonds to be approximately the same as their carrying value.

NOBLE GROUP HOLDINGS LIMITED

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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\$729,613,011 (Originally US\$700,000,000) senior secured notes due 20 June 2022

In December 2018, Asset Co issued 10% senior secured PIK notes with an aggregate principal amount of US\$700,000,000 (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\$40,130,466 of the Asset Co Notes as vessel sales were completed in 2019. Such Asset Co Notes were cancelled subsequent to the repayments in 2019.

Asset Co issued US\$69,743,477 additional Asset Co Notes having an aggregate principal amount equal to the amount of interest that would have otherwise been payable in cash.

Noble Trading Co Limited US\$705,142,120 (Originally US\$700,000,000) senior secured notes due 20 June 2023

In December 2018, Trading Co issued senior secured notes with an aggregate principal amount of US\$700,000,000 (the “Trading Co Notes”). The Trading Co Notes bear 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%

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SECTION D: CAPITAL, FUNDING AND LIQUIDITY

D4 BANK DEBTS AND BONDS (continued)

D4.3 **Bonds (continued)**

Noble Trading Co Limited US\$705,142,120 (Originally US\$700,000,000) senior secured notes due 20 June 2023 (continued)

Trading Co repurchased US\$12,000,000 at a gain of US\$1,315,000, and made mandatory prepayments of US\$13,002,666 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.

In addition, Trading Co issued US\$30,144,786 additional Trading Co Notes having an aggregate principal amount equal to the amount of interest that would have otherwise been payable in cash.

Noble Trading Hold Co Limited US\$304,732,500 (originally US\$300,000,000) senior secured notes due 20 December 2025

In December 2018, Noble Trading Hold Co Limited (“Trading Hold Co”) issued senior secured notes with an aggregate principal amount of US\$300,000,000 (the “Trading Hold Co Notes”). The Trading Hold Co Notes bear 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 during the year. Such Trading Hold Co Notes were cancelled subsequent to the repurchases in 2019.

In addition, Trading Hold Co issued US\$14,732,500 additional Trading Hold Co Notes having an aggregate principal amount equal to the amount of interest that would have otherwise been payable in cash.

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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.

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SECTION D: CAPITAL, FUNDING AND LIQUIDITY**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 statement of financial position.

D6.2 Share capital

	2019 US\$'000	2018 US\$'000
Authorised:		
700,000,000 (2018: 700,000,000) shares of US\$0.01 each, equivalent to US\$7,000,000 (2018: US\$7,000,000)	<u>7,000</u>	<u>7,000</u>
Issued and fully paid:		
663,761,605 (2018: 663,761,605) shares of US\$0.01 each, equivalent to US\$6,637,616 (2018: 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/period were:

	2019		2018	
	Share'000	US\$'000	Share'000	US\$'000
At incorporation	-	-	-	-
At 1 January	663,762	6,638	-	-
Issuance of shares	-	-	663,762	6,638
At 31 December	<u>663,762</u>	<u>6,638</u>	<u>663,762</u>	<u>6,638</u>

(b) The total number of issued shares as at 31 December 2019 was 663,761,605 (2018: 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.

31 December 2019

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*

	2019	2018
	US\$'000	US\$'000
Guarantees given to the banks and financial institutions for banking facilities granted to subsidiaries	251,220	236,220
Amount of utilised banking facilities covered by guarantees	153,073	163,557
Parent guarantees for subsidiaries given to trade counterparties	162,614	-
Amount of utilised facilities covered by guarantees	<u>-</u>	<u>-</u>

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

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

D8.2 *Details of dividends paid and proposed*

No dividend was declared for the year ended 31 December 2019.

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. Before any transaction is undertaken, the Business Units need to obtain clearance from the Treasury for any funding or other facility usage.

NOBLE GROUP HOLDINGS LIMITED

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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 MBPRM, Business Unit heads discuss their forward-looking cash and other requirements.

The Asset and Liability Committee reviews Noble's funding and liquidity risk on a monthly basis.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2019 and 2018 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>2019</u>						
Bank debts	39,611	7,334	-	-	-	46,945
Bonds	-	65,226	68,751	1,720,285	475,764	2,330,026
Total debts	39,611	72,560	68,751	1,720,285	475,764	2,376,971
Trade and other payables and accrued liabilities	447,004	62,955	-	-	-	509,959
Fair value losses on commodity and other derivative financial instruments	38,192	7,393	899	-	-	46,484
Lease liabilities	11,251	35,884	32,485	39,692	-	119,312
Guarantees given in connection with facilities granted	153,073	-	-	-	-	153,073
Total	<u>689,131</u>	<u>178,792</u>	<u>102,135</u>	<u>1,759,977</u>	<u>475,764</u>	<u>3,205,799</u>
<u>2018</u>						
Bank debts	35,989	8,804	-	-	-	44,793
Bonds	-	30,960	67,614	1,863,141	526,979	2,488,694
Total debts	35,989	39,764	67,614	1,863,141	526,979	2,533,487
Trade and other payables and accrued liabilities	490,026	71,373	-	-	-	561,399
Fair value losses on commodity and other derivative financial instruments	36,232	47,795	-	-	-	84,027
Guarantees given in connection with facilities granted	163,557	-	-	-	-	163,557
Total	<u>725,804</u>	<u>158,932</u>	<u>67,614</u>	<u>1,863,141</u>	<u>526,979</u>	<u>3,342,470</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 2019 and 2018 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 Increase/(decrease) Period from 13 August 2018 (date of incorporation)		Equity Increase/(decrease)	
	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000	2019 US\$'000	2018 US\$'000
AUD	21	72	(47)	(956)
CNY	285	(251)	465	423
EUR	(767)	826	-	-
JMD	68	(206)	-	-
MNT	(52)	51	(52)	(52)

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.

The positions are reviewed by the Asset and Liability Committee on a monthly basis.

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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 bond in full, any excess proceeds and cash flows from the disposal of the Asset Co Assets will be applied to redeem the preference shares. The Company 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 FROM FINANCING ACTIVITIES

		Year ended 31 December 2019 US\$'000	Period from 13 August 2018 (date of incorporation) to 31 December 2018 US\$'000
Interest paid on financing activities		(33,390)	(15)
Bank debts – additions		222	838
Bank debts – repayments		(1,865)	-
Bank debts – net movement of receivable purchase programme		3,795	-
Payment of lease liabilities			
- Principal portion	D3.3	(45,850)	-
- Interest portion	D3.3	(10,876)	-
Repurchase and redemption of bonds		(72,648)	-
		<u>(160,612)</u>	<u>823</u>

NOBLE GROUP HOLDINGS LIMITED

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SECTION D: CAPITAL, FUNDING AND LIQUIDITY

D12 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Current bank debts US\$'000	Non-current bonds US\$'000	Accrued interest on bonds US\$'000	Lease liabilities US\$'000	Other payables US\$'000	Total US\$'000
<i>Cash</i>						
Addition of bank debts	838	-	-	-	-	838
<i>Non-cash</i>						
Bank debts from acquisition of subsidiaries	33,779	-	-	-	-	33,779
Bank debts from receivable purchase program (Note B1.4)	10,176	-	-	-	-	10,176
Issuance of bonds	-	1,675,000	-	-	-	1,675,000
Amortisation of bonds	-	146	-	-	-	146
Dividend accrued for capital securities	-	-	-	-	17	17
Interest accrued for bonds	-	3,212	850	-	-	4,062
At 31 December 2018 and at 1 January 2019 (restated)	44,793	1,678,358	850	-	17	1,724,018
<i>Cash</i>						
Net repayment of bank debts	(1,643)	-	-	-	-	(1,643)
Bank debts from receivable purchase program (Note B1.4)	3,795	-	-	-	-	3,795
Repurchase of bonds	-	(72,648)	-	-	-	(72,648)
Settlement of bond interest	-	-	(30,145)	-	-	(30,145)
Payment of lease – principal portion	-	-	-	(45,850)	-	(45,850)
Payment of lease – interest portion	-	-	-	(10,876)	-	(10,876)
<i>Non-cash</i>						
Issuance of bonds	-	44,033	(44,033)	-	-	-
Amortisation of bonds	-	5,239	-	-	-	5,239
Gain on repurchase of bonds	-	(3,249)	(658)	-	-	(3,907)
Interest accrued for bonds that are capitalised	-	70,505	-	-	-	70,505
Interest accrued for bonds not yet capitalised	-	83	75,700	-	-	75,783
Adoption of IFRS 16	-	-	-	133,076	-	133,076
New leases	-	-	-	20,592	-	20,592
Dividend accrued for capital securities	-	-	-	-	625	625
Others	-	-	-	6,510	-	6,510
At 31 December 2019	46,945	1,722,321	1,714	103,452	642	1,875,074

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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 A1 and C8 for details of acquisition of subsidiaries in 2018 and 2019 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
Noble Chartering Inc. **	British Virgin Islands	US\$50,000	Ship chartering
Noble Chartering Limited #	Hong Kong	HK\$2	Ship chartering
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 Australia Pty Ltd #	Australia	Ordinary A\$1 Mandatory Redeemable Preference Shares A\$122,098,214	Supply of industrial and energy products
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 – Ernst & Young

* Statutory auditors – PKF Wallast

** No statutory audit requirement

The Company held a 100% interest in all the above subsidiaries as at 31 December 2019.

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/period 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***

The three (2018: five) dry bulk carrier vessels are available for immediate sale in their present condition and the Group is actively locating buyers to complete the disposal plan. They are categorised as held for sale and carried at fair value less costs to sell as at 31 December 2019 and 2018.

	2019 US\$'000	2018 US\$'000
At 1 January	92,558	-
Addition on acquisition of subsidiaries	-	92,558
Disposal	(27,393)	-
Impairment	(21,534)	-
At 31 December	<u>43,631</u>	<u>92,558</u>

Subsequent to the reporting period, the Group has completed the sale of one of the vessels. Please refer to A7 for details.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's non-current assets classified as held for sale as at 31 December 2019 and 2018:

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<u>2019</u>				
Vessels	<u>-</u>	<u>-</u>	<u>43,631</u>	<u>43,631</u>
<u>2018</u>				
Vessels	<u>-</u>	<u>-</u>	<u>92,558</u>	<u>92,558</u>

Based on the significant inputs used, the vessels are categorized as Level 3 within the fair value hierarchy. During the year, there were no transfers between Level 1 and Level 2.

The Group has adopted a market approach in the valuation of vessels. The market approach is primarily based on comparable vessel prices. When selecting the comparable vessel prices, both completed transactions and transactions under negotiation are considered. The following criteria have been considered when selecting comparable vessels:

- Date of transaction
- Size/capacity of vessel
- Age of the vessel
- Manufacturer
- Country of origin

The valuation has also referenced comparable transaction information from public data sources.

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SECTION E: GROUP STRUCTURE AND MANAGEMENT REMUNERATION

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

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 C8.

The major classes of assets and liabilities for the business held for sale as at 31 December 2019 and 2018 are stated at the lower of cost and recoverable amount and were as follows:

	2019 US\$'000	2018 US\$'000
<u>Assets</u>		
Property, plant and equipment	17,598	58,132
Agricultural assets	-	222
Cash and cash equivalents	43	602
Prepayments, deposits and other receivables	13,893	18,151
Inventories	305	3,324
	<u>31,839</u>	<u>80,431</u>
<u>Liabilities</u>		
Trade and other payables and accrued liabilities	6,524	11,839
Deferred tax liabilities	3,863	1,712
Liabilities in subsidiaries classified as held for sale	<u>10,387</u>	<u>13,551</u>
Net assets associated with subsidiaries classified as held for sale	<u>21,452</u>	<u>66,880</u>
Non-controlling interests attributable to subsidiaries classified as held for sale	<u>1,452</u>	<u>1,880</u>

An impairment loss of US\$8,000,000 (2018: nil) was made during the year. The fair value is classified as a Level 3 measurement. It was assessed on the basis of a weighted scenario analysis regarding the value of the subsidiaries with estimated selling price and the related probability as key unobservable inputs. and was recognised in the loss on supply chain assets in the consolidated income statement.

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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.

E3.2 *Details of related party transactions*

In the normal course of business, the Group enters into various arm's length transactions with related parties. The following are the significant transactions between the Group and related parties which took place during the financial year/period.

(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
WJRC Pty Ltd	Provides key management personnel services to the Group
Reed Smith LLP	Provides legal services to the Group
Mavora AG	Provides consultancy services to the Group

NOBLE GROUP HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

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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	Year ended 31 December 2019 US\$'000	Period from 13 August 2018 (date of incorporation) to 31 December 2018 US\$'000
Sales of thermal coal to:	(i)		
YN Energy		13,978	-
Purchases of thermal coal from:	(i)		
YN Energy		74,123	98
Hire charges paid to:	(i)		
Nice Venture Limited		-	353
Acme Venture Limited		362	-
Legal and professional fee paid to related companies	(i), (ii)	<u>3,336</u>	<u>-</u>

(i) The Directors considered that the sales, purchases and legal and professional fees were made according to prices and conditions similar to those offered to other vendors and customers.

(ii) Legal and professional fees were incurred as part of ongoing support to the Group post restructuring.

(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 financial statements, respectively.

(d) Details of the key management personnel's remuneration are included in Note E4 to the 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 includes William Randall who is an executive director and, Paul Brough and Paul Jackaman who were Executive Directors until they ceased employment during 2019. Their remuneration, including exit, redundancy and other costs together with the fees paid to non-executive directors, is set out below:

	Year ended 31 December 2019 US\$'000	Period from 13 August 2018 (date of incorporation) to 31 December 2018 US\$'000
Directors' fees	1,305	-
Share-based payments expenses	-	-
Other emoluments	7,437	140
	<u>8,742</u>	<u>140</u>

During the year ended 31 December 2019, no shares (2018: nil) were issued to the Directors of the Company.

James Dubow was appointed as an interim non-executive director and the chairman of the Company as part of a contract with a management entity to provide business consultancy services to the Company. Mr Dubow received no fees during the year in his capacity as a non-executive director 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 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. Steve James Hodgson, Claus-Georg Nette and James Michael Dubow.

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.

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

	Number of share units	Weighted average price US cents
Granted during 2019	5,117,602	0.52
Forfeited	<u>(132,752)</u>	0.52
Outstanding at 31 December 2019	<u>4,984,850</u>	0.52

(c) The expense arising from equity-settled share-based payment transactions recognised for RSP during the year is US\$554,000.

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

Foreign currencies

These 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 settlement or translation of monetary items are taken to the income statement.

All differences arising on the settlement or translation of monetary items are taken to the 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 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 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 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

The Group had adopted the following new and revised IFRSs for the first time for the current year's financial statements which are not mentioned in the previous notes.

IFRS 16	Leases
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments
IFRS 9 Amendments	Amendments to IFRS 9 – Prepayment Features with Negative Compensation
IAS 19 Amendments	Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement
IAS 28 Amendments	Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures
Annual Improvements to IFRS Standards 2015-2017 Cycle	
IFRS 3	Business Combinations and IFRS 11 Joint Arrangements –previously held interest in a joint operation
IAS 12	Income Taxes – income tax consequences of payments on financial instruments classified as equity
IAS 23	Borrowing Costs – borrowing costs eligible for capitalization

Except for the amendments to IFRS 9, IAS 19, IAS 28, and Annual Improvements to IFRS Standards 2015-2017 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

If a leased asset is sub-leased under terms transferring substantially all remaining risks and rewards under the head lease to the lessee in the sub-lease, the ROU asset is derecognised, and a lease receivable is recognised. A gain/loss on the derecognised right-of use asset, if any, is recognised in the income statement.

The Group has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

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SECTION F: OTHER DISCLOSURES

F2 OTHER NEW AND REVISED ACCOUNTING STANDARDS (continued)

Impact of other new and revised international financial reporting standards (continued)

(a) IFRS 16 Leases (continued)

The Group leases various vessels, premises and equipment. Rental contracts are typically made for fixed periods of 1 to 10 years but may have extension and early termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Certain vessel leases are subject to the fulfilment of covenants by Trading Co in relation to its bonds.

Prior to 1 January 2019, leases of property, plant and equipment were classified as operating leases. Payments made by the Group under operating leases were charged to profit or loss on a straight-line basis over the period of the lease. From 1 January 2019, leases are recognised as a ROU asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

The Group applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Used the recognition exemption to leases for which the underlying asset is of low value
- Excluded the initial direct costs from the measurement of the ROU asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

SECTION F: OTHER DISCLOSURES

F2 OTHER NEW AND REVISED ACCOUNTING STANDARDS (continued)

Impact of other new and revised international financial reporting standards (continued)
 (a) IFRS 16 Leases (continued)

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

	US\$'000
<i>Asset</i>	
Increase in ROU assets	101,259
	<u>101,259</u>
<i>Liabilities</i>	
Increase in lease liabilities	(133,076)
Decrease in provision for onerous contracts	32,038
Increase in provision of reinstatement cost	(221)
	<u>(101,259)</u>

The difference is due to previously recorded provisions for onerous lease contracts being set off against the initial recognition of the ROU asset of the relevant lease and provision of reinstatement cost for the ROU asset in the current year.

Reconciliation of lease commitments to lease liabilities

	US\$'000
Operating lease commitments as at 31 December 2018	343,837
Weighted average incremental borrowing rate as at 1 January 2019	8.75%
Discounted operating lease commitments as at 1 January 2019	249,421
Less:	
Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(53,618)
Commitment relating to leases that are yet to commence	(71,248)
Add:	
Contracts reassessed as lease contracts	7,699
Payments in optional extension periods not recognised as at 31 December 2018	822
Lease liabilities as at 1 January 2019	<u>133,076</u>

31 December 2019

SECTION F: OTHER DISCLOSURES

F2 OTHER NEW AND REVISED ACCOUNTING STANDARDS (continued)

Impact of other new and revised international financial reporting standards (continued)

(b) IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation addresses the recognition and measurement requirements for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions, including those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Group has restated the tax contingency reserve which is recognised in "Trade and other payables and accrued liabilities" in 2018 to "Tax payable" to conform with current year's presentation.

31 December 2019

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 financial statements.

IFRS 3 Amendments	Definition of a Business ¹
IAS 1 and IAS 8 Amendments	Definition of Material ¹
IAS 1 Amendments	Classification of Liabilities as Current or Non-current ²
IFRS 9, IAS 39 and IFRS 7 Amendments	Interest Rate Benchmark Reform ¹
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2022

³ No mandatory effective date yet determined but available for adoption

(a) Amendments to IFRS 3: Definition of a business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

(b) Amendments to IAS 1 and IAS 8 – Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.’

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

31 December 2019

SECTION F: OTHER DISCLOSURES

F2 OTHER NEW AND REVISED ACCOUNTING STANDARDS (continued)

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

(c) 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.

(d) IFRS 9, IAS 39 and IFRS 7 Amendments - Interest Rate Benchmark Reform

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

(e) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will not early adopt these amendments.

NOBLE GROUP HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2019

SECTION F: OTHER DISCLOSURES

F3 COMPARATIVES

The current financial period covers a 12 months period from 1 January 2019 to 31 December 2019 while the comparative figures in these financial statements cover a period from 13 August 2018 to 31 December 2018. Therefore, the comparative figures presented for the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes are not for a comparable time period.

Certain comparative amounts in the financial statements have been reclassified and restated to conform with the current year's presentation.

Consolidated statement of financial position

As at 31 December 2018

	Notes	Previously Reported US\$'000	Restatement Adjustments US\$'000	Restated US\$'000
CURRENT LIABILITIES				
Trade and other payables and accrued liabilities	(i)(ii)	602,040	(40,641)	561,399
Accrued interest on bonds	(i)	-	850	850
Tax payable	(ii)	12,198	39,791	51,989

Notes:

- (i) Adjustment related to separate out the accrued bond interest, which will be settled by cash, from "Trade and other payables and accrued liabilities".
- (ii) Adjustment related to the initial application of *IFRIC 23 Uncertainty over Income Tax Treatments*. The Group has restated the tax contingency reserve which is recognised in "Trade and other payables and accrued liabilities" in 2018 to "Tax payable" to conform with current year's presentation.