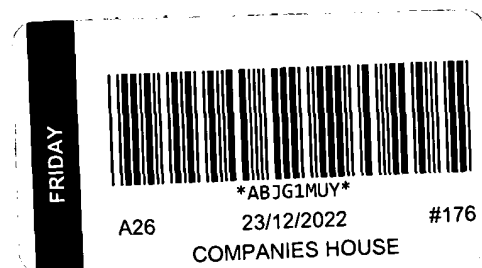


Nobel Energy Limited

**Formerly known as
Nobel Oil Services (UK) Limited**

**Annual Report and Financial Statements
for the year ended 31 December 2021**

Registered number: 09102634



Nobel Energy Limited (Formerly Nobel Oil Services (UK) Limited)

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Nobel Energy Limited (Formerly Nobel Oil Services (UK) Limited)

Strategic report

The directors, in preparing this strategic report, have complied with s414C(11) of the Companies Act 2006.

This strategic report has been prepared for Nobel Energy Limited (formerly Nobel Oil Services (UK) Limited) (the "Company") and its Group as a whole for the year ended 31 December 2021 and therefore gives greater emphasis to those matters which are significant to the Group when viewed as a whole. For the purposes of this report the "Group" means the Company and all its subsidiary undertakings as listed in Note 14.

On 10 March 2022, the Company changed its name from Nobel Oil Services (UK) Limited to Nobel Energy Limited.

Review of the business

The principal activity of the Company during the year was to act as an investment holding company of the Group.

The Company is a limited company, which is incorporated and domiciled in the United Kingdom. The address of its registered office is 10-18 Union Street, London, United Kingdom, SE1 1SZ.

The Company was incorporated on 25 June 2014 as part of the restructuring of the Group and Nobel Oil Investment (UK) Limited, Nobel Oil Ltd, Oilrock Services Management SA, Global Energy Solutions LLC, Prokon LLC and Absheron Qazma LLC. The Ultimate Beneficial Owner of these entities held the same economic interest in the Company as it held in these entities immediately prior to its implementation.

The principal activities of the Group consists of providing a wide range of services to the onshore and offshore oil and gas industries. The scope of services comprises drilling, engineering and project management, as well as maintenance, procurement and lease of oilfield equipment and enhanced oil recovery services within Azerbaijan. See note 14 to the consolidated financial statements for further details.

During 2021, net assets of the Group decreased by USD 10.9 million to USD 202.8 million (2020: decreased by USD 30.2 million to USD 213.7 million). At 31 December 2021, cash and cash equivalents balance stood at USD 67.6 million (2020: USD 52.7 million) as shown in the consolidated statement of financial position on page 15.

Strategy

Management of the Company formulated a vision, mission and set strategic objectives for the Company which, following input from the Directors, were approved by the Board.

The strategic objectives of the Group in the near and medium term are to:

- (a) Gain revenue growth by diversifying the Group's service businesses along the oil and gas value chain in the upstream and downstream segments;
- (b) Gain revenue growth by diversifying the customer base both in Azerbaijan and in target regions while at the same time, broadening and deepening services to existing clients;
- (c) Continue to build the competency and capability of the Group companies; and
- (d) Expand services into the Energy sector utilizing competency and capability of existing Group companies and through acquisitions.

To achieve the desired level of growth and diversification, the Company is adopting a dual growth strategy – efficiently increase revenue, achieve diversification, and build capability and inorganic growth by targeting selective acquisitions and joint ventures.

Building the Company's businesses along the value chain of drilling services, operation and maintenance of oil field facilities, engineering and construction management, fabrication and procurement/supply chain management enhances the synergy across the businesses and creates an opportunity to capture additional market share.

Nobel Energy Limited (Formerly Nobel Oil Services (UK) Limited)

Strategic report

To enhance the implementation of the strategy, the Company continues to strengthen and improve its foundations in such areas as financial reporting in accordance with International Financial Reporting Standards, budgeting and cost control, business process optimization, corporate governance and human resources. In the reporting year the Group continued to improve its business processes in the fields of the SAP ERP system, job grading, performance management and an anti-bribery program in line with the UK Bribery Act and the US Foreign Corrupt Practices Act (FCPA).

In 2021, the Company announced the completion of an extensive rebranding – change of the Company name to Nobel Energy and renewal of the corporate logo – that reflects company's new corporate vision and strategy. The new strategy will see Nobel Energy transform from an Oil and Gas Services Company to an Integrated Energy Production, Development and Services company. The Company will focus on delivering agile, efficient and more importantly, sustainable solutions for customers.

This change follows big energy companies' transformation efforts – to become a net zero company and ensure sustainable development – to address the dual challenge. As part of the transformation, Nobel Energy will be adapting the strategy and structure to seize opportunities offered by advanced technology. Nobel Energy will seek to partner with technology companies to jointly promote innovation, drive progress, and provide the needed skills to deliver agile and sustainable results for all its stakeholders.

The new tagline – Because we care – builds on the Nobel Family's heritage, which underpins their focus on people, their safety and well-being, and ensuring sustainability through innovative solutions. It defines Company's attitude towards both business and environmental sustainability.

Business performance and future developments

Overall, 2021 was comparatively successful year for the Group in the challenging market environment. The main themes of the business performance in the reporting year included:

- Origination and evaluation of multiple business development, acquisition and joint venture opportunities consistent with the strategy of the Group.
- Further development of the management organization working towards governance processes that are consistent with the best practice in the UK, including the establishment of the new operating model and associated business management systems.
- In offshore drilling services decreased utilization of rigs was continued in 2021 as a result of customers either suspending some of their operations or undertaking capital repairs in wells which has had an impact on the Group's revenue streams.
- Our joint venture between SOCAR-AQS LLC subsidiary and KCA Deutag, Turan Drilling and Engineering Company LLC, benefited from the full year of the procurement and warehousing management contract with BP in Azerbaijan which started in the middle of 2020.
- In construction projects key activities have included the redevelopment of the Heydar Aliyev Oil Refinery which is Prokon LLC subsidiary's largest project to date continuing the development of Prokon LLC's project management and construction capability. This project which includes over 1000 people at site maintained operations despite the pandemic. In 2021, Prokon LLC successfully completed fabrication and installation of five-section flare boom as part of the HAOR modernization project.

2021 was marked by a slow return to normality in several regions of the world. The spread, effectiveness of vaccines and fiscal and monetary support in some advanced economies contributed to a significant economic recovery during the year. Recent estimates confirm a growth in commodity prices, compared to 2020, of around 5.9% for 2021. In this context, the energy sector, which had been among the most impacted by the crisis in 2020, showed signs of recovery in 2021 thanks to an increased demand for energy and oil and gas in particular. This rebalancing of market dynamics has led to a significant increase in oil and gas prices, which have moved above pre-crisis levels.

Nobel Energy Limited (Formerly Nobel Oil Services (UK) Limited)

Strategic report

In the forthcoming years, we will continue to optimize the current business whilst protecting our health & safety and service quality. This will allow us to further upgrade our offering while we continue to develop and communicate our value added technology solutions to target growth. We will also focus on managing our cash flow and expect to see fewer new investment opportunities that meet our financial return expectations.

Key performance indicators

The Board monitors the progress of the Group by reference to the following KPIs:

	2021	2020	
Total revenues and other income (\$'000)	262,705	277,935	Being turnover as shown in the consolidated statement of profit or loss and other comprehensive income
EBITDA margin (%)	24.7	9.2	Ratio of EBITDA to total revenues and other income
Net profit margin (%)	5.6	(10.9)	Profit/(loss) for year after tax in relation to total revenues
Working capital ratio (times)	1.12	1.26	Ratio of total current assets to total current liabilities excluding the effect of related party receivables and payables
Return on capital employed (%)	9.5	(5.8)	Profit/(loss) for year after tax in relation to average equity shareholder funds

In 2021, Group revenues decreased by 5.5% to \$262.7 million. The reason for decrease is driven by lower recognized construction contract revenues caused by (i) delays in some planned drilling works by customers and (ii) additional discounts to drilling rates requested by SOCAR.

Higher EBITDA is mainly driven by projects of SOCAR-AQS where the firm achieved operational efficiencies. In addition, SOCAR-AQS enjoyed the prolongation of the contract for the high margin rental activities.

The Group's net profit for 2021 was \$14.8 million which resulted in 5.6% net profit margin as compared to 2020 negative 10.9% net loss margin, mostly driven by three reasons: (a) reversal of impairment charges on trade receivables, (b) cost savings achieved through some operational efficiencies and (c) unrealized foreign exchange gains on financial liabilities denominated in EUR resulting from depreciation of EUR during the year.

Duty to promote the success of the company

In accordance with s172 of the Companies Act, the directors have a statutory duty to promote the success of the company and in doing so have regard to (amongst others) the following aspects:

a. Long-term planning

Projects typically last between 1 and 3 years, however once early engagement and tendering activities are factored in, the time frame can easily extend to 5 years and beyond. The directors consider the long-term consequences of decisions on a range of matters including dividend distribution, joint venture partnerships, innovation and development, human resource planning and so forth. For example, prior to a dividend distribution a detailed analysis and review is made to ensure sufficient liquidity to support project cash flows, overhead outgoings and the potential needs of other stakeholders.

b. The interests of employees

The directors view company employees as highly valued assets, essential to the company's ongoing success. The ability to attract and retain highly qualified personnel, competent and inspiring management and support staff capable of managing the growth of the company, is a continued key area of focus and one which will ensure ongoing sustainability, particularly in these dynamic times. We value each employee and individual contribution while striving to ensure Nobel Energy is a rewarding place to work.

We encourage employees to seek training and education experiences that expand and enhance their knowledge, skills and abilities while uncovering new and innovative ideas. Talent development takes many forms at Nobel Energy to include training sessions around critical topics, enrollment in executive programs, accredited competency programs and individual mentoring.

Nobel Energy Limited (Formerly Nobel Oil Services (UK) Limited)

Strategic report

c. Fostering good business relationships

The company works towards achieving long-lasting relationships and making progressive improvements in the value chain.

Relationships with partners begin with an appropriate level of screening. Due diligence activities are performed at the group level, the results of which are reviewed by the directors. If positive, the company then seeks to ensure that the objectives and accountabilities of the arrangement are clearly defined.

We understand that conditions in the oil and gas markets are changing and evolving rapidly, not only in relation to technical aspects but also the commercial and contractual aspects and we are supporting clients in the application of new models and profiles.

The company believes that it is in the interests of wider industries as a whole to foster good business relations in a sustainable and responsible manner.

d. Operational impacts on the environment and community

We are profoundly aware of our critical role and responsibility in minimizing our environmental footprint and protecting the environment. Our environmental management policies are applicable to all rigs, offices and facilities, and are certified to the International ISO 14001 Standard. Our qualified teams ensure global compliance, support and guidance to embed the goal of zero environmental releases.

The policies bring together tools designed to ensure all operations are managed in an environmentally responsible manner that drives continuous improvement. Through the Service Execution Cycle and its related controls and validation, we are preventing major spills and driving a culture that is self-reporting with increased awareness.

e. High standards of business conduct

Integral to our company culture are values centered around high standards of business conduct. The Group's Code of Ethics, adopted by the company clearly defines our values and codes. This is available via the following: <http://www.nobeloil.com/Ethics-0024-Compliance.aspx>

f. Shareholders

The Company is wholly owned by one shareholder, for details refer to note 14.

Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management. Compliance with regulations, legal and ethical standards is a high priority for the Group and the Group finance and accounting department takes on an important oversight role in this regard.

The Group is generally exposed to the risks inherent in the global oil and gas markets of pricing and regulation. The Group's key principal risks could lead to a significant loss of reputation or could prevent the business from executing its strategy and creating value for shareholders.

The principal risks and uncertainties currently faced by the Group are the followings:

- Successful implementation of the necessary policies for the business to ensure operational safety, regulatory compliance and financial control;
- Occurrence of accidents and incidents impacting health and safety of its employees and the environment in which it operates;
- Cost overruns due to delays in the construction business;
- Management of relationships with joint venture partners and the successful joint control of joint operations;
- Commodity price volatility impacting demand for services provided by the Group;
- Maintenance of sufficient equity and debt funding for investment in new and existing projects; and
- Certain climate change risks may arise in the future which will be monitored.

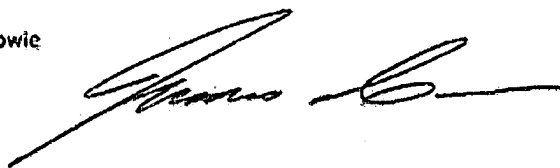
Nobel Energy Limited (Formerly Nobel Oil Services (UK) Limited)

Strategic report

The Group is actively managing these risks through internal risk management policies and procedures. The Group ensures the risks related to health and safety of its employees and the environmental issues are managed in accordance with legislative requirements. Operational safety and regulatory compliance are managed through the application of legal and operational expertise and procedures internally and from external sources. Risks and uncertainties related to significant investing, financing and management decisions are mitigated through an effective corporate governance structure represented by experienced executive management and the high level of competence of the board of directors.

This report was approved by the Board of Directors on 21 December 2022 and signed on its behalf by:

James Cowie
Director

A handwritten signature in black ink, appearing to read 'James Cowie', written over a horizontal line.

Nobel Energy Limited (Formerly Nobel Oil Services (UK) Limited)

Directors' report

The directors present their annual report on the affairs of the Group, together with the audited financial statements and auditors' report, for the year ended 31 December 2021.

General Information

General Information on the Company and its Group is provided in the strategic report.

Results

The profit after tax in the amount of USD 14.8 million and net assets in the amount of USD 202.8 million of the Group are shown in the consolidated statement of profit or loss and other comprehensive income on page 14 and consolidated statement of financial position on page 15.

The profit after tax in the amount of USD 7.2 million and net assets in the amount of USD 259.6 million of the Company are shown in the company statement of financial position on page 16.

Existence of branches outside the UK

During the year, the Group held a branch in the Republic of Azerbaijan, as defined in section 1046(3) of the Companies Act 2006.

Future developments

Details of future developments can be found in the Strategic Report on page 2 and form part of this report by cross-reference.

Events after the balance sheet date

Details of events after the balance sheet date are presented in the note 29 to the consolidated financial statements.

Going concern

In preparation of the financial statements, the Directors have made an assessment of the Group and the Company's ability to continue as a going concern. As at 31 December 2021, the Group had net current assets of \$7 million, cash balances of \$68 million and long term liabilities of \$29 million including non-current debt of \$11 million. The Group closely monitors and manages its liquidity risk by producing cash forecasts to ensure that it has sufficient funds to meet forecast cash requirements. Sensitivities are run for different scenarios including, but not limited to, changes in commodity prices and production rates.

The Group's going concern assessment covered the period to May 2024. A severe but plausible downside scenario that included the commencement of Prokon LLC's HAOR Package C project after May 2024, the forecasted vendor payments for Llamrei DMCC and Global Energy Solutions LLC being 5% higher than initial ones and delay in last cash inflow of Llamrei DMCC from SOCAR Gas Export Department with total effect of \$11.6 million reduction in cash balances. Financial position and performance of shareholder's other entities under Neqsol Group were also considered. Additionally, though not reliant on UBO support, the UBO has provided a signed agreement that amounts owed by the Group to the UBO totalling \$51 million will not be recalled during the going concern period.

The Directors have no reason to believe that material uncertainty exists that may cast doubt about the Group and the Company's ability to continue as a going concern or its ability to continue with the current and planned banking arrangements. On the basis of the above analysis, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the Report and the financial statements.

Nobel Energy Limited (Formerly Nobel Oil Services (UK) Limited)

Directors' report

Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

Credit risk

The Group's principal financial assets are bank balances, trade and other debtors, and receivables from related parties.

The Group has relatively concentrated credit risk in respect of trade debtors, with exposure spread over a small number of customers. Credit risk with respect to trade debtors and contract assets is limited due to the Group dealing mainly with major international and state oil companies and active monitoring of outstanding debtors. In spite of the history of slow payments by the entities of State Oil Company of Azerbaijan Republic, the credit risk is low as major receivables of the Group over 180 days have subsequently been paid. The Group companies' terms of sale are governed by contracts with terms and conditions appropriate for the industry. The credit risk on liquid funds is limited because these are mostly deposited with banks with internationally assigned good credit-ratings. Credit risk on loans receivable from entities under common control is also limited considering the shareholder's intention to settle them against loans provided by other entities under common control in future through offsetting or cash payments.

The Group's principal financial liabilities are loans with banks in respect of which interest is applied at a fixed rate and interest free shareholder loans provided by entities under common control and trade creditors, which represent suppliers used in the ordinary course of business.

Cash flow risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group does not have formal procedures for managing currency risk however, taking into consideration the recent tendencies in the economy the management has performed certain steps to minimise its currency risks, including forecasting the tendencies of volatility in the rates of foreign currencies, especially EUR and USD; analysing operations of the Group with large customers and suppliers involved in export-import transactions; renegotiating its service contracts from local currency to US Dollars.

Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long-term and short-term debt finance as well as interest-free intercompany borrowings.

Further details regarding financial risk management can be found in note 26 to the consolidated financial statements.

Dividends

The directors declared a dividend of USD 56.8 million in the year ended 31 December 2021 (2020: USD 15.8 million dividend in specie). The directors declared and the Group paid dividends of USD 18.2 million after the year ended 31 December 2021.

Nobel Energy Limited (Formerly Nobel Oil Services (UK) Limited)

Directors' report

Directors

The directors, who served during the year and up to the date of signing these consolidated financial statements, except as noted, were as follows:

Gustaf Tage Nobel

Yusif Jabbarov

Imran Ahrnadzada

James Cowie (appointed 2 March 2021)

Richard Manson Duff (appointed 2 March 2021)

Independent auditor

PricewaterhouseCoopers LLP was reappointed as auditors of the Company on 17 August 2022 and will continue in office in accordance with Section 487(2) of the Companies Act 2006.

A resolution to reappoint PricewaterhouseCoopers LLP will be proposed at the forthcoming Annual General Meeting.



James Cowie
Director

Nobel Energy Limited (Formerly Nobel Oil Services (UK) Limited)

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with UK-adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

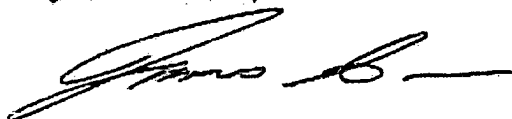
The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

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

The financial statements on pages 14 to 19 were approved by the Board of Directors on 21 December 2022 and signed on its behalf by:



James Cowle
Director

Nobel Energy Limited (Formerly Nobel Oil Services (UK) Limited)

Independent auditor's report to the members of Nobel Energy Limited

Independent auditors' report to the members of Nobel Energy Limited (formerly Nobel Oil Services (UK) Limited)

Report on the audit of the financial statements

Opinion

In our opinion, Nobel Energy Limited (formerly Nobel Oil Services (UK) Limited)'s group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2021 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 31 December 2021; the Consolidated statement of profit or loss and other comprehensive income, the Consolidated and Company statements of changes in equity, and the Consolidated and Company statements of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do

Nobel Energy Limited (Formerly Nobel Oil Services (UK) Limited)

Independent auditor's report to the members of Nobel Energy Limited

not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and applicable Tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements.

Nobel Energy Limited (Formerly Nobel Oil Services (UK) Limited)

Independent auditor's report to the members of Nobel Energy Limited

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to increase revenue or profitability.

Audit procedures performed by the engagement team included:

- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims and litigation, and instances of fraud;
- Understanding management's controls designed to prevent and detect irregularities;
- Review of board minutes;
- Challenging management on assumptions and judgements made in their significant accounting estimates;
- Identifying and testing journal entries with specific focus on entries containing unusual account combinations and other fraud risk criteria in response to the risk of management override of controls.

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

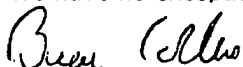
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Bruce Collins (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Aberdeen

21 December 2022

Nobel Energy Limited (Formerly Nobel Oil Services (UK) Limited)

Consolidated statement of profit or loss and other comprehensive income For the year ended 31 December 2021

	Note(s)	Group 2021 \$'000	Group 2020 \$'000
Construction contract revenue	6	177,108	223,400
Provision of services		39,707	24,522
Sale of goods		20,410	23,310
Rental income		11,133	4,935
Other income		14,347	1,768
Total revenues and other income		262,705	277,935
Construction contract costs	6	(136,413)	(181,421)
Operating expenses		(20,937)	(16,219)
General and administrative expenses		(44,920)	(39,596)
Cost of goods for resale		(16,936)	(12,623)
Depreciation and amortization	11, 12, 13	(30,522)	(33,810)
Impairment of property and equipment	11	-	(14,957)
Gain on disposal of property and equipment		95	36
Net impairment - gain/(loss) on trade receivables and contract assets	15	9,787	(2,778)
Impairment loss on receivables from related parties	28	(2,699)	(341)
Share of results of joint ventures	14	10,572	9,610
Finance cost	7	(8,284)	(8,079)
Finance income		106	531
Foreign exchange gain/(loss), net		3,540	(9,170)
Loss on business combination		-	(218)
Profit/(loss) before tax		26,094	(31,100)
Income tax (expense)/credit	9	(11,324)	885
Profit/(loss) for the year		14,770	(30,215)
Attributable to:			
Equity holders of the Group		12,253	(24,485)
Non-controlling interest		2,517	(5,730)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation to presentation currency		83	36
Total comprehensive income/(loss) for the year		14,853	(30,179)
Attributable to:			
Equity holders of the Group		12,372	(24,450)
Non-controlling interest		2,481	(5,729)

All amounts relate to continuing operations.

Nobel Energy Limited (Formerly Nobel Oil Services (UK) Limited)

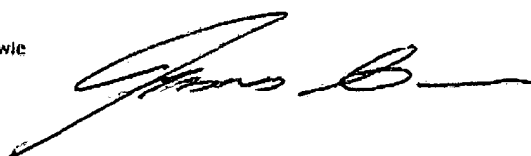
Consolidated statement of financial position

As at 31 December 2021

	Note	Group 31 December 2021 \$'000	Group 31 December 2020 \$'000
Assets			
Non-current assets			
Property, plant and equipment	11	113,154	122,813
Long term receivables from related parties	26	38,522	44,209
Prepaid expenses and advances for property, plant and equipment		4,989	716
Intangible assets	12	17,406	32,881
Right-of-use assets	13	6,174	3,567
Investment in joint ventures	14	7,086	8,172
Deferred tax assets	10	134	70
Finance lease receivables	17	674	1,115
Restricted cash, non-current	25	36,659	36,679
Total non-current assets		224,798	250,222
Current assets			
Trade and other receivables	15	175,472	219,553
Contract assets	15	36,717	20,512
Receivables from related parties	26	20,000	20,000
Finance lease receivables	17	441	410
Inventories	18	38,262	41,522
Current income and other tax prepayments	16	7,294	3,889
Advances given and prepaid expenses		33,440	33,810
Restricted cash, current	25	34	4,765
Cash and bank balances	19	67,590	52,716
Total current assets		379,250	397,177
Total assets		604,048	647,399
Current liabilities			
Trade and other payables	20	157,892	168,460
Current income tax payable		7,083	4,606
Taxes other than income tax payable	21	58,474	44,161
Borrowings	22	95,939	80,697
Lease liabilities	13	1,614	1,603
Shareholder loans	26	51,114	51,106
Total current liabilities		372,116	350,633
Non-current liabilities			
Borrowings	22	11,142	55,978
Lease liabilities	13	4,369	3,278
Deferred tax liabilities	10	13,638	23,863
Total non-current liabilities		29,149	83,119
Total liabilities		401,265	433,752
Equity			
Share capital	23	-	-
Share premium	23	5,240	5,240
Translation reserve		(64,379)	(64,498)
Merger reserve	24	223,406	223,406
Retained earnings		13,359	26,823
Equity attributable to equity holders of the Group		177,626	190,971
Non-controlling interest		25,157	22,676
Total equity		202,783	213,647
Total equity and liabilities		604,048	647,399

The consolidated financial statements of the Group (registered number: 09102634) on pages 14 to 56 were approved by the Board of Directors and authorised for issue on 21 December 2022 and were signed on its behalf by:

James Cowie
Director



Nobel Energy Limited (Formerly Nobel Oil Services (UK) Limited)

Company statement of financial position

As at 31 December 2021

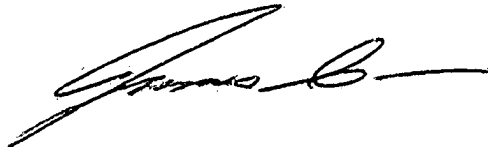
	Note	Company 31 December 2021 \$'000	Company 31 December 2020 \$'000
Assets			
Non-current assets			
Investment in subsidiaries	14	253,954	249,873
Investment in joint ventures	14	2,076	2,076
Long-term receivables from related parties		40	40
Total non-current assets		256,070	251,989
Current assets			
Dividends receivable		2,200	-
Cash and bank balances	19	1,504	2,763
Total current assets		3,704	2,763
Total assets		259,774	254,752
Current liabilities			
Trade and other payables		129	293
Total current liabilities		129	293
Total liabilities		129	293
Equity attributable to the owners of the Company			
Share capital	23	-	-
Share premium	23	5,240	5,240
Merger reserve	24	17,338	223,406
Retained earnings		237,067	25,811
Total equity		259,645	254,459
Total equity and liabilities		259,774	254,752

As permitted by Section 408 of the Companies Act 2006, the statement of profit or loss and other comprehensive income of the parent company is not presented as part of these consolidated financial statements.

The parent company's result for the financial year was a profit of \$7.2 million (2020: profit of \$21.4 million).

The Company (registered number: 09102634) financial statements on pages 14 to 66 were approved by the Board of Directors and authorised for issue on 21 December 2022 and were signed on its behalf by:

James Cowie
Director



Nobel Energy Limited (Formerly Nobel Oil Services (UK) Limited)

Consolidated and Company statements of changes in equity

For the year ended 31 December 2021

Group	Notes	Share Capital \$'000	Share Premium \$'000	Translation reserve \$'000	Merger reserve \$'000	Retained earnings/ (accumulated losses) \$'000	Total \$'000	Non-controlling interest \$'000	Total Equity \$'000
Balance at 1 January 2020		-	5,240	(64,574)	223,406	51,349	215,421	26,405	243,826
Loss for the year		-	-	-	-	(24,485)	(24,485)	(5,730)	(30,215)
Release of translation reserve to profit or loss		-	-	41	-	(41)	-	-	-
Other comprehensive Income		-	-	35	-	-	35	1	36
Total comprehensive income/(loss)		-	-	76	-	(24,526)	(24,450)	(5,729)	(30,179)
Capital contribution	23	-	-	-	-	15,840	15,840	-	15,840
Distribution of dividends to shareholders	23	-	-	-	-	(15,840)	(15,840)	-	(15,840)
Balance at 31 December 2020		-	5,240	(64,498)	223,406	26,823	190,971	22,676	213,647
Profit for the year		-	-	-	-	12,253	12,253	2,517	14,770
Other comprehensive income/(loss)		-	-	119	-	-	119	(36)	83
Total comprehensive income		-	-	119	-	12,283	12,372	2,481	14,853
Capital contribution	23	-	-	-	-	31,110	31,110	-	31,110
Distribution of dividends to shareholders	23	-	-	-	-	(56,827)	(56,827)	-	(56,827)
Balance at 31 December 2021		-	5,240	(64,379)	223,406	13,359	177,626	25,157	202,783

Company	Notes	Equity attributable to equity holders of the Company					Total Equity \$'000
		Share Capital \$'000	Share Premium \$'000	Translation reserve \$'000	Merger reserve \$'000	Retained earnings \$'000	
Balance at 1 January 2020		-	5,240	-	223,406	20,258	248,904
Profit for the year		-	-	-	-	21,395	21,395
Total comprehensive income		-	-	-	-	21,395	21,395
Distribution of dividends to shareholders	23	-	-	-	-	(15,840)	(15,840)
Balance at 31 December 2020		-	5,240	-	223,406	25,813	254,459
Profit for the year		-	-	-	-	7,243	7,243
Total comprehensive income		-	-	-	-	7,243	7,243
Transfer		-	-	-	(206,068)	206,068	-
Distribution of dividends to shareholders	23	-	-	-	-	(2,057)	(2,057)
Balance at 31 December 2021		-	5,240	-	17,338	237,067	259,645

Merger reserve

The balance on the reserve relates to the capital reorganisation that took place on 25 June 2014, which created a new holding company, which is incorporated and domiciled in the United Kingdom.

Nobel Energy Limited (Formerly Nobel Oil Services (UK) Limited)

Consolidated statement of cash flows

For the year ended 31 December 2021

	Note	Group 2021 \$'000	Group 2020 \$'000
Operating activities			
Profit/(loss) for the year		14,770	(30,215)
Adjustments for:			
Income tax expense	9	11,324	(885)
Depreciation and amortization	11,12,13	30,522	33,810
Loss on Impairment of property and equipment	11	-	14,957
Net impairment (gain)/loss on trade receivables and contract assets		(7,088)	2,778
Impairment loss on receivables from related parties		2,699	341
Loss on Impairment of advances given		2,072	214
(Gain)/loss on derecognition of leases		(1,553)	1,037
Write-down of inventories		855	1,263
Finance cost	7	8,284	8,079
Finance income		(106)	(531)
Gain on disposal of property and equipment		(95)	(36)
Foreign exchange (gain)/loss, net		(3,540)	9,170
Share of results of joint ventures	14	(10,572)	(9,610)
Loss on business combination		-	218
		47,572	30,590
Movement in working capital:			
Decrease/(increase) in trade and other receivables/contract assets		61,701	(28,144)
Decrease/(increase) in restricted cash		4,751	(40,832)
Increase in advances given and prepaid expenses		(1,702)	(8,341)
Decrease/(increase) in inventories		2,405	(3,712)
(Decrease)/increase in trade and other payables		(6,082)	19,595
Increase in taxes other than income tax payable		10,908	18,119
Net cash inflow/(outflow) from operations		119,553	(12,725)
Income tax paid		(19,136)	(11,193)
Interest paid		(8,662)	(7,843)
Net cash generated from/(used in) operating activities		91,755	(31,761)
Investing activities			
Purchases of property and equipment		(8,341)	(7,867)
Purchases of intangible assets		(16)	(20)
Proceeds from disposal of property and equipment		506	471
Investments in subsidiaries (net of cash acquired)		-	(169)
Dividends received from joint ventures		11,658	9,611
Interest received		7	4
Loans issued to related parties, net		2,994	(606)
Net cash generated from investing activities		6,808	1,424
Financing activities			
Proceeds from borrowings		89,956	96,074
Repayments of borrowings		(115,255)	(53,717)
Repayments of lease liabilities		(1,667)	(4,425)
Repayments of shareholder loans		-	(680)
Dividends paid to shareholder of the group		(56,827)	-
Net cash (used in)/generated from financing activities		(83,793)	37,252
Net increase in cash and cash equivalents		14,770	6,915
Cash and cash equivalents at beginning of year		52,716	46,307
Effect of foreign exchange rate changes		104	(506)
Cash and cash equivalents at end of year	19	67,590	52,716

Nobel Energy Limited (Formerly Nobel Oil Services (UK) Limited)

Company statement of cash flows For the year ended 31 December 2021

		Company 2021 \$'000	Company 2020 \$'000
Notes			
Operating activities			
		7,242	21,395
Profit for the year			
Adjustments for:			
Dividend income		(95,350)	(21,949)
Dividend in specie		-	(15,840)
Impairment of investment in subsidiaries		87,700	-
		(408)	(16,394)
Movement in working capital:			
(Decrease)/Increase in trade and other payables		(163)	10
Net cash used in operating activities		(571)	(16,384)
Investing activities			
Investments in subsidiary undertakings	14	(9,951)	(3,141)
Dividends received		11,320	21,949
Net cash generated from investing activities		1,369	18,808
Financing activities			
Dividends paid to shareholder of the group		(2,057)	-
Net cash used in financing activities		(2,057)	-
Net (decrease)/increase in cash and cash equivalents		(1,259)	2,424
Cash and cash equivalents at beginning of year		2,763	339
Effect of foreign exchange rate changes		-	-
Cash and cash equivalents at end of year	19	1,504	2,763

Nobel Energy Limited (Formerly Nobel Oil Services (UK) Limited)

Notes to the financial statements

For the year ended 31 December 2021

1. GENERAL INFORMATION

Nobel Energy Limited (formerly Nobel Oil Services (UK) Limited), its subsidiaries, associates and joint ventures provide services to the oil & gas industry. The nature of the Group's operations and its principal activities are set out in note 14 and in the strategic report.

The Company is a private company limited by shares incorporated in England and Wales, United Kingdom under the Companies Act. The address of the registered office is 10-18 Union Street, London, SE1 1SZ, United Kingdom.

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the following standards and amendments have been adopted.

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform: For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform. End date for Phase 1 relief for non-contractually specified risk components in hedging relationships: The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
- Additional temporary exceptions from applying specific hedge accounting requirements: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- Additional IFRS 7 disclosures related to IBOR reform: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

Effect of IBOR reform. Reform and replacement of various inter-bank offered rates ('IBORs') has become a priority for regulators. Most IBOR rates would stop being published by 31 December 2021, while certain USD LIBOR rates would stop being published by 30 June 2023.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28

Nobel Energy Limited (Formerly Nobel Oil Services (UK) Limited)

Notes to the financial statements

For the year ended 31 December 2021

In dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group does not expect a material impact of the amendment on its consolidated financial statements.

Classification of liabilities as current or non-current – Amendments to IAS 1 (Issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Group does not expect material impact of the amendment on its consolidated financial statements.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (Issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. The Group does not expect material impact of the amendment on its consolidated financial statements.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (Issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022). The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset.

The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new

Nobel Energy Limited (Formerly Nobel Oil Services (UK) Limited)

Notes to the financial statements

For the year ended 31 December 2021

exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. The Group does not expect material impact of the amendment on its consolidated financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Group does not expect material impact of the amendment on its consolidated financial statements.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The Group does not expect material impact of the amendment on its consolidated financial statements.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Group does not expect material impact of the amendment on its consolidated financial statements.

The Group is currently assessing the impact of the amendments on its financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect materially the Group's consolidated financial statements.

Nobel Energy Limited (Formerly Nobel Oil Services (UK) Limited)

Notes to the financial statements

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted International Accounting Standards in its consolidated and parent company financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The consolidated and parent company financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The consolidated and parent company financial statements have been prepared on the historical cost basis, except where fair value measurement required by law of accounting standards. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies adopted are set out below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

The consolidated financial statements are presented in US dollars and all values are rounded to the nearest thousand (\$'000), except where otherwise indicated. Foreign operations are included in accordance with the policies set out in note 3.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- Has the power over the investee;
- Is exposed, or has rights, to variable return from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Nobel Energy Limited (Formerly Nobel Oil Services (UK) Limited)

Notes to the financial statements

For the year ended 31 December 2021

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). Any retained interest in the former subsidiary is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 *Income Taxes*;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date;
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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Functional and presentation currency

The individual financial statements of each group company except for SOCAR-AQS LLC are presented in the currency of the country in which the subsidiary operates (its functional currency). The functional currency of SOCAR-AQS LLC is US dollars. For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in US Dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

For the purpose of making the financial statements alike or comparable with other financial statements of companies in the same industry, the consolidated financial statements of the Group have been presented in USD.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group are translated into US Dollars using exchange rates prevailing at the end of each reporting year. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

Foreign currencies

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date with the difference recognized in the statement of profit or loss and other comprehensive income. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Going concern

In preparation of the financial statements, the Directors have made an assessment of the Group and the Company's ability to continue as a going concern. As at 31 December 2021, the Group had net current assets of \$7 million, cash balances of \$68 million and long term liabilities of \$29 million including non-current debt of \$11 million. The Group closely monitors and manages its liquidity risk by producing cash forecasts to ensure that it has sufficient funds to meet forecast cash requirements. Sensitivities are run for different scenarios including, but not limited to, changes in commodity prices and production rates.

The Group's going concern assessment covered the period to May 2024. A severe but plausible downside scenario that included the commencement of Prokon LLC's HAOR Package C project after May 2024, the forecasted vendor payments for Llamrei DMCC and Global Energy Solutions LLC being 5% higher than initial ones and delay in last cash inflow of Llamrei DMCC from SOCAR Gas Export Department with total effect of \$11.6 million reduction in cash balances. Financial position and performance of shareholder's other entities under Neqsol Group were also considered. Additionally, though not reliant on UBO support, the UBO has provided a signed agreement that amounts owed by the Group to the UBO totalling \$51 million will not be recalled during the going concern period.

The Directors have no reason to believe that material uncertainty exists that may cast doubt about the Group and the Company's ability to continue as a going concern or its ability to continue with the current and planned banking arrangements. On the basis of the above analysis, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the Report and the financial statements.

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Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power 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 a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group stops recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount higher of value in use and fair value less costs of disposal with its carrying amount. Any impairment loss recognised, forms part of the carrying amount of the investment.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

When estimating the date of collection the Group uses most recent historical data available, adjusted for any recent developments. Each major customer is considered separately based on the past pattern of payments.

Rendering of services

The Group provides oilfield equipment repair, maintenance and engineering services in the oil and gas industries. Such services are recognised as a performance obligation satisfied over time.

Construction contracts

The Group drills oil and gas wells and constructs industrial plants under long-term contracts with customers. Such contracts are entered into before construction begins. Under the terms of the contracts, the Group is contractually restricted from redirecting the properties to another customer and has an enforceable right to payment for work done including a reasonable margin. Revenue

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from construction contracts is therefore recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

The Group becomes entitled to invoice customers for construction contracts based on achieving a series of performance-related milestones. When a particular milestone is reached the customer is sent a relevant statement of work signed by a third party assessor and an invoice for the related milestone payment. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognized as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost-to-cost method then the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue under the cost-to-cost method and the milestone payment is always less than one year.

Sale of goods

The Group sells oilfield equipment, spare parts and other inventories directly to customers. For sales of goods, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. When the customer prepays full or part of the contract amount, the transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer.

Rental Income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest Income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Compensation and employee benefit costs

Remuneration to employees in respect of services rendered during the reporting period, including accruals for unused vacation and bonuses and payroll taxes, is recognised as an expense in the period in which it is incurred.

In accordance with the requirements of the Republic of Azerbaijan legislation, pension payments are calculated by an employer as certain percentages of salary expenses and transferred to the pension fund of the Republic of Azerbaijan. This expense is charged to the statement of comprehensive income in the period in which the related salaries are earned. Upon retirement, all retirement benefit payments are made by the pension fund. The Group does not have any pension arrangements separate from the state pension system of the Republic of Azerbaijan. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual. The group has no ongoing interest in the assets or obligations related to the liabilities of the fund and therefore the pension arrangements have been accounted for as defined contribution.

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Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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Operating taxes

There are also various other taxes that do not meet the definition of an Income tax under IAS 12, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the statement of profit or loss and other comprehensive income.

Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation and recognised impairment loss, if any. Depreciation is charged on the carrying value of property and equipment and is designed to write off assets over their useful economic lives.

Depreciation is calculated on a straight line basis at the following annual prescribed rates:

Drilling rigs	5%
Machinery and equipment	20%
Computers and office equipment	25%
Motor vehicles and other	20%
Leasehold improvement	Shorter of useful life and the term of the underlying lease

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in consolidated statement of profit or loss in the period in which property is derecognised.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets include computer software licenses and customer contracts. Amortisation is recognized on a straight-line basis over their estimated useful lives, which is 5 to 10 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The Group does not have intangible assets with indefinite useful life as at year end.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in-use. 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 and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not

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exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories, consisting primarily of oilfield inventories, materials and supplies are measured at the lower of cost and net realizable value. The cost of inventories is based on weighted average cost principal, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Prepayments

Prepayments are carried at cost less accumulated impairment losses. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the period.

Provisions and contingencies

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at each reporting date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material) using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingencies

Contingent liabilities attributable to specific events are disclosed unless the probability of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed when an inflow of economic benefits is virtually certain.

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Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash in transit, cash deposits with banks with original maturities of three months or less and petty cash.

Restricted cash

Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flows. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets.

Financial assets

Debt instruments measured at amortised cost; trade and other receivables, loans issued, and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including trade and other receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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Major part of the Group's trade receivables is concentrated on few counterparties, in particular on SOCAR, a government owned entity. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables, finance lease receivables and contract assets. To measure the expected credit losses, trade receivables has been grouped based on shared credit risk characteristics and the days past due.

For trade receivables which have objective evidence of impairment, individual assessments are performed at customer level. Expected cash-flows incorporate certain discounts to on-balance amounts and thus are risk weighted. These are discounted by using the effective interest rate of each financial asset at the reporting date.

For other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(1) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. The financial instrument has a low risk of default,
2. The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
3. Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

If historical experience indicates that financial assets, for which information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full, the Group considers this as an event of default for internal risk management purposes.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that default has occurred using qualitative criteria/events, such as those defined under (iii) Credit-impaired financial assets.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) Significant financial difficulty of the issuer or the borrower;
- (b) A breach of contract, such as a default or past due event (see (ii) above);
- (c) It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(iv) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

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The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or when it transfers the financial assets and substantially all the risk and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (other than financial guarantees), including trade and other payables are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognized on an effective yield basis.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

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Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(I) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	<u>Useful lives in years</u>
Machinery and equipment	1 - 2.5
Workshop buildings	1.5 - 2.5
Motor vehicles	2 - 3

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of tangible and intangible assets.

(II) Lease liabilities

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, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Nobel Energy Limited (Formerly Nobel Oil Services (UK) Limited)

Notes to the financial statements

For the year ended 31 December 2021

Group as a lessor

The Group classifies each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. Following situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

Upon lease commencement, the Group shall recognise assets held under a finance lease as a receivable at an amount equal to the net investment in the lease. The Group recognises finance income over the lease term of a finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment.

The Group recognises operating lease payments as income on a straight-line basis over the lease term and this income is presented as rental income in the consolidated statement of profit or loss and other comprehensive income.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the group and parent's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group and parent's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

Transfer of subsidiary

Once the substance of the transaction has been determined to be a distribution, a judgement should be applied to determine whether this constitutes a return on capital (dividend income) or a return of capital (a reduction or reallocation of the cost of investment). Where the substance of the transaction is a return of capital is when the company is being fully liquidated and all assets are being hived up to the parent or return of a particular asset which was contributed previously. If the substance of the distribution is judged to be a return of capital to Parent company, rather than a dividend, Parent would reallocate a portion of the carrying value of its investment in subsidiary to a separate investment in distributed entity. One way to achieve this would be to base the reallocation on the relative values of subsidiary and distributed entity.

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Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Revenue recognition on construction contracts

The Group accounts for revenue from offshore oil-well drilling projects using the percentage of completion method. Critical to the correct application of this method are the accuracy of estimates of the financial outcome at completion, as well as the determination of the extent of progress towards completion.

In estimating the percentage of completion, the Group compares the proportion of the costs incurred to date to the estimated total cost of the project. The total estimated cost is based on historical experience for similar projects, the remaining effort to complete the contract and various other assumptions.

The Group has two major construction contracts:

HAOR Project

Due to the nature of services being provided by the group, budgeted revenue represents a fixed consideration and claim-based variable consideration stipulated in the agreement with the Customer. As a result of evolving economic conditions one of the key assumptions is the potential prolongation of the contract beyond the expected completion date. Under such circumstances, if the contract is further extended until the end of 2022, then an increase in budgeted costs by 10% is expected. Two options of the change in revenue for HAOR project were analysed for this increase:

Actual as of 31 December 2021:

Stage of completion: 86%

Revenue amount: AZN 105 million (USD 62 million)

Scenario 1. Adjustment of costs for project delay claim (50% of 10% budgeted costs increase recovered at no mark-up)

Stage of completion: 78%

Revenue amount for 2021: AZN 93 million (USD 58 million) (11% drop against reported revenue amount)

Scenario 2. Adjustment of costs for project delay claim (70% of 10% budgeted costs increase recovered at no mark-up)

Stage of completion: 78%

Revenue amount for 2021: AZN 97 million (USD 57 million) (8% drop against reported revenue amount)

Under both options the HAOR contract is still overall profitable.

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SONDAJ Project

Actual as of 31 December 2021:

Stage of completion: 81%

Revenue amount: AZN 23 million (USD 14 million)

Scenario 1. Adjustment of costs for project delay claim (50% of 10% the remaining budgeted costs increase recovered at no mark-up)

Stage of completion: 74%

Revenue amount for 2021: AZN 17 million (USD 10 million)

(26% drop against reported revenue amount)

Scenario 2. Adjustment of costs for project delay claim (70% of 10% the remaining budgeted costs increase recovered at no mark-up)

Stage of completion: 74%

Revenue amount for 2021: AZN 14 million (USD 8 million)

(38% drop against reported revenue amount)

Under both options the SONDAJ project is not overall profitable. (Option 1 – USD 0.6 million loss, Option 2 – USD 2.8 million loss.

Financing component: There are no contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Profitability of the construction contracts

The margins originally estimated by the Group may reduce or increase due to higher or lower costs, respectively, incurred by the Group during contract execution. Generally, when the Group's policies and procedures to identify, monitor and manage costs for contract execution do not reflect the duration and complexity of the contract, or they are no longer accurate following the occurrence of unforeseeable events, the Group's results and balance sheet may be impacted. The Group has an experience and managerial capacity to perform controlling procedures and functions in order to track execution of the contract and accurately reflect the duration and complexity of it. As of 31 December 2021 major contracts under which the Group is operating were assessed as profitable. Estimates of revenues, costs or extent of progress toward completion is constantly monitored by the management at the end of each reporting period and revised, if circumstances change.

Provision for expected credit losses on financial assets

The Group uses a provision matrix to calculate expected credit losses for financial assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year, which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. Where applicable, the Group relies on default rates derived from external rates of counterparties. The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

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A 1% increase in effective interest rate estimates at 31 December 2021 would result in an increase in total expected credit loss allowances of USD 47 thousand (2020: USD 2,188 thousand). A 1% decrease in effective interest rate estimates at 31 December 2021 would result in a decrease in total expected credit loss allowances of USD 47 thousand (2020: USD 2,258 thousand).

A 1% increase or decrease in credit loss experience based on which the incurred loss allowances were estimated 31 December 2021 would result in an increase or decrease in credit loss allowances of USD 4 thousand (2020: USD 120 thousand).

Leases – Extension option

Extension and termination options are included in a property lease across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of buildings, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The extension options in office leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year there is no revision of lease term to reflect the effect of exercising extension and termination options occurred.

5. AUDITORS' REMUNERATION

The analysis of the auditors' remuneration is as follows:

	2021 \$'000	2020 \$'000
Fees payable to the Group auditors for the audit of parent company and consolidated financial statements	169	132
Audit of the company's subsidiaries and joint ventures	270	125
Consulting services	48	153
Total	487	410

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6. CONSTRUCTION CONTRACT REVENUE AND COSTS

	2021 \$'000	2020 \$'000
Services of subcontractors	54,794	88,155
Staff costs	35,483	32,945
Material expenses	22,915	32,160
Rent of equipment	6,403	5,952
Transportation costs	6,890	10,962
Meal supply costs	3,275	3,361
Fuel expenses	2,404	642
Repairs and maintenance	1,419	1,535
Impairment of inventories	855	1,263
Other	1,975	4,446
Total construction contract costs	136,413	181,421

	2021 \$'000	2020 \$'000
Revenue from contract with customers	237,225	271,232
Total revenue from contract with customers	237,225	271,232

Revenue from contract with customers include construction contract revenue, provision of services and sale of goods. Revenue from construction contracts comprises the biggest part of total revenue from contract with customers, which is generated by SOCAR-AQS LLC in the amount of USD 79.2 million (2020: USD 156.2 million) and Prokon LLC in the amount of USD 97.9 million (2020: USD 67.2 million). Such revenue generated by SOCAR-AQS LLC is mainly composed of the offshore well drilling services rendered to its customers.

7. FINANCE COST

	2021 \$'000	2020 \$'000
Interest expense on borrowings	(7,551)	(7,259)
Interest expense on lease liabilities	(733)	(820)
Total interest expense for financial liabilities not classified as at FVTPL	(8,284)	(8,079)
Total finance cost	(8,284)	(8,079)

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Notes to the financial statements For the year ended 31 December 2021

8. STAFF COSTS

The average monthly number of employees (including executive directors) during the year by activity was as follows:

	2021 Number	2020 Number
Administration	269	334
Operation	2,341	2,009
Total	2,610	2,343

Their aggregate remuneration comprised:

	2021 \$'000	2020 \$'000
Wages and salaries	47,260	41,248
Social security and pension costs	7,722	7,147
Total staff costs	54,982	48,395

The remuneration of the key management comprised:

	2021 \$'000	2020 \$'000
Wages and salaries	1,633	1,136
Social security and pension costs	355	235
Total remuneration	1,988	1,371

The aggregate emoluments of the directors of the Group for the year were as follows:

	2021 \$'000	2020 \$'000
Directors' emoluments	218	162
Total remuneration	218	162

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

	2021 \$'000	2020 \$'000
Emoluments	84	82
Total remuneration	84	82

The Company, Nobel Energy Limited (formerly Nobel Oil Services (UK) Limited), as an individual entity has no employee benefit expenses.

9. INCOME TAX (EXPENSE)/CREDIT

	2021 \$'000	2020 \$'000
Current tax expense	(21,613)	(5,835)
Deferred tax credit on origination and reversal of temporary differences	10,289	6,720
Income tax (expense)/credit for the year	(11,324)	885

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For the year ended 31 December 2021

The corporation tax rate for the financial year 2021 was set at 19% by section 2 of Finance Act 2019. Taxation for other jurisdictions is calculated at the rates prevailing mostly in the Azerbaijan jurisdictions.

The charge for the year can be reconciled to the profit in the statement of profit or loss and other comprehensive income as follows:

	2021 \$'000	2020 \$'000
Profit/(loss) before tax	26,094	(31,100)
Tax at the UK corporation tax rate of 19% (2020: 19%)	(4,958)	5,909
Tax effect of share of results of joint ventures	2,114	1,922
Tax effect of expenses that are not deductible in determining taxable profit	(7,615)	(6,876)
Effect of unrecognized tax assets on carried-forward tax losses	(1,032)	(381)
Effect of under/(over) provision of current tax in prior years	(469)	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(261)	311
Adjustment relating to prior years	897	-
Income tax (expense)/credit for the year	(11,324)	885

Factors affecting current and future tax charges

Legislation was introduced in Finance Act 2021 to increase the main rate of UK corporation tax on profits from 19% to 25% from 1 April 2023. This is not expected to have a material impact on the Company.

10. DEFERRED TAX ASSETS AND LIABILITIES

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting year.

	31 December 2021		31 December 2020	
	Deferred tax asset \$'000	Deferred tax liability \$'000	Deferred tax asset \$'000	Deferred tax liability \$'000
Trade and other receivables/contract asset	-	(18,913)	-	(10,573)
Inventories	1,459	-	850	-
Property and equipment	-	(6,594)	-	(7,269)
Intangible assets	-	(2,936)	-	(5,925)
Right-of-use assets	-	(578)	-	(94)
Advances given and prepaid expenses	-	(15)	448	-
Advances for property and equipment	-	-	-	(143)
Other assets	-	-	-	(811)
Trade and other payables	12,282	-	-	(4,144)
Loans and borrowings	-	(13)	1,489	-
Lease liabilities	555	-	330	-
Tax loss carry forward	1,249	-	2,049	-
Total deferred tax asset/(liability)	15,545	(29,049)	5,166	(28,959)

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Notes to the financial statements For the year ended 31 December 2021

Movement in temporary differences during the respective years is as follows:

	31 December 2021 \$'000	Recognised in profit or loss \$'000	1 January 2021 \$'000
Property plant and equipment	(6,594)	675	(7,269)
Advances for property and equipment	-	143	(143)
Intangible assets	(2,936)	2,989	(5,925)
Right-of-use assets	(578)	(484)	(94)
Inventories	1,459	609	850
Trade and other receivables/contract assets	(18,913)	(8,340)	(10,573)
Advances given and prepaid expenses	(15)	(463)	448
Other assets	-	811	(811)
Trade and other payables	12,282	16,426	(4,144)
Loans and borrowings	(13)	(1,502)	1,489
Lease liabilities	555	225	330
Tax loss carry forward	1,249	(800)	2,049
Net deferred tax liability	(13,504)	10,289	(23,793)
Recognised deferred tax asset	134		70
Recognised deferred tax liability	(13,638)		(23,863)

	31 December 2020 \$'000	Recognised in business combination \$'000	Recognised in profit or loss \$'000	31 December 2019 \$'000
Property plant and equipment	(7,269)	2	(4,297)	(2,974)
Advances for property and equipment	(143)	-	(906)	763
Intangible assets	(5,925)	-	2,999	(8,924)
Right-of-use assets	(94)	14	610	(718)
Inventories	850	-	66	784
Trade and other receivables/contract assets	(10,573)	(1)	17,725	(28,297)
Advances given and prepaid expenses	448	-	486	(38)
Other assets	(811)	-	(811)	-
Trade and other payables	(4,144)	19	(8,932)	4,769
Loans and borrowings	1,489	-	(1,898)	3,387
Lease liabilities	330	(13)	(371)	714
Tax loss carry forward	2,049	-	2,049	-
Net deferred tax liability	(23,793)	21	6,720	(30,534)
Recognised deferred tax asset	70			691
Recognised deferred tax liability	(23,863)			(31,225)

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Notes to the financial statements For the year ended 31 December 2021

11. PROPERTY, PLANT AND EQUIPMENT

	Drilling rigs \$'000	Machinery and equipment \$'000	Computers and office equipment \$'000	Motor vehicles and other \$'000	Leasehold improvements \$'000	Constructi on in progress \$'000	Total \$'000
Cost							
At 1 January 2020	116,025	47,405	2,055	2,096	-	1,243	168,824
Additions	-	10,148	607	226	-	229	11,210
Acquired through business combination	-	110	20	-	-	-	130
Disposals	-	(324)	(69)	(166)	-	-	(559)
Transfers	-	705	-	-	-	(705)	-
Effect of translation to presentation currency	-	(3)	-	-	-	-	(3)
At 31 December 2020	116,025	58,041	2,613	2,186	-	767	179,602
Additions	221	1,701	670	276	958	242	4,068
Disposals	-	(842)	(977)	(337)	-	-	(2,156)
Transfers	-	405	-	-	-	(405)	-
Effect of translation to presentation currency	-	(1)	(7)	-	-	-	(8)
At 31 December 2021	116,246	59,304	2,299	2,095	958	604	181,506
Accumulated depreciation							
At 1 January 2020	(13,995)	(11,237)	(1,037)	(571)	-	-	(26,840)
Charge for the year	(7,979)	(6,396)	(440)	(304)	-	-	(15,119)
Impairment losses	(14,957)	-	-	-	-	-	(14,957)
Disposals	-	34	44	48	-	-	126
Effect of translation to presentation currency	-	1	-	-	-	-	1
At 31 December 2020	(36,931)	(17,598)	(1,433)	(827)	-	-	(56,789)
Charge for the year	(5,943)	(6,725)	(332)	(188)	(128)	-	(13,316)
Impairment losses	-	-	-	-	-	-	-
Disposals	-	959	763	26	-	-	1,748
Effect of translation to presentation currency	-	-	5	-	-	-	5
At 31 December 2021	(42,874)	(23,364)	(997)	(989)	(128)	-	(68,352)
Carrying amount							
At 31 December 2021	73,372	35,940	1,302	1,106	830	604	113,154
At 31 December 2020	79,094	40,443	1,180	1,329	-	767	122,813

As at 31 December 2021 and 2020 the Group's drilling rigs are pledged as collateral for its borrowings with the carrying amount of USD 73.2 million and USD 62.3 million, respectively.

As at 31 December 2021, there was USD 1.5 million prepayment balance for equipment.

In connection with the preparation of the Group's consolidated financial statements, consistent with the accounting policies discussed in "Note 3 - Significant Accounting Policies," property and equipment are evaluated for impairment whenever there are changes in facts which suggest that the value of the asset is not recoverable.

When necessary (if any triggering event), the carrying amount of property, plant and equipment is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount higher of value in use and fair value less costs of disposal with its carrying amount. The recoverable amount of all rigs and other equipment has been determined based on value-in-use calculations using present value of future cash flow projections. As part of impairment analysis, assumptions and estimates are made regarding future market conditions, including rig utilisation, contract margins, contract awards and discount rates.

In 2020, impairment losses represent impairment charge recognized against the full carrying amount of one of the rigs. The Group evaluated the existing contract for the operation of the rig and determined that future use of the rig was under significant doubt. Given this fact, the rig was considered as subject to full impairment. No other assumptions and estimates are made.

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12. INTANGIBLE ASSETS

	Customer contracts \$'000	Software licenses \$'000	Total \$'000
Cost			
At 1 January 2020	74,705	5,576	80,281
Additions	-	20	20
Acquired through business combination	-	3	3
Effect of translation to presentation currency	-	-	-
At 31 December 2020	74,705	5,599	80,304
Additions	-	16	16
Effect of translation to presentation currency	-	-	-
At 31 December 2021	74,705	5,615	80,320
Accumulated amortization			
At 1 January 2020	(29,882)	(2,055)	(31,937)
Charge for the year	(14,941)	(545)	(15,486)
Effect of translation to presentation currency	-	-	-
At 31 December 2020	(44,823)	(2,600)	(47,423)
Charge for the year	(14,941)	(550)	(15,491)
Effect of translation to presentation currency	-	-	-
At 31 December 2021	(59,764)	(3,150)	(62,914)
Carrying amount			
At 31 December 2021	14,941	2,465	17,406
At 31 December 2020	29,882	2,999	32,881

As at 31 December 2021, the carrying value of customer contracts Intangible assets of the Group acquired through acquisition of SOCAR-AQS LLC is estimated to be USD 14.9 million (2020: USD 29.9 million). The customer contracts recognized by the Group are related to the contracts and historical relations with State Oil Company of Azerbaijan Republic (SOCAR). The useful life of the customer contracts is estimated to be 5 years (2020: 5 years).

The Group tests customer contracts for impairment if there is an impairment indicator. In case of an impairment indicator, customer contracts are allocated, at acquisition, to relevant CGUs. The recoverable amount is compared to the carrying value to identify any impairment. The recoverable amount of the CGU is determined from the discounted cash flow calculations. The Group prepared updated financial forecasts in 2021, including cash flows for the remaining useful life of the customer contracts which is two years.

The Group's other Intangible assets are computer software licenses with a useful life of 10 years. In April 2016, the Group implemented a new SAP ERP system, which constitutes a significant part of the Intangible assets balance.

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13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has lease contracts for various items of machinery, workshop buildings, offices, vehicles and other equipment used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The Group also has certain leases of machinery and vehicles with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Workshop and office buildings \$'000	Vehicles \$'000	Machinery and equipment \$'000	Other \$'000	Total \$'000
At 1 January 2020	2,091	645	4,224	556	7,516
Additions	1,012	224	-	-	1,236
Acquired through business combination	9	45	-	-	54
Modifications	1,188	-	(73)	-	1,115
Disposals	(114)	(564)	(2,008)	(463)	(3,149)
Depreciation expense	(1,250)	(103)	(1,759)	(93)	(3,205)
At 31 December 2020	2,936	247	384	-	3,567
Additions	3,295	-	43	-	3,338
Modifications	1,146	37	-	-	1,183
Disposals	(199)	-	-	-	(199)
Depreciation expense	(1,447)	(61)	(207)	-	(1,715)
At 31 December 2021	5,731	223	220	-	6,174

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

	2021 \$'000	2020 \$'000
Balance at 1 January	4,881	9,010
Additions	2,974	2,285
Modifications	(205)	(1,989)
Accretion of interest	733	820
Payments	(2,400)	(5,245)
Balance at 31 December	5,983	4,881
Current	1,614	1,603
Non-current	4,369	3,278

14. INVESTMENTS

The group consists of a parent company, Nobel Energy Limited (formerly Nobel Oil Services (UK) Limited), incorporated in the UK and a number of subsidiaries and joint ventures held directly and indirectly by Nobel Energy Limited, which operate and are incorporated around the world.

(a) Subsidiaries

The Group had the following subsidiaries at 31 December 2021:

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Name	Principal activity	Place of Incorporation and registered office	Proportion of ordinary shares directly held by the parent (%)	Proportion of ordinary shares directly held by the group (%)
Nobel Oil Investment (UK) Limited	Holding company	10-18 Union Street, London, SE1 1SZ, United Kingdom	100	100
Nobel Oil Ltd	Holding company	Henville Building, Prince Charles Street, Charlestown, Nevils	100	100
Absheron Qazma LLC	Holding company	14 S.A. Shirvani street, apt. 102, Baku, the Republic of Azerbaijan	75	100
Nobel Energy Management LLC	Management company	Khatal District, 113 "8 Noyabr" Avenue, Baku, AZ1026, the Republic of Azerbaijan	90	100
N-Oil Management CJSC	Management company	Nasimi District, 158 Ak. Shamil Azizbayov street, apt. 25, Baku, AZ1010, the Republic of Azerbaijan	-	5
Prokon LLC	(I)	Sabail District, 89 Neftchilar Avenue, apt. 35, Baku, AZ1004, the Republic of Azerbaijan	95	100
Prokon Trading LLC	(III)	Nizami District, 10Q A. Qalbov street, Baku, AZ1029, the Republic of Azerbaijan	-	100
Prokon Construction and Engineering LLC	(I)	19 Mir Avenue, Apt.6B, Office 91, Moscow, Russia	-	100
Prokon Makina İnşaat İmalat Montaj Sanayi ve Ticaret Limited Şirketi	(I)	Sogutozu mah., Sogutozu cad., B-Block, Apt. no.2 B/5, Cankaya, Ankara, Turkey	-	100
JerMal LLP	Dormant	Oral city, 35 Dosmukhamedova street, 090000, the Republic of Kazakhstan	-	100
Global Energy Solutions LLC	(II)	Binagadi District, 1B Rashid Behbudov street, apt. 4, Baku, AZ1114, the Republic of Azerbaijan	90	100
Glensol LLC	(IV)	Mangystau Region, Industrial zone 4, house 88, Munaylinski District, 130006, the Republic of Kazakhstan	-	100
Glensol Georgia LLC	(II)	Vake District, P. Kavtaradze street, N48D, Tbilisi, Georgia	-	100
Llamrei DMCC	(III)	Unit No.30-01-104B, Jewellery & Gemplex 3, Plot No.DMCC-PH2-J&GPlexS, Dubai, United Arab Emirates	100	100
GVL LLC	(IV)	Khatal District, 21 Fazil Bayramov street, Baku, AZ1025, the Republic of Azerbaijan	49	100
SOCAR-AQS LLC	(V)	Sabail District, 96 Nizami street, Landmark Office Plaza I, Baku, AZ1010, the Republic of Azerbaijan	73.77	86.62
SOCAR-AQS International DMCC	(V)	Unit No.2723, DMCC Business Centre, Level No 1, Jewellery & Gemplex 3, Dubai, United Arab Emirates	-	100
SOCAR-AQS SONDAJ Muhendislik Sanayi ve Ticaret Anonim Şirketi	(V)	Beshtepe mah., Nergiz sk. no.7/2/74, Yenimahalle, Ankara, Turkey	-	100
Oguz Drilling LLC	(VI)	Narimanov District, 3/10 A. Rajabli street, Baku, AZ1075, the Republic of Azerbaijan	9.5	100

- (I) Construction and project management services
- (II) Oilfield equipment maintenance services
- (III) Oilfield equipment and spare parts trading
- (IV) Repair and maintenance services to mechanical equipment in the oil and gas industry
- (V) Integrated drilling and well management services
- (VI) Operations, maintenance and engineering services

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All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

N-Oil Management CJSC ("N-Oil") is 5% owned by the Group with the remaining 95% held by the ultimate shareholder of the Group. Based on the agreement with the ultimate shareholder, management over the entire activity of N-Oil (operational and financial decisions, day to day management, organizational issues and other authorities) rests with the Group effective from the date of establishment of N-Oil.

Nobel Oil Investment (UK) Limited (registered number: 9082333) is exempt from the requirements of the Companies Act 2006 relating to the audit of financial statements under s479A through the guarantee given by Nobel Energy Limited (formerly Nobel Oil Services (UK) Limited) under s479C.

(b) Investment in subsidiaries

Company	2021 \$'000	2020 \$'000
Balance at 1 January	249,873	247,173
Transfer	81,830	-
Impairment	(87,700)	-
Additions in the year	9,951	2,700
At 31 December	253,954	249,873

In January 2021, the Group's ownership interest in SOCAR-AQS LLC subsidiary was transferred from Nobel Oil Ltd to the Company for nil consideration. The Company recorded this transfer at \$81,830 thousand. In addition, The Company transferred \$228,302 thousand amount from investment in Nobel Oil Ltd to investment in SOCAR-AQS LLC.

During 2021, the Company recognised impairment of \$87,700 thousand over investment in SOCAR-AQS LLC.

During 2021, the Company has made additional contributions in the share capital of its subsidiaries, Nobel Oil Ltd, Nobel Energy Management LLC and Nobel Oil Investment (UK) Limited in the amount of \$8,440 thousand, \$1,350 thousand and \$161 thousand, respectively.

During 2020, the Company has made additional contributions in the share capital of its subsidiaries, Nobel Oil Ltd and Global Energy Solutions LLC in the amount of \$2,200 thousand and \$500 thousand, respectively.

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid.

The Company's ultimate controlling party is Mr. Nasib Hasanov by virtue of his 100% ownership of the capital of Nobel Energy Limited (formerly Nobel Oil Services (UK) Limited).

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	31 December 2021 \$'000	31 December 2020 \$'000
SOCAR-AQS LLC		
Current assets	169,871	278,670
Non-current assets	140,095	109,946
Current liabilities	201,160	296,650
Non-current liabilities	8,252	9,954

Nobel Energy Limited (Formerly Nobel Oil Services (UK) Limited)

Notes to the financial statements For the year ended 31 December 2021

	2021 \$'000	2020 \$'000
SOCAR-AQS LLC		
Revenue	97,845	161,885
Profit/(loss) for the year	18,809	(42,825)
Other comprehensive (loss)/ Income for the year	(267)	9
Net cash inflow from operating activities	30,879	287
Net cash inflow from investing activities	8,889	1,501
Net cash (outflow)/ Inflow from financing activities	(24,452)	20,493
Net cash inflow	15,316	22,281

(c) Investment in joint ventures

The Group had the following joint ventures at 31 December 2021:

Name	Principal activity	Place of incorporation and registered office	Proportion of ordinary shares directly held by the parent (%)	Proportion of ordinary shares directly held by the Group (%)
SDL Denholm Ltd	Fabrication works for the oil and gas industry	8th Floor The Aspect, 12 Finsbury Square, London, EC2A 1AS, United Kingdom	50	50
Denholm Oilfield Services (Azerbaijan) Ltd	Fabrication works for the oil and gas industry	19 Woodside Crescent, Glasgow, G3 7UL, United Kingdom	50	50
Wood Group Azerbaijan B.V.	Oilfield engineering, procurement and construction services	C/O Centrais Netherlands BV, Zuidplein 126, WTC, Toren H 15e, Amsterdam, 1077XV, Netherlands	49	49
Turan Drilling and Engineering Company LLC	Oilfield procurement and warehouse management services	ISR Plaza, 14th floor, 69 Nizami street, Baku, AZ1000, the Republic of Azerbaijan		51
		Masazir District, 6 "Bakhchali Evlar" apartment complex, apt.15, Absheron region, the Republic of Azerbaijan	50	50
Lamor NBO LLC	Dormant			

The table below summarizes movements in the carrying amount of the Group's investment in joint ventures:

Group	2021 \$'000	2020 \$'000
Carrying amount at 1 January	8,172	8,407
Additions to Investments in joint ventures	-	-
Share of results of joint ventures	10,572	9,610
Dividends received from joint ventures	(11,658)	(9,611)
Derecognition of joint ventures	-	(234)
At 31 December	7,086	8,172
Company	2021 \$'000	2020 \$'000
Balance at cost at 1 January	2,076	1,635
Additions in the year	-	441
At 31 December	2,076	2,076

In January 2020, the Company purchased 49% of the GVL LLC's share capital for a cash consideration of \$441 thousand and the Group obtained control of GVL LLC. Before obtaining control, one of the Group subsidiaries, Global Energy Solutions LLC owned the 51% of the shares in GVL LLC.

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Notes to the financial statements For the year ended 31 December 2021

(d) Details of joint ventures

At 31 December 2021, the Group interests in joint ventures and their summarized aggregate financial information, including total assets, liabilities, revenues and profit or loss, were as follows:

Name	Total current assets \$'000	Total non-current assets \$'000	Total current liabilities \$'000	Total non-current liabilities \$'000	Net assets \$'000	Revenue \$'000	Profit/(loss) \$'000	Total comprehensive income \$'000	Interest held (%)	Share of profit (%)	Country of incorporation
SDL Denholm Ltd	3,240	768	1,442	75	2,491	8,073	1,093	1,093	50	50	United Kingdom
Denholm Oilfield Services (Azerbaijan) Ltd	427	-	76	-	351	1,304	27	27	50	50	United Kingdom
Wood Group Azerbaijan B.V.	14,477	447	13,859	-	1,065	39,487	429	429	49	49	Netherlands
Turan Drilling and Engineering Company LLC	33,892	6,738	23,905	2,314	14,411	133,294	24,065	24,065	51	40	Azerbaijan
Lamor NBO LLC	-	-	-	-	-	-	-	-	50	50	Azerbaijan
Total	52,036	7,953	39,282	2,389	18,318	182,158	25,614	25,614			

At 31 December 2020, the Group interests in joint ventures and their summarized aggregate financial information, including total assets, liabilities, revenues and profit or loss, were as follows:

Name	Total current assets \$'000	Total non-current assets \$'000	Total current liabilities \$'000	Total non-current liabilities \$'000	Net assets \$'000	Revenue \$'000	Profit/(loss) \$'000	Total comprehensive income \$'000	Interest held (%)	Share of profit (%)	Country of incorporation
SDL Denholm Ltd	4,809	1,495	3,618	591	2,095	11,087	937	937	50	50	United Kingdom
Denholm Oilfield Services (Azerbaijan) Ltd	563	-	138	-	425	900	25	25	50	50	United Kingdom
Wood Group Azerbaijan B.V.	16,894	621	14,273	328	2,914	47,152	2,804	2,804	49	49	Netherlands
Turan Drilling and Engineering Company LLC	35,430	6,108	25,377	7,896	8,265	110,274	25,836	25,836	51	30	Azerbaijan
Lamor NBO LLC	-	-	-	-	-	-	-	-	50	50	Azerbaijan
Total	57,696	8,224	43,406	8,815	13,699	169,413	29,602	29,602			

15. TRADE AND OTHER RECEIVABLES

	31 December 2021 \$'000	31 December 2020 \$'000
Trade receivables	130,511	219,309
Less: loss allowance	(4,654)	(11,971)
Trade receivables, net	125,857	207,338
Contract assets (net of loss allowance)	36,717	20,512
Other receivables	49,615	12,215
Total trade and other receivables	212,189	240,065
Current	212,189	240,065
Non-current	-	-
Total trade and other receivables	212,189	240,065

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Movement in the allowance for ECL/Incurred loss allowance that has been recognized for trade receivables:

	2021 \$'000	2020 \$'000
Balance at 1 January	(11,971)	(10,129)
Charge for the year	(99)	(2,685)
Amounts recovered	7,343	843
Amounts written-off	73	-
At 31 December	(4,654)	(11,971)

Loss allowance on contract assets is insignificant as at 31 December 2021 and 2020.

The Group does not hold any collateral or other credit enhancements over any of its trade receivables nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2021 or 31 December 2020 respectively and the corresponding historical credit losses experienced within this period.

Trade receivables disclosed above include amounts (see below for aging analysis) which are past due at the reporting date and against which the Group has recognized expected credit losses using a provision matrix based on the Group's historical credit loss experience and adjusted for factors that are specific to the debtors, general economic conditions and credit ratings.

	31 December 2021 \$'000	31 December 2020 \$'000
Current and not impaired	42,837	82,488
<i>Age of receivables that are past due:</i>		
1-30 days	15,693	12,869
31-90 days	9,756	8,872
91-180 days	15,801	21,752
181-360 days	22,675	40,137
Over 360 days	23,749	53,191
Total trade receivables	130,511	219,309
Less: loss allowance	(4,654)	(11,971)
Trade receivables, net	125,857	207,338

The Group carries out an on-going assessment of the collectability of its trade and other receivables. Trade and other receivables balances are assessed for impairment individually and collectively at the end of each reporting date. In determining the recoverability of a trade receivable, the Group considers use of a provision matrix, based on historical data of receivables impairment and credit ratings of customers, as a practical expedient for measuring ECL. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. The historical observed default rates are revised and updated at the end of each financial year.

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Notes to the financial statements

For the year ended 31 December 2021

Contract asset and liabilities at the reporting date:

	31 December 2021 \$'000	31 December 2020 \$'000
Contracts in progress at the end of the reporting year		
Construction costs incurred plus recognised profits less recognised losses to date	37,135	20,774
Less: loss allowance	(418)	(262)
	36,717	20,512

Recognised and included in the financial statements as:

- contract assets	36,717	20,512
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Contract assets are initially recognised for revenue earned from drilling services as receipt of consideration is conditional on successful completion of drilling. Upon completion of drilling services and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

Movement in the allowance for expected credit losses that has been recognized for contract assets:

	2021 \$'000	2020 \$'000
Balance at 1 January	(262)	(385)
Charge for the year	(418)	(262)
Amounts recovered	262	385
At 31 December	(418)	(262)

16. CURRENT INCOME AND OTHER TAX PREPAYMENTS

	31 December 2021 \$'000	31 December 2020 \$'000
VAT prepayment	7,294	3,889
Total current income and other tax prepayments	7,294	3,889

17. FINANCE LEASE RECEIVABLES

The maturity analysis of the finance lease payments receivable is as follows:

	2021 \$'000	2020 \$'000
Year 1	510	510
Year 2	530	510
Year 3	180	530
Year 4		180
Total undiscounted finance lease payments receivable at 31 December	1,220	1,730
Unearned finance income	(105)	(205)
Finance lease receivables at 31 December	1,115	1,525
Current	441	410
Non-current	674	1,115

Finance income on the net investment in the lease was USD 100 thousand (2020: 525 thousand).

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Notes to the financial statements

For the year ended 31 December 2021

18. INVENTORIES

	31 December 2021 \$'000	31 December 2020 \$'000
Drilling inventory	20,993	22,674
Mechanical inventory	18,032	18,912
Safety inventory	1,343	1,869
Goods for resale	946	201
Electrical inventory	422	456
Other	1,353	1,381
Less: provision for slow moving inventories	(4,827)	(3,971)
Total inventories	38,262	41,522

The cost of Inventories recognized as an expense during the year was USD 22.9 million (2020: USD 32.3 million).

Movement in the provision for slow moving inventories were as follows:

	2021 \$'000	2020 \$'000
Balance at 1 January	(3,971)	(2,708)
Charge for the year	(856)	(1,263)
At 31 December	(4,827)	(3,971)

19. CASH AND BANK BALANCES

	31 December 2021 \$'000	31 December 2020 \$'000
Bank balances	64,729	51,459
Call deposits	2,855	1,255
Cash on hand	6	2
Total cash and bank balances	67,590	52,716

At 31 December 2021, call deposits represent two (2020: one) USD denominated call deposits in the amount of USD 2.9 million (2020: USD 1.3 million) placed with the interest rate of 0.1% p.a. (2020: 0.15% p.a.)

The Company had a bank balance of USD 1,504 thousand (2020: USD 2,763 thousand).

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Notes to the financial statements For the year ended 31 December 2021

20. TRADE AND OTHER PAYABLES

	31 December 2021 \$'000	31 December 2020 \$'000
Trade payables	113,072	136,639
Contract liabilities	41,227	27,014
Payables to employees	580	2,212
Accrued expenses and other creditors	3,013	2,595
Total trade and other payables	157,892	168,460
Current	157,892	168,460
Non-current		
Total trade and other payables	157,892	168,460

Contract liabilities mainly represent amounts paid in advance by customers for the purchases of oilfield materials and supplies the procurement of which takes longer periods of time. Contract liabilities have increased by USD 14,213 thousand in 2021 mainly due to the negotiation of larger prepayments and an increase in overall contract activity.

21. TAXES OTHER THAN INCOME TAX PAYABLE

	31 December 2021 \$'000	31 December 2020 \$'000
Provisions for potential tax disputes	49,284	38,806
VAT payable	8,393	4,824
Other taxes payable	797	531
Total taxes other than income tax payable	58,474	44,161

22. BORROWINGS

	31 December 2021 \$'000	31 December 2020 \$'000
Bank loans	101,069	127,511
Other borrowings	5,711	8,478
Accrued interest payable	301	686
Amount due for settlement within 12 months	95,939	80,697
Amount due for settlement after 12 months	11,142	55,978
Total borrowings	107,081	136,675

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Notes to the financial statements

For the year ended 31 December 2021

At 31 December 2021 and 2020, borrowings of the Group were represented by the following facilities:

	Interest rate	Rate	31 December 2021 \$'000	Rate	31 December 2020 \$'000
EUR denominated					
Xalq Bank	Fixed	4%	27,550	4%	31,814
Landesbank Baden-Württemberg	Variable	EURIBOR+ 0.8%	6,502	EURIBOR+ 0.8%	12,278
Black Sea Trade and Development Bank	Fixed	-	-	2%	24,576
Xalq Bank	Fixed	-	-	5.5%	1,382
USD denominated					
International Bank of Azerbaijan	Fixed	6%	11,098	6%	9,922
Ziraat Bank	Fixed	5.5-6%	7,756	6%	9,036
Pasha Yatirim Bankasi	Fixed	6.5%	6,500	6%	3,659
Drillmec S.p.A	Fixed	6.5%	5,711	5%	8,478
Xalq Bank	Fixed	5%	4,520	5%	4,520
Pasha Bank (factoring arrangement)	Fixed	0.8%	3,075	-	-
Pasha Bank	Fixed	4.5%	1,574	-	-
Ish Bankasi	Fixed	4.5%	1,335	4.5%	7,794
Yapi Kredi Bankasi	Fixed	4%	1,300	-	-
Bank of Baku	Fixed	5%	225	5%	1,413
Xalq Bank	Fixed	-	-	6%	2,663
AzerTurk Bank	Fixed	-	-	7%	1,892
AzerTurk Bank	Fixed	-	-	6%	1,000
AZN denominated					
Pasha Bank	Fixed	10.5%	15,253	10.5%	10,349
International Bank of Azerbaijan	Fixed	12%	4,600	12%	3,847
International Bank of Azerbaijan	Fixed	10.5%	4,103	-	-
Xalq Bank	Fixed	12%	4,059	-	-
Pasha Bank	Fixed	12%	588	-	-
Xalq Bank	Fixed	-	-	2%	1,366
TRY denominated					
Yapi Kredi Bankasi	Fixed	18.75%	1,020	-	-
Interest payable			<u>312</u>		<u>686</u>
Total			<u>107,081</u>		<u>136,675</u>
Long-term portion of borrowings			<u>11,142</u>		<u>55,978</u>
Current portion repayable in one year and shown under current liabilities			<u>95,939</u>		<u>80,697</u>

In November 2015, the Group entered into a loan agreement with Landesbank Baden-Württemberg for the total amount of EUR 20.2 million. The Group applied the amounts borrowed for the purchase of one set of Bentec type offshore drilling rig. The borrowing carries a market interest rate which is the aggregate of the 0.8% applicable margin and the respective 6-month EURIBOR rate and is repayable up to July 2023 with equal installment paid every half a year. As at 31 December 2021, the balance of loan from Landesbank Baden-Württemberg was USD 6.5 million or EUR 5.7 million (2020: USD 12.3 million or EUR 10.1 million).

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On 28 December 2018, SOCAR-AQS LLC subsidiary entered into a secured loan agreement in the amount of EUR 25.9 million with 3.5% annual interest rate, maturing on 28 December 2020 with Xalq Bank. On 30 November 2020, the original maturity date of the loan has been prolonged till 28 December 2022 and interest rate has been increased to 4%. The principal amount of USD 27.5 million (EUR 24.3 million), outstanding at 31 December 2021, is fully payable on the maturity date.

At 31 December 2021, outstanding loan balance of USD 7.8 million represents the balance of USD denominated loans obtained by SOCAR-AQS LLC from Ziraat Bank Azerbaijan under several credit line agreements totalling USD 9.1 million. Loans bear an annual interest rate of 5.5%-6% and mature up to October 2023.

During 2021, subsidiary of SOCAR-AQS LLC in Türkiye obtained loans in four tranches in the total amount of USD 6.5 million from Pasha Yatırım Bankası with an effective interest rate of 6.5% p.a. and maturing in April and July 2022.

In 2018, SOCAR-AQS LLC entered into loan agreement with Drillmec S.p.A for purchase of Drillmec 1500 HP AC drilling rig. As per the agreement, 50% of the price of drilling rig in the amount of USD 8.3 million is payable in the form of quarterly annuity payments with the fixed interest rate of 5.0% p.a. On 20 May 2021, loan agreement with Drillmec S.p.A was amended for new payment schedule with revised fixed interest rate of 6.5% p.a.

On 24 August 2021, SOCAR-AQS LLC entered into credit-line loan agreement in the amount of AZN 6.9 million (USD 4.1 million) with 12% annual interest rate, maturing on 6 January 2022 with Xalq Bank. At the year end, the balance was USD 4,059 thousand.

At 31 December 2021 drilling rigs and drilling equipment with the carrying amount of USD 73.2 million (2020: USD 62.3 million) were pledged as collateral for loans from Xalq Bank, Ziraat Bank Azerbaijan and Bank of Baku.

At 31 December 2021, bank loans were secured by trade receivables with a total carrying amount of USD 11.2 million (2020: USD 3.8 million trade receivables).

On 27 November 2018, Prokon LLC subsidiary entered into secured credit line agreement in the amount of USD 5 million with 6% annual interest rate, maturing on 27 November 2019 with International Bank of Azerbaijan. In each subsequent year, the maturity date of the loan was prolonged for another one-year till 30 November 2022 and the credit line amount was increased to USD 12 million. As at 31 December 2021, the balance of the loan was USD 11.1 million. (2020: USD 9.9 million).

On 27 November 2018, Prokon LLC entered into secured credit line agreement in the amount of AZN 7 million (USD 4.1 million) with 10.5% annual interest rate, maturing in January 2023 with International Bank of Azerbaijan.

On 27 May 2019, Prokon LLC entered into a credit line agreement with Pasha Bank in the amount of AZN 7.8 million (USD 4.6 million) with 9% annual interest rate, maturing on 27 May 2020. In each subsequent year, the maturity date of the loan was prolonged for another one-year till 27 May 2022. Subsequently, the credit line limit and annual interest rate was also increased to AZN 10 million (USD 5.9 million) and 10.5% p.a., respectively. On 13 May 2020, Prokon LLC entered into a credit line agreement in the amount of AZN 17 million (USD 10 million) with 10.5% annual interest rate, maturing on 10 May 2022 with Pasha Bank. On 17 August 2021, Prokon LLC entered into a new credit line agreement in the amount of AZN 3 million (USD 1.8 million) with the annual interest rate of 10.5% and the maturity date of 13 February 2022 with Pasha Bank. At 31 December 2021, outstanding balances of these credit lines totaled USD 15.3 million or AZN 25.9 million.

At 31 December 2021, outstanding loan balance of USD 4.6 million represents the balance of AZN denominated loans obtained by Global Energy Solutions LLC subsidiary from International Bank of Azerbaijan under five credit line agreements totalling AZN 9.8 million (USD 5.8 million). All loans bear an annual interest rate of 12% and mature up to March 2024.

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Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's statement of cash flows as cash flows from financing activities.

	Cash changes, \$'000				Non-cash changes, \$'000		31 December
	1 January	Financing	Repay-ment of	Interest	Effect of	Interest	
	2021	cash flows	bank loans	paid	foreign	expense	2021
		(1)			exchange		
					rate		
					changes		
Loans and borrowings	136,675	89,956	(115,255)	(7,929)	(3,917)	7,551	107,081

	Cash changes, \$'000				Non-cash changes, \$'000		31 December
	1 January	Financing	Repay-ment of	Interest	Effect of	Interest	
	2020	cash flows	bank loans	paid	foreign	expense	2020
		(1)			exchange		
					rate		
					changes		
Loans and borrowings	88,259	96,074	(53,717)	(7,023)	5,834	7,248	136,675

(1) The cash flows from bank loans make up the total amount of proceeds from borrowings in the statement of cash flows.

23. SHARE CAPITAL AND SHARE PREMIUM

Nobel Energy Limited (formerly Nobel Oil Services (UK) Limited) was incorporated on 25 June 2014 in the United Kingdom. The Company's authorised share capital is comprised of 3 ordinary shares with a par value of \$1 each.

On incorporation 1 ordinary share of \$1 was issued at par. Subsequently, the Group's principal shareholder paid in share capital of \$5.2 million in exchange for 2 issued ordinary shares at \$1 each.

During 2021, the Group's principal shareholder contributed in the capital of the Group \$26.1 million by way of assignment of benefit of an outstanding debts to the Group's two subsidiaries which previously were due to the other entities controlled by the principal shareholder and \$5 million by way of extinguishment of liabilities owned by the one of the Group's subsidiaries to the entity controlled by the principal shareholder. The Group recorded these transactions directly in the share premium account.

During 2021, \$56.8 million dividends were distributed (2020: \$15.8 million dividends in specie) to the ultimate shareholder of the Group.

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24. MERGER RESERVE

	Merger reserve 2021 \$'000	Merger reserve 2020 \$'000
Balance at 1 January	223,406	223,406
Balance at 31 December	17,338	223,406

In accordance with section 610 of the Companies Act 2006 the difference between the nominal value of equity Instruments Issued (1 ordinary share of \$1) and the carrying amount of entities contributed to the share capital of the Company has been credited to the merger reserve.

25. RESTRICTED CASH

Other assets mainly represent restricted cash balance. As at 31 December 2021, the non-current portion of restricted cash balance is USD 36,659 thousand (2020: USD 36,679 thousand) and the current portion of restricted cash balance is USD 34 thousand (2020: USD 4,765 thousand).

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt or equity balance.

Total debt excluding shareholder loans to total asset ratio for the year ended 2021 is 17.7% (2020: 21.1%).

The capital structure of the Group is comprised of equity, shareholder loans and fixed rate loans with banks.

Categories of financial instruments

The financial assets of the Group are classified into the "loans and receivables" category. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets are represented by loans to related parties, trade and other receivables, bank balances and deposits with maturity dates less than three months. All financial instruments held by the Group are recorded at amortised cost.

The financial liabilities of the Group are classified as 'other financial liabilities'. Other financial liabilities (including borrowings and trade and other payables) are initially recognized at fair value less transaction costs. Subsequently they are measured at amortised cost using the effective interest method. The Group's principal financial liabilities comprise shareholder loans, fixed rate loans with banks and trade and other payables.

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For the year ended 31 December 2021

The carrying amounts of the Group's financial instruments as at 31 December 2021 and 2020 are as follows, which are assumed to approximate their fair values:

		31 December 2021 \$'000	31 December 2020 \$'000
	Note		
Financial assets measured at amortized cost			
Receivables from related parties	28	58,522	64,209
Trade and other receivables	15	125,857	207,338
Finance lease receivables	17	1,115	1,525
Restricted cash	25	36,659	41,444
Cash and cash equivalents	19	67,590	52,716
Total financial assets		289,743	367,232
Financial liabilities measured at amortized cost			
Loans with banks	22	107,081	136,675
Shareholder loans	28	51,114	51,106
Lease liabilities	13	5,983	4,881
Trade and other payables (exc. Contract liabilities)	20	116,665	141,446
Total financial liabilities		280,843	334,108

The carrying amounts of the Company's financial instruments as at 31 December 2021 and 2020 are as follows, which are assumed to approximate their fair values:

		31 December 2021 \$'000	31 December 2020 \$'000
Financial assets measured at amortized cost			
Receivables from related parties		40	40
Cash and cash equivalents		1,504	2,763
Total financial assets		1,544	2,803
Financial liabilities measured at amortized cost			
Trade and other payables (exc. Contract liabilities)		129	293
Total financial liabilities		129	293

The main risks arising from the Group's financial instruments are credit, liquidity and currency risks.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial assets which are potentially subject to concentration of credit risk consist principally of loans to related parties, trade and other receivables and cash and cash equivalents reduced by the amount of petty cash.

A significant proportion of Group's operations are with the State Oil Company of Azerbaijan Republic and its affiliated entities ("SOCAR") and as such the Group has significant concentrations of credit risk with SOCAR. The Group's management reviews aging analysis of outstanding trade receivables with SOCAR and follows up on past due balances. The amount and timing of payments by SOCAR largely depends on macroeconomic factors including oil prices and availability of liquid funds. Therefore, management control is limited over collecting overdue trade receivables.

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The maximum exposure to credit risk at 31 December 2021 and 2020 is as follows:

	Note	31 December 2021 \$'000	31 December 2020 \$'000
Receivables from related parties	28	58,522	64,209
Trade and other receivables	15	125,857	207,338
Contract assets	15	36,717	20,512
Finance lease receivables	17	1,115	1,525
Restricted cash	25	36,659	41,444
Cash and cash equivalents	19	67,590	52,716
Total		326,460	387,744

The Group has recognised expected credit losses of USD 4,654 thousand (2020: USD 11,971 thousand) with respect to its receivables due from related parties, trade and other receivables and current bank accounts and management believes that there is no further impairment of receivables from related parties, trade and other receivables and current bank accounts.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors, which have established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. The undiscounted amount is derived from interest rate curves at the end of the reporting year. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Carrying amount \$'000	Contractual cash flows \$'000	Less than 6 months \$'000	6-12 months \$'000	1-5 years \$'000	Over 5 years \$'000
31 December 2021						
Non-derivative financial liabilities						
Loans with banks	107,081	112,396	37,416	53,768	21,212	-
Lease liabilities	5,983	7,391	1,064	1,138	5,189	-
Shareholder loans	51,114	51,114	51,114	-	-	-
Trade and other payables (exc. Contract liabilities)	116,665	116,665	116,665	-	-	-
Total non-derivative financial liabilities	280,843	287,566	206,259	54,906	26,401	-

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31 December 2020	Carrying amount \$'000	Contractual cash flows \$'000	Less than 6 months \$'000	6-12 months \$'000	1-5 years \$'000	Over 5 years \$'000
Non-derivative financial liabilities						
Loans with banks	136,675	142,204	42,575	40,812	58,817	-
Lease liabilities	4,881	5,680	1,000	1,100	3,580	-
Shareholder loans	51,106	51,106	51,106	-	-	-
Trade and other payables (exc. Contract liabilities)	141,446	141,446	141,446	-	-	-
Total non-derivative financial liabilities	334,108	340,436	236,127	41,912	62,397	-
Currency risk						

The Group is exposed to currency risk on purchases and borrowings that are denominated in currencies other than AZN. The currencies in which these transactions primarily are denominated are Euros (EUR) and US Dollars (USD).

The control over foreign currency risk arising from trading operations is managed in the following ways:

- Monitoring of interconnection between foreign currency position level for each currency and the relevant liquidity level for these currencies;
- Forecasting the tendencies of volatility in the rates of foreign currencies, especially EUR and USD;
- Analysis of activity and the Group operations with large customers and suppliers involved in export-import operations.

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	31 December 2021		31 December 2020	
	EUR denominated \$'000	USD denominated \$'000	EUR denominated \$'000	USD denominated \$'000
Receivables from related parties	240	58,282	232	63,977
Trade and other receivables/contract assets	5,199	92,476	5,621	140,007
Restricted cash	-	36,659	-	41,427
Cash and cash equivalents	973	16,028	458	15,304
Loans with banks	(34,052)	(43,406)	(70,050)	(51,063)
Shareholder loans	-	(51,114)	-	(51,106)
Trade and other payables	(1,771)	(56,930)	(1,832)	(48,184)
Net exposure	(29,411)	51,995	(65,571)	110,362

The following exchange rates applied at year end:

	31 December 2021	31 December 2020
AZN / 1 USD	1.7000	1.7000
AZN / 1 EUR	1.9265	2.0890

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Sensitivity analysis

A weakening of the AZN, as indicated below, against the following currencies at 31 December 2021 and 2020 would have decreased equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting year. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Impact on profit or loss	
	2021	2020
	\$'000	\$'000
AZN / EUR 10% weakening (2020: 10% weakening)	(2,941)	(6,557)
AZN / USD 10% weakening (2020: 10% weakening)	5,200	11,036

A strengthening of the AZN against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

27. CONTINGENCIES

Business environment

The Group conducts most of its operations in the Republic of Azerbaijan. The Republic of Azerbaijan displays certain characteristics of an emerging market. Current and future growth and stability of the economy is largely dependent upon the effective implementation of economic, fiscal and monetary measures undertaken by government as well as crude oil prices and stability of Azerbaijani Manats.

The economy of Azerbaijan is particularly sensitive to oil and gas prices. During recent years, the Azerbaijani Government continued major economic and social reforms to accelerate transition to a more balanced economy and reduce dependence on the oil and gas sector.

During 2021 the oil prices reached 7-year maximum which created significant surplus in the country's current account and increased foreign currency reserves. The Central Bank of Azerbaijan maintained stability of the Azerbaijani manat, which was kept flat at 1.7000 for 1 USD throughout 2020 and 2021. The refinancing rate was reduced from 7.25 per cent to 6.25 per cent during 2020 and returned to 7.25 per cent as at 31 December 2021, to address increased inflation worldwide.

International credit rating agencies regularly evaluate credit rating of the Azerbaijan Republic. Fitch evaluated rating of the country as "BB+", whilst Moody's Investors Service set "Ba1" credit rating for Azerbaijan.

During 2020, the global economy was negatively impacted by the spread of the coronavirus pandemic (COVID-19). This included increasingly restrictive lockdown measures to combat COVID-19 in many countries, significantly reduced economic activity and aggregate spending levels. Social distancing and quarantine measures resulted in the closure of retail, transport, travel, catering, hotel, entertainment and many other businesses. International trade was also significantly reduced. Finally, oil prices tumbled to historic lows. In response to these challenges, countries where the Group operates, introduced large economic and fiscal programs, including, but not limited to, subsidized lending to affected industries, payments to unemployed individuals, tax deferrals and easing of certain regulatory restrictions to support the financial sector. With the start of vaccination in 2021 the countries gradually started to eliminate quarantine regime measures, travel restrictions, closure of business and other venues.

The ongoing effects of the political and economic situation are difficult to predict, but they may have further effects on the economy of Azerbaijan, which may lead to a deterioration of the State finances, volatility of financial markets, illiquidity on capital markets, higher inflation and a depreciation of the national currency against major foreign currencies.

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Legal proceedings

From time to time and in the normal course of business, claims against the Group are received from counterparties. Management is of the opinion that no material un-accrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

Taxation

Azerbaijan tax, currency and customs legislation which was enacted or substantively enacted at the end of the reporting year, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by tax authorities. Azerbaijan tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax non-compliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

During the year 2021, SOCAR-AQS LLC subsidiary purchased consulting services from another Group's subsidiary, N-Oil Management CJSC, in the amount of USD 5.4 million (2020: USD 26.7 million) and declared all costs as deductible expense in its profit tax declaration.

The management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained. Accordingly, as of 31 December 2020, no provision for potential tax liabilities arising from these transactions had been recorded.

However, the interpretations of the relevant authorities could differ and if the authorities were successful in enforcing their interpretations the maximum tax exposure can be equal to the amount of USD 2,6 million (2020: USD 16,9 million).

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28. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties, are disclosed below:

	31 December 2021 \$'000		31 December 2020 \$'000	
	Related party balances	Total category as per the consolidated financial statements caption	Related party balances	Total category as per the consolidated financial statements caption
Long-term receivables from related parties				
- entities under common control of ultimate business owner and out with Group	40	40	40	40

Transactions between the Group and its joint ventures and other related parties are arm's length and are disclosed below:

	31 December 2021 \$'000		31 December 2020 \$'000	
	Related party balances	Total category as per the consolidated financial statements caption	Related party balances	Total category as per the consolidated financial statements caption
Receivables from related parties		58,522		64,209
- entities under common control of ultimate business owner and out with Group	58,522		64,009	
- joint ventures of the Group	-		200	
Trade and other receivables		175,472		219,553
- entities under common control of ultimate business owner and out with Group	6,064		6,003	
- joint ventures of the Group	1,477		263	
Contract assets		36,717		20,512
- entities under common control of ultimate business owner and out with Group	3,007		2,661	
Shareholders' loans		51,114		51,106
- entities under common control of ultimate business owner and out with Group	51,114		51,106	
Advances given and prepaid expenses		33,440		33,810
- entities under common control of ultimate business owner and out with Group	6,328		3,342	
Trade and other payables		157,892		168,460
- entities under common control of ultimate business owner and out with Group	2,353		7,730	
- joint ventures of the Group	-		2	
Distribution of dividends to shareholder		56,827		15,840
- ultimate owner of the Group	56,827		15,840	

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Receivables from related parties mainly represent financing provided by the Group's Nobel Oil Ltd subsidiary to related parties. These amounts bear no interest.

Shareholders' loans are repayable on demand and bear no interest.

Capital contribution represents the extinguishment of liabilities in the amount of USD 15.8 million to an entity controlled by the ultimate shareholder of the Group. Owing to the nature of the transaction, the Group recorded this transaction as capital contribution directly in the consolidated statement of changes in equity.

On 23 December 2020, the Company declared dividends via a dividend in specie in the amount of USD 15.8 million by way of assignment of the benefit of an outstanding debt due to the Group by another entity controlled by the ultimate shareholder of the Group.

	31 December 2021 \$'000	31 December 2020 \$'000
	Total category as per the consolidated financial statements caption	Total category as per the consolidated financial statements caption
Related party transactions	Related party transactions	Related party transactions
Provision of services	39,707	24,522
- entities under common control of ultimate business owner and out with Group	9,285	840
- joint ventures of the Group	144	441
Construction contract revenue	177,108	223,400
- entities under common control of ultimate business owner and out with Group	9,396	7,799
- joint ventures of the Group	-	520
Sale of goods	20,410	23,310
- entities under common control of ultimate business owner and out with Group	49	13
- joint ventures of the Group	136	33
Construction contract costs	136,413	181,421
- entities under common control of ultimate business owner and out with Group	4,640	2,014
Impairment loss on receivables from related parties	(7,088)	3,119
- entities under common control of ultimate business owner and out with Group	2,699	341

Remuneration of directors and key management personnel

The remuneration of the directors and key management personnel of the group is set out below in aggregate.

	2021 \$'000	2020 \$'000
Directors' emoluments and key management personnel compensation:		
- short-term employee benefits	2,206	1,533

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29. EVENTS AFTER THE REPORTING PERIOD

Capital reorganization

In June 2022, as part of higher level group restructuring, all of the shares of Nobel Energy Limited (formerly Nobel Oil Services (UK) Limited) together with the shares of other entities directly owned by the ultimate shareholder of the Group were transferred to Inviglob Capital B.V - the Netherlands based holding company. Subsequently, Inviglob Capital B.V was renamed to NEQSOL Holding B.V.

New loans obtained and loan repayments

Subsequent to reporting date, the Group obtained long-term and short-term loans in the amount of USD 96.1 million from banks.

Subsequent to reporting period, the Group repaid its outstanding loans in the amount of USD 73.6 million to several foreign and local banks.

Dividends declared

Subsequent to the balance sheet date, the Group declared and subsequently paid dividends to the ultimate shareholder in the amount of USD 18.2 million.

Impact of sanctions from Russia - Ukraine conflict

Since February 2022, numerous sanctions have been announced by majority of western countries against the Russian Federation, due to the conflict between the Russian Federation and Ukraine. These sanctions are expected to have certain negative economic impact on the Russian Federation. As of the date of these financial statements, the Group had a subsidiary in the Russian Federation however its total exposure to Russian financial markets was not material. At 31 December 2021, total assets and total liabilities of the subsidiary amounted USD 262 thousand and USD 732 thousand, respectively. The liabilities mainly comprised trade payables and shareholder loans. In August 2022, the Group sold all shares in subsidiary for a consideration of USD 5 thousand.

The Group's management is thoroughly monitoring the economic situation in the current environment and taking precautionary measures in order to manage associated risks.