
NOVUS UK (INDONESIAN HOLDINGS) LIMITED
REGISTERED NUMBER 212729
ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2018
(THIS REPORT IS PREPARED IN UNITED STATES DOLLARS)



NOVUS UK (INDONESIAN HOLDINGS) LIMITED

REGISTERED NUMBER 212729

BOARD OF DIRECTORS

Rudy Suparman
Hendra Soetjipto Tan
James Patrick Johnston Fairrie
Spencer Harry Saffer

SECRETARY AND REGISTERED OFFICE

TMF Corporate Administration Services Limited
20 Farringdon Street,
London EC4A 4EN
United Kingdom

STATUTORY AUDITOR

Ernst & Young LLP
1 More London Place
London SE1 2AF
United Kingdom

REGISTERED IN ENGLAND NO: 212729

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

REGISTERED NUMBER 212729

STRATEGIC REPORT

The Directors of Novus UK (Indonesian Holdings) Limited present the Strategic Report, their report and financial statements for the year ended 31 December 2018.

Principal Activities and Review of Business

The principal activity of the Company is that of an investment holding company with a 100% interest in Novus UK (Kakap) Limited and Novus UK (Malacca Strait) Limited.

Novus UK (Kakap) Limited ("Novus UK") owns a 13.5% working interest in an Indonesian production sharing contract, the Kakap PSC, under which it is entitled to participate in oil and gas exploration and production projects.

Novus UK (Malacca Strait) Limited is now a dormant company having sold its interest in the Malacca Strait PSC in 2002.

It is the intention of the Directors of Novus UK (Indonesian Holdings) Limited that the above-noted business of the Company will continue for the foreseeable future.

Business Review

There are no immediate developments that are likely to have a material impact on the operations of the Company although the Company is continually reviewing opportunities for growth and development.

Oil and condensate gross production by the Kakap PSC, in the West Natuna Sea, Indonesia averaged 2,265 boepd in 2018 (2,555 boepd in 2017). Gas gross production averaged 2,907 boepd in 2018 (2,345 boepd in 2017).

Revenue decrease due to decrement in oil production in 2018 compared to oil production in 2017. This decrement netted-off with increment in price oil and gas in 2018 compared to 2017. The average oil price in 2018 was US\$69.37/bbl (2017: US\$53.86/bbl) and the average gas price in 2018 was US\$13.19/mscf (2017: US\$10.19/mscf).

The results for the years ended 31 December 2018 and 2017 are summarised below:

	2018 US\$'000	2017 US\$'000
Revenue	13,026	13,248
Profit before tax	5,079	5,357
Income tax expense	(2,026)	(1,936)
Profit after tax for the year	3,053	3,421

The Group's consolidated profit for the year after taxation was US\$3,053,000 in 2018 (2017: US\$3,421,000). The lower profit in 2018 primarily arose due to decrement in revenue from decrement in oil production in 2018 compared to 2017 and increment of cost of sales in 2018.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

REGISTERED NUMBER 212729

STRATEGIC REPORT (CONTINUED)

Key Performance Indicators

The Company's ultimate parent entity Star Energy Investment Ltd., is the parent entity in the consolidated Star Energy Group. The Company's subsidiary (Novus UK (Kakap) Limited) holds a 13.50% non-operator interest in the Kakap PSC. The Star Energy Group has strategic targets for its base business including production targets and safety performance levels. The Company contributed to the attainment of these overall Star Energy Group strategic targets. As the Company is not the Operator, management meets regularly with the Operator through operating and technical forums to monitor the progress of the PSC against its strategic targets.

Principal Risks and Uncertainties

The principal risks that the Group faces are:

Exploration and development risk

There is no assurance that the Group's exploration activities will be successful and statistically few properties that are explored are ultimately developed into producing hydrocarbon fields. Accordingly, the Group provides a risk analysis and range of outcomes to the Board of Directors for consideration prior to any prospect being drilled.

The Group's operations may also be curtailed, delayed or cancelled not only as a result of weather conditions but also as a result of shortage or delays in the delivery of drilling rigs and other equipment which, at times, are in short supply. As the Group only owns a non-operated asset, risk is mitigated to some extent by being a partner with a number of other companies which have access to rigs and equipment.

Competition

There is strong competition within the petroleum industry for the identification and acquisition of properties considered to have hydrocarbon potential. The Group competes with other exploration and production companies, some of which have greater financial resources than the Group, for the acquisition of properties, leases and other interests as well as for the recruitment and retention of skilled personnel. The challenge to management is to secure transactions without having to over pay.

Commodity prices, fiscal regimes and currency

The market price of hydrocarbon products is volatile and cannot be controlled. If the price of hydrocarbon products should drop significantly, or the fiscal regime change for the worse, the economic prospects of the projects in which the Group has an interest could be significantly reduced or rendered uneconomic.

Exposure to foreign currency and commodity price risks arises in the normal course of the Group's business.

Financing

The development of the Group's properties will depend upon the Operator of Kakap Block ability to obtain financing through the projects in Kakap Block.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

REGISTERED NUMBER 212729

STRATEGIC REPORT (CONTINUED)

Principal Risks and Uncertainties (continued)

Credit risk

Credit risk arises from cash on hand and in banks, time deposits with banks and financial institutions, as well as credit exposures from trade receivables. The Group is subject to concentration of credit risk as its entire oil and gas sales are solely to Lukoil Asia Pacific Pte. Ltd. and SembCorp Gas Pte. Ltd., respectively.

By order of the Board



Rudy Suparman
Director



Hendra Soetjipto Tan
Director

30 September 2019

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

REGISTERED NUMBER 212729

DIRECTORS' REPORT

The Directors present their directors' report for the year ended 31 December 2018.

Directors

The directors who served during the year and up to the date of the financial statements, unless otherwise noted, are:

Rudy Suparman
Hendra Soetjipto Tan
James Patrick Johnston Fairrie
Spencer Harry Saffer

Future Developments

The directors aim to maintain the management policies which have resulted in the Group's stability in recent years. They believe that the Group is in a good position to take advantage of any opportunities which may arise in the future.

It is the intention of the directors that the business of the Group will continue for the foreseeable future.

Going Concern

After reviewing the Group's budget and plans, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis in preparing the financial statements.

Directors' indemnity

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and of the Group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

REGISTERED NUMBER 212729

DIRECTORS' REPORT (CONTINUED)

Events after the Reporting Period

On 26 June 2019, the Company has applied for deregistration the UK VAT Group registration to HMRC. On 12 July 2019, the HMRC have deregistered the VAT Group registration of Novus UK Indonesia Holdings with effect from 30 June 2019.

On 8 August 2019, the Tax Court accepted Novus UK (Kakap) Limited appeal letters for 2010, 2011, 2012 and 2013 fiscal year with the total tax dispute including the tax penalty amounting to US\$7,417,000.

Auditor

Pursuant to board of director's resolution dated 26 September 2018, Ernst & Young LLP has been reappointed as the auditor of the Company for the ensuing year.

By order of the Board



Rudy Suparman
Director



Hendra Soetjipto Tan
Director

30 September 2019

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

REGISTERED NUMBER 212729

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

Under Company law, the directors are required to prepare financial statements for each financial year which present fairly the financial position, the financial performance and cash flows of the Company for that period.

In preparing those financial statements the directors are required to:

- present fairly the financial position, financial performance and cash flows of the Company;
- select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial position and financial performance; and
- state that the Company has complied with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOVUS UK (INDONESIAN HOLDINGS) LIMITED

Opinion

We have audited the financial statements of Novus UK (Indonesian Holdings) Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the consolidated Statement of Comprehensive Income, the consolidated and parent company Statement of Changes in Equity, the consolidated and parent company Statement of Financial Position, the consolidated and parent company Statement of Cash Flows and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOVUS UK (INDONESIAN HOLDINGS) LIMITED (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOVUS UK (INDONESIAN HOLDINGS) LIMITED (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement [set out on page 7], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Oxana Dorrington (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory auditor
London

30 September 2019

NOVUS UK (INDONESIAN HOLDINGS) LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 US\$'000	2017 US\$'000
Revenue	2	13,026	13,248
Cost of sales	3	(8,818)	(8,641)
Gross profit		4,208	4,607
Other income		908	726
Operating profit		5,116	5,333
Financial (expense)/income	4	(37)	24
Profit before tax		5,079	5,357
Income tax expense	5	(2,026)	(1,936)
Net profit for the year		3,053	3,421
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains on defined benefit plans		461	20
Income tax effect	13	(171)	(7)
Other comprehensive income, net of tax		290	13
Total comprehensive income for the year		3,343	3,434

All of the Company's activities during the year are in respect of continuing operations.

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share Capital	Retained Earnings	Non-Distributable Reserves (OCI)	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1				
January 2017	171	74,161	95	74,427
Net profit for the year	-	3,421	-	3,421
Non-cash dividend	-	(32,223)	-	(32,223)
Other comprehensive income	-	-	13	13
Balance at 31				
December 2017	171	45,359	108	45,638
Net profit for the year	-	3,053	-	3,053
Other comprehensive income	-	-	290	290
Balance at 31				
December 2018	171	48,412	398	48,981

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018


	Share Capital	Retained Earnings	Total Equity
	US\$'000	US\$'000	US\$'000
Balance at 1 January 2017	171	32,520	32,691
Net loss for the year	-	(60)	(60)
Non-cash dividend	-	(32,223)	(32,223)
Balance at 31 December 2017	171	237	408
Net loss for the year	-	(38)	(38)
Balance at 31 December 2018	171	199	370

The company statement of changes in equity is to be read in conjunction with the notes to the financial statements.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018 AND 2017

	Note	2018 US\$'000	2017 US\$'000
Non-current assets			
Oil and gas assets	8	12,904	13,877
Other assets		1	1
Total non-current assets		12,905	13,878
Current assets			
Inventories	9	989	971
Amounts owing from related entities	16	35,266	33,187
Trade and other receivables	10	4,860	7,553
Restricted cash in bank		-	655
Cash and cash equivalents		4,168	-
Total current assets		45,283	42,366
Total assets		58,188	56,244
Equity			
Share capital	15	171	171
Non-distributable reserves		398	108
Retained earnings		48,412	45,359
Total equity		48,981	45,638
Non-current liabilities			
Provisions	12	114	1,004
Deferred tax liabilities	13	3,280	3,104
Total non-current liabilities		3,394	4,108
Current liabilities			
Amounts owing to related entities	16	18	20
Taxes payable		401	1,049
Trade and other payables	11	5,394	5,429
Total current liabilities		5,813	6,498
Total liabilities		9,207	10,606
Total equity and liabilities		58,188	56,244

These financial statements were approved by the Board of Directors on 30 September 2019 and were signed on its behalf by:


Rudy Suparman
Director


Hendra Soetjipto Tan
Director

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018 AND 2017

	Note	2018 US\$'000	2017 US\$'000
Non-current assets			
Investment in subsidiaries	17	9	9
Other assets		1	1
Total non-current assets		10	10
Current assets			
Trade and other receivables	10	1	1
Amounts owing from related entities	16	918	1,600
Total current assets		919	1,601
Total assets		929	1,611
Equity			
Share capital	15	171	171
Retained earnings		199	237
Total equity		370	408
Current liabilities			
Trade and other payables	11	43	44
Amounts owing to related entities	16	516	1,159
Total current liabilities		559	1,203
Total liabilities		559	1,203
Total equity and liabilities		929	1,611

The company statement of financial position is to be read in conjunction with the notes to the financial statements.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

Group	Note	2018 US\$'000	2017 US\$'000
Cash flows from operating activities			
Net profit for the year		3,053	3,421
Non-cash adjustments to reconcile profit for the year to net cash provided by operating activities:			
Depreciation and depletion	3,8	1,827	1,450
Reclassification of assets	8	239	-
Pension cost	3	213	429
Income tax expense	5	2,026	1,936
Cash flows from operating activities before working capital adjustments		7,358	7,236
Net decrease/(increase) in receivables		614	(2,900)
Net decrease/(increase) in inventories		(18)	175
Net (decrease)/increase in payables		(37)	(901)
Net decrease in provisions		(642)	(908)
Cash provided by operations		7,275	2,702
Income taxes paid		(2,669)	(533)
Net cash flows from operating activities		4,606	2,169
Cash flows from investing activities			
Purchases:			
Oil and gas assets	8	(1,093)	(1,545)
Net cash used in investing activities		(1,093)	(1,545)
Cash flows from financing activities			
Transfer (to)/from restricted cash in bank		655	(624)
Net cash (used in)/from financing activities		655	(624)
Net decrease in cash and cash equivalents		4,168	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		4,168	-

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

Company	Note	2018 US\$'000	2017 US\$'000
Cash flows from operating activities			
Net loss for the year		(38)	(60)
Cash flows from operating activities before working capital adjustments		(38)	(60)
Net increase/(decrease) in receivables		682	(1,085)
Net (decrease)/increase in payables		(644)	1,145
Net cash flows from operating activities		38	60
Net decrease in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		-	-

The company statement of cash flows is to be read in conjunction with the notes to the financial statements.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant accounting policies

Novus UK (Indonesian Holdings) Limited ("the Company") is a Company incorporated and domiciled in England and limited by shares.

The principal activity of the Company is that of an investment holding company where one of its subsidiaries holds of 13.5% working interest in a joint venture for the exploration and production of crude oil and natural gas in South Natuna Sea area, Indonesia, under a Production Sharing Contract ("PSC") with Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi ("SKK Migas"), the oil and gas regulatory agency of Indonesia. The Company's working interest in the joint venture is 13.5%.

The original PSC was signed on 22 March 1975. An amendment to the original PSC was signed on 15 January 1999 and became effective immediately. On the same date, an extension to the original PSC (the "Extended PSC") was signed and became effective on 22 March 2005. The Extended PSC will expire on 22 March 2028. The Operator of the joint venture is Star Energy (Kakap) Limited, a related party.

Subsidiaries

Name of subsidiaries	Domiciled	2017-2018
		Percentage ownership
Novus UK (Kakap) Limited	United Kingdom	100
Novus UK (Malacca Strait) Ltd.	United Kingdom	100

The Company and its subsidiaries are collectively referred to hereafter as the "Group".

The financial report was authorised for issue by the Directors on September 2019.

(a) Statement of compliance

The Group's financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("IFRSs").

(b) Basis of preparation

The financial statements are prepared under the historical cost convention.

The financial statements are presented in thousands of United States dollars (U.S. dollars, USD or US\$) unless otherwise stated.

The Group's activities are conducted in Indonesia under a PSC. The Group accounts for PSC's on a net entitlements basis whereby hydrocarbon production, revenues and reserves are determined by reference to the terms of the PSC. Expenditure on exploration and development activities are capitalised and depleted as described in notes 1(e), 1(f) and 1(h). Production and other operating costs are expensed as incurred.

Going concern

After reviewing the Group's budget and plans, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis in preparing the financial statements.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant accounting policies (continued)

(b) Basis of preparation (continued)

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except in the current financial year, the Group applied IFRS 15 and IFRS 9 for the first time starting January 1, 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the cumulative effect of initially applying this standard is recognized as an adjustment to the opening retained earnings and comparative information is not restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that were not completed at January 1, 2018. Accordingly, certain comparative information may not be comparable as comparative information was not restated and continues to be reported under IAS 18 and the related interpretations.

The major change identified is the accounting for revenues relating to crude oil and gas sales, the Group's sources of revenues, in which the Group has an interest with joint operation partners. Before adopting IFRS 15, the Group recognized revenues based on the entitlement method. Crude oil and gas lifted and sold by the Group above or below the Group's participating interests in the PSC results in overlifts and underlifts. From January 1, 2018, the Group has ceased recording these transactions in accordance with the entitlement method. The Group recognizes revenues when sales are made to customers.

The Group evaluated and determined that the cumulative effect of initially applying IFRS 15 was immaterial and therefore no adjustment recognized to the opening retained earnings as at January 1, 2018.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant accounting policies (continued)

(b) Basis of preparation (continued)

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group evaluated IFRS 9 and determined that the adoption of IFRS 9 did not have a significant impact on the Group's financial statements, hence, no restatement of comparative financial statements is necessary due to the following:

Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made at the initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group's financial statements as all of the Group's financial assets were held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Previously, under IAS 39, the Group's financial assets were classified as loans and receivables. Under IFRS 9, these are now classified and measured as debt instruments at amortized cost. All of the Group's financial assets, except for trade receivables, have no significant financing components.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant accounting policies (continued)

(b) Basis of preparation (continued)

IFRS 9 Financial Instruments (continued)

Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with forward-looking expected credit loss ("ECL") approach. IFRS 9 requires the Group to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

ECL is based on provision matrix which 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. The historical observed default rates are updated and changes in the forward-looking estimates are analyzed. As of January 1, 2018, all of the Group's financial assets are not past due and have no historical default experience, and management expects that all financial assets are collectible. Therefore, the impairment requirement of IFRS 9, which is to recognize an allowance for ECL, did not have any impact on the Company's financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the de-recognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. This Interpretation did not have any impact on the Group's financial statements

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments did not have any impact on the Group's financial statements.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant accounting policies (continued)

(b) Basis of preparation (continued)

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. These amendments did not have any impact on the Group's financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

(c) Joint arrangements

The Group's exploration and production activities are often conducted through joint arrangements governed by joint operating agreements, production sharing contracts or similar contractual relationships.

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement. To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant accounting policies (continued)

(c) Joint arrangements (continued)

- **Joint operations**

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

- (i) Its assets, including its share of any assets held jointly;
- (ii) Its liabilities, including its share of any liabilities incurred jointly;
- (iii) Its revenue from the sale of its share of the output arising from the joint operation;
- (iv) Its share of the revenue from the sale of the output by the joint operation; and
- (v) Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

- **Joint ventures**

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method.

(d) Currency translation

- (i) **Functional and presentation currency**

Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the Group operates ("functional currency"). The financial statements are presented in U.S. dollars, which is the Group's functional and presentation currency. 1 U.S. dollar to 1 GBP exchange rate as of reporting date comprised 0.78818 (31 December 2017: 0.74366).

- (ii) **Transactions and balances**

Transactions in a currency other than the functional currency ("foreign currency") are initially recorded in the functional currency at the respective spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate of exchange in effect at the reporting date. All differences are taken to other income/(expenses) in the statement of profit or loss.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values were determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the dates of the initial transactions.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant accounting policies (continued)

(e) Exploration and evaluation expenditure

Exploration and evaluation expenditures in respect of each area of interest are accounted for using the successful efforts method of accounting. The successful efforts method requires all exploration and evaluation expenditures to be expensed in the period it is incurred, except for the costs of successful wells, and the costs of acquiring interests in new exploration assets, which are capitalized as oil and gas property, and intangible exploration and evaluation assets, respectively. The costs of wells are initially capitalized pending the results of the well.

The carrying amounts of the Group's exploration and evaluation assets are reviewed in conjunction with the impairment review at each of the reporting dates. The impairment review process referred to in Note 1(i) is to determine whether any of the following indicators of impairment exists:

- (i) Tenure over the license area has expired during the period/year or will expire in the near future, and is not expected to be renewed;
- (ii) Substantive expenditures on further exploration for and evaluation of mineral resources in the specific area is not budgeted or planned;
- (iii) Exploration for and evaluation of resources in the specific area has not led to the discovery of commercially viable quantities of resources, and the entity has decided to discontinue activities in the specific area; or
- (iv) Sufficient data exists to indicate that although a development is likely to proceed the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or from sale.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made and any resultant impairment loss is recognised in cost of sales in the statement of profit or loss. When a discovered oil or gas field enters the development phase the accumulated exploration and evaluation expenditure are transferred to oil and gas assets - assets in development (Note 1(f)).

(f) Oil and gas assets

Oil and gas assets are usually single oil or gas fields being developed for future production or which are in the production phase. Where several individual oil or gas fields are to be produced through common facilities the individual oil or gas fields and the associated production facilities are managed and reported as a single oil and gas asset.

Assets under construction

When the technical and commercial feasibility of an undeveloped oil or gas field is being developed for future production, the costs of oil and gas assets in the development phase are separately accounted for as oil and gas assets and include past exploration and evaluation costs, development drilling and other sub-surface expenditures, surface plant and equipment and any associated buildings. When commercial operation commences, the accumulated costs are transferred to oil and gas assets - producing assets.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant accounting policies (continued)

(f) Oil and gas assets (continued)

Producing assets

The costs of oil and gas assets in production are separately accounted for as oil and gas assets and include past exploration and evaluation costs, pre-production development costs and the ongoing costs of continuing to develop reserves for production and to expand or replace plant and equipment and any associated land and buildings. These costs are subject to depreciation and depletion in accordance with Note 1(h).

Title of assets

Under the terms of the Kakap PSC, the Operator and the participants, including the Group, have no ownership interest in the oil and gas assets or in the oil and gas reserves, but rather have the right to operate the assets and receive production and/or revenues from the sale of oil and gas in accordance with the Kakap PSC. Proved reserves have therefore been determined on a net entitlement basis, which takes into account projections of the host government's share of future production calculated with certain price and expenditure assumptions. As the participants paid for and have the right to recover the costs for oil and gas assets through cost recovery, via Operator of the Kakap PSC, these balances have been recorded as assets in the Group's financial statements based on its working interest in the Kakap PSC.

(g) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any cost directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a finance lease is also included within plant and equipment.

Subsequent expenditures related to an asset that has already been recognized are added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in cost of sales in the statement of profit or loss in the year the asset is derecognized.

Depreciation of plant and equipment is calculated in accordance with Note 1(h).

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant accounting policies (continued)

(h) Depreciation and depletion

Depreciation of subsurface assets and some plant and equipment is calculated using a unit-of-production method based on barrels of oil produced over the total estimated proven reserves to be produced during the Kakap PSC term on net entitlement basis. No provision for depreciation is made on assets in development until such time as the relevant assets are completed and production commences. When the assets concerned are brought into use, the costs are transferred to the plant and equipment classification and depreciated in accordance with the stated policy.

Depreciation of plant and equipment is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

Plant and equipment

- | | |
|-----------------------------|--------------|
| • Furniture and equipment | 5 - 10 years |
| • Asset under finance lease | 5 - 10 years |

The residual values, estimated useful lives and depreciation method of the assets are reviewed at each reporting date, and adjusted prospectively, if appropriate. The effects of any revision are recognized in cost of sales in the statement of profit or loss when the changes arise.

(i) Impairment

Oil and gas assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of an asset's fair value less costs to sell and its value in use) is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the Cash Generating Unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. In assessing value in use, an asset's 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 oil and gas assets, the estimated future cash flows are based on estimates of hydrocarbon reserves, future production profiles, commodity prices, operating costs and any development costs necessary to produce the reserves. Estimates of future commodity prices are based on contracted prices where applicable or based on forward market prices where available.

The difference between the carrying amount and recoverable amount is recognized as an impairment loss in cost of sales in the statement of profit or loss if carrying amount is lower than recoverable amount.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant accounting policies (continued)

(i) Impairment (continued)

An impairment loss for an asset is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated depreciation) had no impairment loss been recognized for the asset in prior years.

A reversal of impairment loss for an asset is recognized in cost of sales in the statement of profit or loss.

(j) Inventories

Under the terms of the Kakap PSC, inventory becomes the property of the host government upon landing in country. As the Group have paid for and have the right to use these assets and/or recover the costs, these balances have been reflected as assets in the Group's financial statements based on its working interest in the Kakap PSC.

Inventories are carried at the lower of cost and net realizable value.

Costs of materials and supplies, which include plant spares, consumables and maintenance and drilling tools used for ongoing operations, are valued at weighted average cost; crude oil produced and not sold is not recorded as inventory because title does not pass to the Group until the oil is lifted or off-loaded into the crude tankers.

Management assesses the need for any allowance for slow-moving and obsolete inventories at each reporting date.

(k) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

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

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant accounting policies (continued)

(k) Financial Instruments (continued)

(i) Financial assets (continued)

Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Group's financial assets include "cash on hand and in banks", "restricted cash in bank" and "trade and other receivables excluding VAT reimbursement".

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss ("FVTPL")

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant accounting policies (continued)

(k) Financial instruments (continued)

(i) Financial assets (continued)

Subsequent measurement (continued)

Financial assets at amortized cost (debt instruments)

All of the Group's financial assets are classified under this category. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Derecognition

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant accounting policies (continued)

(k) Financial instruments (continued)

(i) Financial assets (continued)

Impairment of financial assets

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

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

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

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include "trade and other payables" and "borrowings" which are classified as loans and borrowings.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant accounting policies (continued)

(k) Financial instruments (continued)

(ii) Financial liabilities (continued)

Initial recognition and measurement (continued)

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include "trade and other payables" and "borrowings" which are classified as loans and borrowings.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss and other comprehensive income.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

(l) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and short-term deposits that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and have an original maturity of three months or less.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the statement of financial position.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant accounting policies (continued)

(m) Restricted cash in bank

Cash in bank balances which are restricted for use as stipulated under the terms of the loan agreement are presented as "restricted cash in bank" (Note 18d).

(n) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Decommissioning, site restoration and abandonment costs

Provisions for future environmental restoration are recognized where there is a present obligation as a result of exploration, development, production, transportation or storage activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligations, and include the costs of decommissioning, removing facilities, abandoning wells and restoring the affected areas, and a reliable estimate of the amount of obligation can be made.

The amount of the provision for future decommissioning, site restoration and abandonment costs relating to exploration, development and production facilities is capitalized and depleted as a component of the cost of those activities. The unwinding of the effect of discounting on the provision is recognized as finance expense in cost of sales in the statement of profit or loss.

Future decommissioning, site restoration and abandonment costs are reviewed annually and any changes in the estimate are reflected in the present value of the provision at the reporting date with a corresponding change in the cost of the associated asset.

Employee compensation

(i) Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within twelve months from the reporting date represent present obligations resulting from employees' service provided to reporting date, and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related add on-costs.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant accounting policies (continued)

(n) Provisions (continued)

Employee compensation (continued)

(ii) Long-term employee benefits

Employee entitlements to service and compensation payments are recognized when they accrue to the employees. A provision is made for the estimated liability as a result of past services rendered by employees up to the reporting date and is calculated based on the Group's policy or a minimum amount of employee entitlements in accordance with Indonesia Labor Law No. 13 Year 2003, whichever is higher.

The defined benefits obligation is annually calculated by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

For defined benefit plans, all actuarial gains and losses are recognized in other comprehensive income ("OCI") as part of remeasurement and unvested past service costs are recognized immediately in profit or loss when incurred. For long-term service benefits, the Group recognizes the net total of the amounts in profit or loss.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes restructuring related costs.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant accounting policies (continued)

(n) Provisions (continued)

Employee compensation (continued)

(ii) Long-term employee benefits (continued)

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are recognized in other comprehensive income within equity and are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

The Operator also provides a defined contribution plan for all of its eligible permanent employees, which is managed by Dana Pensiun Lembaga Keuangan Tugu Mandiri.

The pension plan was established based on the approval from the Ministry of Finance in its Decision Letter No.KEP.1100/KM.17/1998, No.KEP.231/ KM.17/1994 and No.KEP.184/KM.17/1995. Contributions payable are charged to current year operations and the Group recognizes its share of such items.

(iii) Other long-term employee benefits ("OLTEB")

The Operator provides long services award for employees who attain certain number of services years with the Operator. A provision is made for the estimated liability as a result of past services rendered by the employees up to the reporting date and is calculated based on the Operator's policy and the Group recognizes its share of such items. Actuarial gains and losses for OLTEB are recognized in full in the period in which they occur in profit or loss.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant accounting policies (continued)

(o) Deferred income

A liability is recorded for obligations under sales contracts to deliver natural gas in future periods for which payment has already been received.

(p) Trade and other payables

Trade and other payables are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest method.

(q) Share capital

Ordinary share capital

Ordinary share capital is classified as equity.

Dividends

Dividends are recognised as a liability at the time the Directors resolve to pay or declare the dividend.

(r) Revenue

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. Revenues are presented net of rebates and discounts.

Crude oil and natural gas sales revenue is recognized when control of the products has been transferred to the customer, which is generally occurs at the time of ship loading, or on the products entering the pipeline.

Prior to January 1, 2018, crude oil and natural gas sales revenue is recognized on the basis of the Group's interest in a producing field ("entitlements" method). Revenue earned under the PSC is recognized on a net entitlements basis according to the terms of the PSC. Differences between the Group's actual liftings of crude oil and gas result in a receivable when entitlements exceed liftings of crude oil and gas (under lifting position) and in a payable when lifting of crude oil and gas exceed entitlements (over lifting position). Under lifting and over lifting volumes are valued based on the annual weighted average sales price for crude (i.e. Indonesian Crude Price - "ICP") and gas (i.e. contract prices). Deferred revenue occurs when the Group sells more than its entitled ownership percentage of total natural gas production.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant accounting policies (continued)

(s) Other income

Other income is recognised in other income/(expense) in the statement of profit or loss at the fair value of the consideration received or receivable, when the significant risks and rewards of ownership have been transferred to the buyer or when the service has been performed.

The gain or loss arising on disposal of a non-current asset is included as other income at the date control of the asset passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Interest income is recognised in other income/(expense) in the statement of profit or loss as it accrues, using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(t) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in other income/(expense) in the statement of profit or loss.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the statement of profit or loss on a straight-line method over the lease term.

Contingent rents, if any, are recognized as an expense in other income/(expense) in the statement of profit or loss in the financial year in which they are incurred.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant accounting policies (continued)

(u) Income tax expenses

Current income tax is recognized at the amount expected to be paid to or recovered from the tax authorities, computed using the tax rates and tax laws that have been enacted or substantively enacted at respective reporting dates.

Deferred income tax is recognized using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group's statement of financial position, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor tax profit or loss at the time of the transaction.

A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized.

Deferred income tax is measured:

- (i) at the tax rate that is expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the respective reporting dates; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred taxes are recognized as income or expense in income tax benefit/(expense) in the statement of profit or loss, except to the extent that the tax arises from a transaction which is recognized directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

(v) Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates if different assumptions were used and different conditions existed.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant accounting policies (continued)

(v) Significant accounting judgements, estimates and assumptions (continued)

In particular, the Group has identified the following areas where significant judgments, estimates and assumptions are required, and where if actual results were to differ, may materially affect the financial position or financial results reported in future periods. Further information on each of these and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements.

(i) Impairment and depreciation of oil and gas property

The amounts recorded for depletion, depreciation and amortization as well as the recovery of the carrying values of oil and gas properties depend on estimates of oil and gas reserves and the economic lives of future cash flows from related assets. The primary factors affecting these estimates are technical engineering assessments of producible quantities of oil and gas reserves in place and economic constraints such as the availability of commercial markets for the Group's production as well as assumptions related to anticipated commodity prices and the costs of development and production of the reserves (Note 8).

(ii) Income taxes

The Group is subject to income taxes in Indonesian and UK jurisdictions. Significant judgment is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the year in which such determination is made (Note 5).

(iii) Provision for decommissioning, site restoration and abandonment costs

Decommissioning, site restoration and abandonment costs will be incurred at the end of the operating life of the Group's facilities and properties. The ultimate decommissioning, site restoration and abandonment costs are uncertain and cost estimates can vary in response to many factors including change in relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example in response to change in reserves or change in laws and regulations and their interpretations. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

The provision for future decommissioning, site restoration and abandonment costs is the best estimate of the present value of the future expenditure required to settle the obligation at the reporting date based on current legal requirements with the discount rate used based on the borrowing rate at the time of recognition of the provision (Note 12).

NOVUS UK (INDONESIAN HOLDINGS) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant accounting policies (continued)

(v) Significant accounting judgements, estimates and assumptions (continued)

(iv) Employee benefits (continued)

The cost of providing long-term employee benefits is determined using actuarial valuations. An actuarial valuation involves making various assumptions, which includes the determination of the discount rate, future salary increases, mortality rates, employee turn-over rate, disability rate, and the expected rate of return on plan assets. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, estimated liabilities for long-term employee benefits are highly sensitive to changes in these assumptions. All assumptions are reviewed at financial year-end.

In determining the appropriate discount rate, management considers the market yields (at year end) on Indonesian Rupiah government bonds with maturities corresponding to the expected duration of the obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on the PSC's long-term business plan which is also influenced by expected future inflation rates for the country.

While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experiences or significant changes in the assumptions may materially affect its estimated liabilities for employee benefits and net employee benefits expense (Note 12).

(v) Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events (Note 18).

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(w) Standards issued but not yet effective

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

		Effective for annual periods beginning on or after
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
IFRS 9 Amendments	Prepayment Features with Negative Compensation	1 January 2019
IAS 19 Amendments	Plan Amendment, Curtailment or Settlement	1 January 2019

NOVUS UK (INDONESIAN HOLDINGS) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant accounting policies (continued)

(w) Standards issued but not yet effective (continued)

Effective for annual periods
beginning on or after

IAS 28 Amendments	Investment in Associates	1 January 2019
-------------------	--------------------------	----------------

The Group expect that the adoption of the other standards and interpretations above will have no material impact of the financial statements in the period of initial application.

2. Revenue

	2018 US\$'000	2017 US\$'000
Product sales:		
Crude oil	4,679	5,683
Natural Gas	8,347	7,565
Total revenue	13,026	13,248

3. Cost of sales

	2018 US\$'000	2017 US\$'000
Included are the following items:		
Operating expenses	5,727	5,180
General and administrative expenses	1,004	1,466
Pension cost	213	429
Exploration expenses	47	116
Depreciation and depletion:		
Amortization of intangible assets	-	-
Depreciation and depletion of assets	1,827	1,450
Total cost of sales	8,818	8,641

Operating lease payments for Floating Storage and Offloading (FSO) unit rental services charged to profit or loss account amounted to US\$1,236,000 and US\$1,211,000 for the years ended 31 December 2018 and 2017, respectively, and are recorded as part of operating expenses.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

4. Financial (expense)/income

	2018 US\$'000	2017 US\$'000
Unwind of the effect of discounting on provisions (Note 12)	(37)	24

5. Taxation

Tax on profit for the year

The tax charge is made up as follows:

	2018 US\$'000	2017 US\$'000
Current tax:		
UK Corporation tax on profit for the year	-	-
Foreign tax under provision	-	-
Foreign taxation	2,021	953
Total current tax charge	2,021	953
Deferred tax:		
Origination and reversal of temporary differences	5	983
Total deferred tax benefit (Note 13)	5	983
Total tax charge for the year	2,026	1,936

Factors affecting the tax charge for the year

The rate at which tax has been assessed for the year is higher than the standard rate of Corporation tax in UK. The differences are explained below:

	2018 US\$'000	2017 US\$'000
Profit before tax	5,079	5,357
Profit multiplied by the standard rate of corporation tax in the UK of 19% for the period up to 31 December 2018 and 19% for the period up to 31 December 2017 and 20% for the period up to 31 March 2017.	965	1,031
Effect of:		
Imputed interest income	-	-
Foreign tax under provision	-	-
Impact of lower foreign taxes	1,061	905
Total tax charge for the year	2,026	1,936

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

6. Employees and directors emoluments

Other than Directors, the Group has no employees in 2018 and 2017.

The Group entered in an agreement with Aspect Financial Limited ("Aspect") (formerly ATC Corporate Services (UK) Limited) under a contract for the provision of director services for two (2) directors. The fees paid to Aspect during 2018 amounted to US\$6,000 (2017: US\$5,000).

Two (2) of the directors of the Group received remuneration from Star Energy (Kakap) Ltd., the operator of Kakap PSC. The portions of remuneration which represents a fair allocation to the Group, based on the working interest in Kakap PSC, amounts to US\$200,000 in 2018 (2017: US\$218,000). As at the date of the financial statements, the two directors agreed to provide director services to the Group without receiving any remuneration from the Group.

7. Auditor's remuneration

	2018 US\$'000	2017 US\$'000
Audit of these financial statements	40	52
Total fees	40	52

8. Oil and gas assets

	Subsurface assets US\$'000	2018 Plant and equipment US\$'000	Total US\$'000	Subsurface assets US\$'000	2017 Plant and equipment US\$'000	Total US\$'000
Cost at 31 December	136,872	1,053	137,925	136,021	1,050	137,071
Less accumulated depreciation	(106,690)	(976)	(107,666)	(104,886)	(953)	(105,839)
Less impairment loss	(17,355)	-	(17,355)	(17,355)	-	(17,355)
Balance at 31 December	12,827	77	12,904	13,780	97	13,877
Reconciliation of movements						
Producing assets						
Balance at 1 January	13,780	97	13,877	13,671	111	13,782
Additions	1,091	2	1,093	1,537	8	1,545
Reclassification	(239)	-	(239)	-	-	-
Depreciation and depletion (Note 3)	(1,805)	(22)	(1,827)	(1,428)	(22)	(1,450)
Balance at 31 December	12,827	77	12,904	13,780	97	13,877

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

8. Oil and gas assets (continued)

Impairment test on oil and gas properties

Impairment test on oil and gas properties is performed when circumstances indicate the CGU's carrying value may be impaired. In this matter, the management of the Group determined its participating interests in the Kakap PSC as a CGU. Considering the condition of the spot price of oil and gas at the assessment date, the management of the Group performed impairment testing on the affected CGU, under which the products are sold at spot price.

In assessing whether impairment is required, the carrying value of the CGU is compared with its respective recoverable amount. The recoverable amount has been determined based on a value-in-use calculation using cash flow projections based on production and development forecast approved by the management covering estimated period of contract and future investment to increase output up to 2027.

Based on the impairment test of the oil and gas properties, the management believes that no further impairment in value of oil and gas properties is necessary as of 31 December 2018 and 2017.

Key assumptions used

The calculation of value in use is most sensitive to the following assumptions:

- a. Lifting
- b. Prices
- c. Discount rates
- d. Operating and capital expenses

Lifting: The projected annual lifting is based on management business plan considering the current conditions and future expectations.

Prices: Forecasted oil and gas prices are based on management's estimates and available market data. The oil price assumptions used by management are based on Brent price adjusted with historical price premium from the buyer. While for the gas price, the management uses the contracted price as per gas sales agreement.

The assumptions for Brent price used by management for impairment test as of 31 December 2018 are: US\$65.79 - US\$67.99 per bbls until 2027 (2017: US\$66.35 - US\$70.07 per bbls).

An increase of ten percent (10%) in oil price forecast will increase the recoverable amount of oil and gas properties by US\$2,154,000 as at 31 December 2018.

Discount rates: Discount rates are derived from the post-tax Weighted Average Cost of Capital (WACC). The WACC takes into account both debt and equity, weighted 40% and 60%, respectively. The cost of equity is equal to the return on risk-free securities plus the equity risk premium adjusted for the Group systematic risk. The cost of debt is based on the average historical interest rate loan of the Group until 31 December 2017. As of December 31, 2018, as the Group's loan has been fully repaid, the discount rates are derived from Indonesia Government Securities Yield Curve.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

8. Oil and gas assets (continued)

Key assumptions used (continued)

The discount rate used is 8.09% (2017: 8.77%) (post-tax): An increase of one percent (1%) in discount rate will decrease the recoverable amount of oil and gas properties by US\$1,436,000.

Operating and capital expenses: These assumptions are based on the Group's operating and capital expenses plan. The management has full control over the costs, and believes that assumptions will be achievable.

Changes to the assumptions used by the management to determine the recoverable amount, in particular the discount rate, can have significant impact on the result of the impairment assessment. Management is of the opinion that there was no reasonably possible change in any of the key assumptions stated above that would cause the carrying amount of the CGU to materially exceed its recoverable amount.

Based on the impairment test of the oil and gas properties, management believes that no further impairment in value of oil and gas properties is necessary as at 31 December 2018 and 2017.

9. Inventories

	2018 US\$'000	2017 US\$'000
Drilling and maintenance stocks	989	971
Total inventories	989	971

During 2018, US\$264,000 (2017: US\$181,000) was recognised as expense for inventories carried at net realisable value. This is recognised in operating expenses.

10. Trade and other receivables

	2018 US\$'000	2017 US\$'000
Group		
Current:		
Trade receivables	2,856	1,602
VAT receivables	373	414
Deposit	66	338
Prepayments	47	388
Others	1,518	4,811
Total trade and other receivables	4,860	7,553

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

10. Trade and other receivables (continued)

	2018 US\$'000	2017 US\$'000
Company		
Current:		
Others	1	1
Total trade and other receivables	1	1

Trade receivables are neither past due nor impaired and relate to independent customers for whom there is no recent history of default.

The Group believes that the carrying amounts are a reasonable approximation to the fair value.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral security.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2018 US\$'000	2017 US\$'000
US dollars	4,296	6,622
Indonesian rupiah	564	931
Total trade and other receivables	4,860	7,553

11. Trade and other payables

	2018 US\$'000	2017 US\$'000
Group		
Current:		
Deferred revenue	248	260
Trade payables	575	1,491
Non-trade payables and accrued expenses	4,571	3,678
Total trade and other payables	5,394	5,429
Company		
Current:		
Non-trade payables and accrued expenses	43	44
Total trade and other payables	43	44

The Group believes that the carrying amounts are a reasonable approximation to the fair value.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

12. Provisions

Reconciliation of movements in provisions during the year:

	Employee Benefit US\$'000	Restoration US\$'000	Total US\$'000
Balance at 1 January 2016	1,154	349	1,503
Unwinding of discount	-	(24)	(24)
Expected return on plan assets	(909)	-	(909)
Provision additions during the year	593	-	593
Escrow account	-	(159)	(159)
Balance at 31 December 2017	838	166	1,004
Unwinding of discount	-	37	37
Expected return on plan assets	(1,170)	-	(1,170)
Provision additions during the year	437	-	437
Escrow account	-	(194)	(194)
Balance at 31 December 2018	105	9	114

Non-current:

Employee benefits
Restoration

	2018 US\$'000	2017 US\$'000
Employee benefits	105	838
Restoration	9	166
Total provisions	114	1,004

Employee benefits

Net employee defined benefit liability:

	2018 US\$'000	2017 US\$'000
Pre-retirement benefits	31	43
Other long-term benefits	18	21
Post-employment benefits	56	774
	105	838

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

12. Provisions (continued)

Employee benefits (continued)

The Operator has a defined benefit pension plan covering substantially all employees. Plan benefits are primarily based on years of service and employees' compensation near retirement or voluntary resignation.

The Operator has a defined benefit pension plan in post-employment benefit (funded). The program is designed as a form of appreciation or post-employment fund benefit program, which has been approved by Ministry of Finance of the Republic of Indonesia and registered under the name *Program Asuransi Jiwa Kumpulan Jangka Waktu Sementara*. In 2013, the Operator appointed PT Asuransi Allianz Life Indonesia to underwrite and administer a management program of post-employment fund benefit for the employees of the Operator through the program.

On 28 January 2015, the Operator signed an agreement with PT Asuransi Allianz Life Indonesia to manage the pension program for severance compensation.

The Operator also provides pre-retirement benefit (unfunded) and other long-term benefit (unfunded) to employees.

The employees' benefits liability was calculated by an independent actuary, PT Padma Radya Aktuaria, for the years ended 31 December 2018 and 2017, in its reports dated 1 February 2019 and 1 February 2018, respectively, using the "Projected Unit Credit" method with the following assumptions:

	2018	2017
Salary increment rate	7.5% p.a	10% p.a
Discount rate	8% p.a.	6.75% p.a.
Mortality rate	100% TMI** 3	100% TMI** 3
Disability rate	5% TMI 3	5% TMI 3
Resignation rate	2.5% p.a. until age 35 then decrease linearly into 0% at age 56*	2.5% p.a. until age 35 then decrease linearly into 0% at age 56*
Retirement age	58	58
Proportion of normal retirement	100%	100%

* Starting 2010, the Operator, Star Energy (Kakap) Limited, used retiring age of 58 in compliance with SKK Migas letter No. KEP-058/BP00000/ 2010/SO issued in 2010.

** Table Mortalita Indonesia

The following tables summarize the components of net benefit expense recognized in the statement of comprehensive income and the funded status and amounts recognized in the statement of financial position for the respective benefits:

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

12. Provisions (continued)

Employee benefits (continued)

Pre-retirement benefits

Net benefit expense (recognized in profit or loss):

	2018 US\$'000	2017 US\$'000
Current service cost	3	4
Interest cost	3	4
Net benefit expense	6	8

Changes in the present value of the defined benefit obligation are as follows:

	2018 US\$'000	2017 US\$'000
Defined benefit obligation at 1 January	43	47
Current service cost	3	4
Interest cost	3	4
Actuarial changes arising from experience adjustment	(9)	(14)
Actuarial changes arising from changes in financial assumptions	(6)	3
Foreign exchange	(3)	(1)
Defined benefit obligation at 31 December	31	43

Other long-term benefits

Net benefit expense (recognized in profit or loss):

	2018 US\$'000	2017 US\$'000
Current service cost	2	2
Interest cost	1	2
Actuarial changes arising from experience adjustment	(2)	(5)
Actuarial changes arising from changes in financial assumptions	(2)	1
Net benefit expense	(1)	-

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

12. Provisions (continued)

Employee benefits (continued)

Other long-term benefits (continued)

Changes in the present value of the defined benefit obligation are as follows:

	2018 US\$'000	2017 US\$'000
Defined benefit obligation at 1 January	21	22
Current service cost	2	2
Interest cost	1	2
Actuarial changes arising from experience adjustment	(2)	(5)
Actuarial changes arising from changes in financial assumptions	(2)	1
Benefit paid	(1)	(1)
Foreign exchange	(1)	-
Defined benefit obligation at 31 December	18	21

Post-employment benefits

Net benefit expense (recognized in profit or loss):

	2018 US\$'000	2017 US\$'000
Current service cost	161	200
Interest cost	47	143
Net benefit expense	208	343

2018 changes in the defined benefit obligation and fair value of plan assets:

	Defined benefit obligation	Fair value of plan assets	Benefit liability
Defined benefit obligation at 1 January	1,683	(909)	774
Current service cost	161	-	161
Interest cost	104	(57)	47
Foreign currency exchange rate (gain)/loss	(109)	60	(49)
Benefits paid	(156)	156	-
Return on plan assets (excluding amounts included in net interest expenses)	-	11	11
Actuarial changes arising from experience adjustment	(150)	-	(150)
Actuarial changes arising from changes in financial assumptions	(307)	-	(307)
Contributions by employer	-	(431)	(431)
Defined benefit obligation at 31 December	1,226	(1,170)	56

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

12. Provisions (continued)

Employee benefits (continued)

Post-employment benefits (continued)

2017 changes in the defined benefit obligation and fair value of plan assets:

	Defined benefit obligation	Fair value of plan assets	Benefit liability
Defined benefit obligation at 1 January	1,948	(863)	1,085
Current service cost	200	-	200
Interest cost	143	(71)	72
Foreign currency exchange rate (gain)/loss	(13)	16	3
Benefits paid	(565)	565	-
Return on plan assets (excluding amounts included in net interest expenses)	-	22	22
Actuarial changes arising from experience adjustment	(192)	-	(192)
Actuarial changes arising from changes in financial assumptions	162	-	162
Contributions by employer	-	(578)	(578)
Defined benefit obligation at 31 December	1,683	(909)	774

The sensitivity analysis below has been determined based on the reasonably possible changes of each significant assumption on the defined benefit pension plan as at the end of the reporting period, assuming all other assumptions were held constant. A quantitative sensitivity analysis for significant assumptions as at 31 December 2018 is as shown below:

Pre-retirement benefits

		Impact on the net defined benefit obligation US\$'000
Discount rates	Base discount rate plus 1%	(1.3)
	Base discount rate minus 1%	1.4
Future salary increases	Base discount rate plus 1%	1.4
	Base discount rate minus 1%	(1.4)

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

12. Provisions (continued)

Employee benefits (continued)

Other long-term benefits

		Impact on the net defined benefit obligation US\$'000
Discount rates	Base discount rate plus 1%	(0.5)
	Base discount rate minus 1%	0.6
Future salary increases	Base discount rate plus 1%	0.5
	Base discount rate minus 1%	(0.4)

Post-employment benefits

		Impact on the net defined benefit obligation US\$'000
Discount rates	Base discount rate plus 1%	(73)
	Base discount rate minus 1%	79
Future salary increases	Base discount rate plus 1%	78
	Base discount rate minus 1%	(73)

The following payments are expected contributions to be made in the next five years and the aggregate for five years thereafter out of the defined benefit plan obligation as follows:

Pre-retirement benefits

	Amount US\$'000
Within the next 12 months (next annual reporting period)	3
Between 2 and 5 years	25
Beyond 5 years	34
Total expected payments	62

The average duration of the defined benefit pension plan at the end of the reporting period is 5.36 years.

Other long-term benefits

	Amount US\$'000
Within the next 12 months (next annual reporting period)	6
Between 2 and 5 years	6
Beyond 5 years	19
Total expected payments	31

The average duration of the defined benefit pension plan at the end of the reporting period is 4.69 years.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

12. Provisions (continued)

Employee benefits (continued)

Post-employment benefits

	Amount US\$'000
Within the next 12 months (next annual reporting period)	98
Between 2 and 5 years	483
Beyond 5 years	2,981
Total expected payments	3,562

The average duration of the defined benefit pension plan at the end of the reporting period is 7.88 years.

The defined contribution plan is contributed by both employees and the Group for a fixed contribution of 6% from the Group and a contribution of 2%-14% from the employees. During the years of 2018 and 2017, the Group has contributed the funds amounted to US\$32,000 and US\$41,000, respectively, and charged to current year operations and presented as "employee compensation and benefits" under operating expenses.

The plan assets are quoted in active market (money market investments) and the Group portion amounted to US\$1,170,000 (2017: US\$909,000).

Restoration

Provision for decommissioning, site restoration and abandonment costs represents present value of restoration costs of oil and gas property and equipment arising from the acquisition or use of assets, which are expected to be incurred up to 2027. These provisions have been computed based on internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability.

Accretion charge to finance income (expenses) for the year ended 31 December 2018 amounted to US\$37,000 (2017: credit of US\$24,000).

The discount rate of 5.28% was used in the calculation of the provisions as at 31 December 2018 (2017: 5.06%).

In accordance with Standard Operating Procedure No. 040/PTK/XI/2010 dated 24 November 2010 concerning Abandonment and Site Restoration ("ARO"), the Operator is required to have an escrow account with SKK Migas to fund the ARO relating to oil and gas operations in Indonesia.

As at 31 December 2018 and 2017, the above escrow account was placed in PT Bank Mandiri (Persero) Tbk.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

13. Deferred tax liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred taxes relate to the same tax authority.

The movement of the deferred tax assets and liabilities during the reporting period is as follows:

2018	1 January 2018	Charged to profit or loss	Charged to OCI	31 December 2018
	US\$'000	US\$'000	US\$'000	US\$'000
Deferred income tax assets:				
- Provision for decommissioning, site restoration and abandonment costs	57	(52)	-	5
- Estimated liabilities for long-term employee benefits	359	(101)	(171)	87
- Others	249	(20)	-	229
	<u>665</u>	<u>(173)</u>	<u>(171)</u>	<u>321</u>
Deferred income tax liabilities:				
- Oil and gas properties and other property and equipment, net	(3,590)	(11)	-	(3,601)
- Others	(179)	179	-	-
	<u>(3,769)</u>	<u>168</u>	<u>-</u>	<u>(3,601)</u>
Deferred income tax liabilities, net	<u>(3,104)</u>	<u>(5)</u>	<u>(171)</u>	<u>(3,280)</u>
2017	1 January 2017	Charged to profit or loss	Charged to OCI	31 December 2017
	US\$'000	US\$'000	US\$'000	US\$'000
Deferred income tax assets:				
- Provision for decommissioning, site restoration and abandonment costs	128	(71)	-	57
- Estimated liabilities for long-term employee benefits	477	(111)	(7)	359
- Others	286	(37)	-	249
	<u>891</u>	<u>(219)</u>	<u>(7)</u>	<u>665</u>
Deferred income tax liabilities:				
- Oil and gas properties and other property and equipment, net	(3,005)	(585)	-	(3,590)
- Others	-	(179)	-	(179)
	<u>(3,005)</u>	<u>(764)</u>	<u>-</u>	<u>(3,769)</u>
Deferred income tax liabilities, net	<u>(2,114)</u>	<u>(983)</u>	<u>(7)</u>	<u>(3,104)</u>

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

14. Obligation under operating lease agreement

	2018 US\$'000	2017 US\$'000
The amount of lease commitments in respect of the Company's unincorporated joint venture are:		
Lease commitments	758	2,112
	758	2,112
Total future minimum rentals payable under non-cancellable leases relating to floating storage and offloading ("FSO") contracts for each of the following periods are as follows:		
Not later than one year	758	1,249
After one year but not more than five years	-	863
	758	2,112

15. Share capital

Group and Company	2018 US\$'000	2017 US\$'000
Authorized, allotted, called up and fully paid 106,100 ordinary shares of £1 translated at 31 December 1982 rate of exchange rate of US\$1.6175/£1	171	171

Capital risk management

The Group's objective when managing capital is to safeguard the ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an efficient capital structure.

In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

16. Related parties

		2018 US\$'000	2017 US\$'000
Group			
(a) Related party balances:			
<i>Payables</i>	Relationship with the related parties		
- Other	The same ultimate shareholder	18	20
		18	20
<i>Receivables</i>	Relationship with the related parties		
- Kakap Holdings Pte. Ltd.	Indirect parent undertaking	35,255	33,174
- Other	The same ultimate shareholder	11	13
		35,266	33,187
		2018 US\$'000	2017 US\$'000
Company			
(a) Related party balances:			
<i>Payables</i>	Relationship with the related parties		
- Kakap Holdings Pte. Ltd.	Indirect parent undertaking	-	1,135
- Novus UK (Kakap) Limited	Subsidiary	493	-
- Other	The same ultimate shareholder	23	24
		516	1,159
<i>Receivables</i>	Relationship with the related parties		
- Kakap Holdings Pte. Ltd.	Indirect parent undertaking	897	-
- Novus UK (Kakap) Limited	Subsidiary	-	1,579
- Novus UK (Malacca Straits) Limited	Subsidiary	21	21
		918	1,600

Loans receivable from/payable to other related entities are interest-free, have no fixed terms and are repayable on demand.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

16. Related parties (continued)

(a) Related party balances

Receivables from related parties are current receivables that are unsecured, non-interest bearing and are to be settled in form of cash or non-cash within the next twelve months from the reporting date.

Receivables from related parties are neither past due nor impaired and relate to counterparties for whom there is no recent history of default.

The Group and Company has not engaged in any other related party transactions in the current year.

(b) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including the Directors of the Company.

The following were Directors of the Company and therefore key management personnel of the Company for the periods shown:

Name	Position
Rudy Suparman	Director
Hendra Soetjipto Tan	Director
James Patrick Johnston Fairrie	Director
Spencer Harry Saffer	Director

The Group and Company employs no permanent staff.

17. Investment in subsidiaries

	2018 US\$'000	2017 US\$'000
Company		
Equity investment at cost	9	9

The subsidiary undertakings of the Company at 31 December 2018, and the percentage holding of ordinary share capital are set out below.

Name of Subsidiaries	Registered Address	%	Principal Activities
Novus UK (Kakap) Limited	TMF Corporate Administration Service Ltd., 5 th Floor	100%	Exploration & Production Hydrocarbon
Novus UK (Malacca Straits) Limited	6 St. Andrew Street London, United Kingdom EC4A 3AE	100%	Dormant

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

18. Commitments and contingencies

a. Significant disputes

The following disputes are current contingent liabilities and assets and may result in future cash flows on a net basis from/to the Group.

- (i) The Operator is facing a legal dispute with Tripatra-Sarku Consortium ("Vendor") regarding the flexible flow line incident of KRA South Gas Development Subsea Tie-In project that occurred in 2007. The value of the claim against the Operator amounted to US\$1,500,000. On the other hand, the Operator counterclaimed against the Vendor for the excess cost of US\$1,000,000 to complete the project. As at the completion date of these consolidated financial statements, there is no further progress on the dispute cases with Vendor, and any final settlement on such cases is uncertain. Management believes that the disputes will be resolved with no material impact on the Group's consolidated financial statements, accordingly no provision has been recognized at the reporting date.
- (ii) The Operator also has a legal dispute with Seabulk Offshore Vessel Holding Inc. ("SOVH"), owner of the vessel MU Seabulk Plover. On 14 August 2008, the Operator received a letter from SOVH claiming damages sustained by the Frontier Duchess oil rig as a result of a collision that occurred on 25 June 2007. The claim amounted to Singaporean dollar \$13,218,265 (full amount), which is equivalent to US\$9,678,000 as at 31 December 2018 (2017: US\$9,889,000). As at the completion date of these consolidated financial statements, there is no further progress on the dispute cases with SOVH, and any final settlement on such cases is uncertain. Management believes that the disputes will be resolved with no material impact on the Group's consolidated financial statements, accordingly no provision has been recognized at the reporting date.
- (iii) The accounting policies specified in the PSC are subject to interpretation by SKK Migas and the Government of the Republic of Indonesia. Annually, the accounting records and reports of the Joint Venture are subjected to an audit by SKK Migas and/or the Government of the Republic of Indonesia. Claims arising from these audits are either agreed by the management of the Group and recorded in its accounting records, or are disputed. Resolution of disputed claims may require a lengthy negotiation process extending over a number of years. As at 31 December 2018, the Operator has various disputed claims outstanding for the periods up to 2016, consisting of dry hole expenditure and other matters amounting to US\$44,162,000 (2017: US\$46,907,000). On 13 February 2019 and 20 February 2019, the Government of Republic of Indonesia and SKK Migas have dropped the various disputed claims amounting to US\$43,390,000 in favor of the Operator. The remaining findings amounting to US\$772,000 are still under discussion between the Operator and the auditors. Management believes that all the remaining claims are without merit, therefore no accrual has been recognized in relation to the remaining findings in the consolidated financial statements.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

18. Commitments and contingencies (continued)

b. Gas supply agreement

On 15 January 1999, Pertamina entered into a Gas Supply Agreement ("GSA") with SembCorp Gas Pte. Ltd. as the buyer.

Under the GSA, Pertamina as the seller agreed to tender for the delivery and sale of gas at the delivery point in Singapore until the end of the GSA contract period in 2028 or until the cumulative gas delivery has reached contract quantity of 2,625 Trillion Btu (TBtu), whichever is earlier. Pursuant to the GSA, the buyer agreed to take or pay for, or pay if not taken, for gas subject to the terms and conditions of the GSA.

On the same date, Pertamina, Kakap PSC and other gas suppliers entered into a Gas Supply Agreement ("GSuA") in which under such GSuA, each supplier agreed to make gas available to Pertamina based on each market share of the gas suppliers, to enable Pertamina to fulfill its commitment under the GSA. Kakap PSC's market share for year 2018 is 8.2% (2017: 10%).

On the same date, Pertamina, Block B PSC, Kakap PSC and Block A PSC have entered into a Gas Transportation Agreement ("GSA TA") which was amended on 31 October 2008 ("GSA2 TA"). Under the GSA2 TA, Block A PSC agreed to pay daily cash call as the compensation of using SembGas Transportation Pipeline to transport gas from Gajah Baru platform. Under the contract, the daily cash call shall be a reduction of the operating costs in accordance with WNTS Joint Venture Agreement. However, Block A PSC has ceased to pay the daily cash call since December 2014 and disputed the GSA2 TA. As a result, Kakap PSC has outstanding receivable amounting to US\$12,935,000 until October 2017 from Block A PSC. On 20 December 2017, Block B PSC, Kakap PSC and Block A PSC have signed the clarification agreement to resolve the dispute of GSA2 TA. As a result, Block A PSC has settled the payment on 8 January 2018.

c. Branch Profit Tax ("BPT")

Provision for BPT is the additional tax imposed in lieu of dividends withholding tax on the excess of taxable income over ordinary corporate income tax.

In 1974, the Government of Indonesia ("GOI") signed a tax treaty with the United Kingdom Government ("UK Government") which exempted BPT for UK permanent establishment/resident companies ("UK Companies"). In 1993, the GOI renewed the UK-Indonesia tax treaty ("New Treaty"). Under the New Treaty, a 10% BPT is applied for UK Companies which have signed Production Sharing Contract after 31 December 1983. BPT is the additional tax imposed in lieu of dividends withholding tax on the excess of taxable income over ordinary corporate income tax.

Based on the audit result of the Indonesia Development Finance Controller (Badan Pengawasan Keuangan dan Pembangunan or referred to as "BPKP") for the audit period 1994 to 2004, the Group was required to pay 20% BPT equivalent to US\$3,577,000.

The management is of the opinion that the Group (Group established in the United Kingdom) is subject to BPT at the rate of 10% based on the 1993 tax treaty between the Government of the Republic of Indonesia and United Kingdom.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

18. Commitments and contingencies (continued)

c. Branch Profit Tax ("BPT") (continued)

In November 2011, Novus UK (Kakap) Limited received tax assessment letters from the Tax Office related to the underpayment of the BPT for fiscal year 2008 resulting from the difference between the tax rate and treaty rate, including the tax penalty, amounting to US\$3,129,000. Subsequently on 7 February 2012, Novus UK (Kakap) Limited made payment to the Tax Office.

In February 2012, Novus UK (Kakap) Limited filed objection letters to the Tax Office regarding the basis for the issuance of tax assessment letters since Novus UK (Kakap) Limited believes that the rate applied by Novus UK (Kakap) Limited is supported by the Indonesian - UK Treaty, which reduced the tax rate to 10%.

In addition, Novus UK (Kakap) Limited received confirmations from UK HM Revenue and Custom (UK HMRC) that they are entitled to apply the 10% treaty rate since the Novus UK (Kakap) Limited is a UK tax resident. In February 2013, the Tax Office declined the objection letter and in May 2013, Novus UK (Kakap) Limited submitted an appeal letter to the Tax Court. On 26 March 2014, Novus UK (Kakap) Limited gave the closing statement in the Tax Court. On 29 September 2016, Tax Court rejected Novus UK (Kakap) Limited appealed letters for 2008 fiscal year. The Tax Court argued that there is not sufficient documentation to support the appeals and therefore Novus UK (Kakap) Limited is not eligible to apply UK-Indonesia Tax Treaty. Novus UK (Kakap) Limited submitted the reconsideration request to the Supreme Court on 11 January 2017. As at the completion date of the consolidated financial statements, no decision letter has been received from the Supreme Court.

In August 2014, Novus UK (Kakap) Limited received tax assessment letters from the Tax Office related to the underpayment of BPT (including penalties) for fiscal year 2009 amounting to US\$1,206,000. Novus UK (Kakap) Limited made the payment on 14 August 2014 and sent an objection letter to the Tax Office on 3 October 2014. On 29 September 2015, Tax Office sent the letters to reject Novus UK (Kakap) Limited objection letters. On 23 December 2015, Novus UK (Kakap) Limited submitted appeal letters to the Tax Court. As at the completion date of the consolidated financial statements, no decision has been made by the Tax Court.

On 2 September 2015, Novus UK (Kakap) Limited received tax assessment letters from the Tax Office related to the underpayment of the BPT for fiscal year 2010, 2011, 2012 and 2013 amounting to US\$7,417,000. On 1 October and 2 November 2015, Novus UK (Kakap) Limited made payment and sent objection letter to the Tax Office on 3 November 2015. On 2 November 2016, the Tax Office sent the letters to reject Novus UK (Kakap) Limited objection letters. On 24 January 2017, Novus UK (Kakap) Limited submitted appeal letters to the Tax Court. On 15 February 2018, Novus UK (Kakap) Limited gave the closing statement in the Tax Court. On 8 August 2019, the Tax Court accepted Novus UK (Kakap) Limited appeal letters for 2010, 2011, 2012 and 2013 fiscal year. As the result, Novus UK (Kakap) Limited will receive the tax refund for 2010, 2011, 2012 and 2013 fiscal year from the Tax Office. As at the completion date of the consolidated financial statement, Novus UK (Kakap) Limited has not received any tax refund from Tax Office.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

18. Commitments and contingencies (continued)

c. Branch Profit Tax ("BPT") (continued)

On 30 April 2016, Novus UK (Kakap) Limited received the tax assessment letters for underpaid 2014 BPT amounting to US\$639,000. Novus UK (Kakap) Limited has made the payments on 12 July 2016 and sent objection letters to the Tax Office on 21 July 2016. On 16 June and 17 July 2017, the Tax Office sent the letters to reject Novus UK (Kakap) Limited objection letters. On 12 September 2017, Novus UK (Kakap) Limited submitted appeal letters to the Tax Court. On 29 November 2018, Novus UK (Kakap) Limited gave the closing statement in the Tax Court. As at the completion date of the consolidated financial statements, no decision has been made by the Tax Court.

On 3 April 2017, Novus UK (Kakap) Limited received the tax assessment letters for underpaid 2015 BPT amounting to US\$210,000. Novus UK (Kakap) Limited has made the payment on 25 April 2017 and sent the objection letters to the Tax Office on 12 June 2017. On 6 June 2018, the Tax Office sent the letters to reject Novus UK (Kakap) Limited objection letters. On 20 August 2018, Novus UK (Kakap) Limited submitted appeal letters to the Tax Court. As at the completion date of the consolidated financial statements, no decision has been made by the Tax Court.

The management continues to believe that Novus UK (Kakap) Limited should be exempted from BPT prior to 2004, whilst the 10% BPT should be applied starting from year 2005 (the year when the extension of Kakap PSC became effective). Accordingly, there is no additional accrual made in Novus UK (Kakap) Limited from periods 1996 to 2004 for the 20% rate of BPT (approximately US\$3,287,000) and from years 2005 to 2018 for the additional 10% rate on the BPT (approximately US\$4,044,000).

d. Senior term loan facility agreement

On 7 December 2012, the ultimate shareholders of the Group, Star Energy Investment Ltd. ("SEIL") entered into a US\$121,000,000 Acquisition Bridge Facilities Agreement ("Bridge Loan Facility") with DBS Bank Ltd. ("DBS") ("Lender") for the purposes of financing the acquisition of 100% shares in Star Energy Holdings Limited, which own 40% shares in Star Energy Group Holdings Pte. Ltd.

On 1 February 2013, part of the Bridge Loan Facility amounting to US\$58,000,000 ("Bridge Loan Facility A") has been pushed down and novated to Star Energy (Kakap) Limited ("SEKL") and Star Energy (Kakap) Holdings Limited ("SEKHL").

On 1 February 2013, SEKL and SEKHL (or together referred to as "the Borrowers") entered into a US\$60,000,000 Senior-Term Loan Facility Agreement ("New Loan") with DBS Bank Ltd. ("DBS") ("Lender"). The initial utilization was made on 8 February 2013 amounting to US\$60,000,000.

The purpose of the loan is to repay Bridge Loan Facility A and any fees, stamp and expenses in connection with the Facility or Finance documents. The New Loan will be repaid on quarterly basis with the initial repayment date in May 2013. Interest is charged at 4.5% plus LIBOR.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

18. Commitments and contingencies (continued)

d. Senior term loan facility agreement (continued)

The New Loan is guaranteed by the following related parties:

- Novus UK (Indonesian Holdings) Limited (Original Guarantor)
- Novus Petroleum Canada (Indonesian Holdings) Limited (Original Guarantor)
- Star Energy Kakap Holdings Limited (Original Guarantor)
- Star Energy (Kakap) Ltd. (Original Guarantor)
- Natuna UK (Kakap 2) Limited (Original Guarantor)
- Novus UK (Kakap) Limited (Original Guarantor)
- Novus Petroleum Canada (Kakap) Ltd. (Original Guarantor)
- Novus Nominees Pty. Ltd. (Original Guarantor)
- Kakap Holdings Pte. Ltd. (Original Guarantor)

The New Loan also requires the Borrowers to maintain certain financial ratios such as:

- a. Debt service coverage ratio shall not be less than 1.25 times
- b. Debt to EBIDA ratio shall not be more than:
 - (i) 2.00 : 1 for the period ended 30 September 2013
 - (ii) 2.00 : 1 for the period ended 31 December 2013
 - (iii) 1.65 : 1 for the period ended 31 March 2014
 - (iv) 1.65 : 1 for the period ended 30 June 2014
 - (v) 1.25 : 1 for the period ended 30 September 2014 or later
- c. Tangible net worth shall not be less than US\$35,000,000
- d. Present Worth to Net Outstanding Debt ("ALCR") ratio should not be less than 1.45 : 1 for the period ended 31 March 2014 or later.

Such financial ratios shall be calculated based on the proforma combined financial statements of SEKL, SEKHL, Natuna UK (Kakap 2) Limited, Novus Nominees Pty. Ltd, Novus UK (Kakap) Limited, and Novus Petroleum Canada (Kakap) Ltd.

As at 31 December 2016, the Borrowers breached the Debt to EBIDA ratio as required under the loan agreements. The Borrowers obtained waiver from the Lender based on a letter dated 16 February 2017.

The New Loan is secured principally by shares of SEKL, SEKHL, Natuna UK (Kakap 2) Limited, Novus UK (Kakap) Limited, and Novus Petroleum Canada (Kakap) Ltd, and the share mortgage of Novus Nominees Pty. Ltd and its respective interests in the Kakap PSC.

The New Loan Agreement contains several covenants which restrict the Borrowers and Guarantors, among others, from the following:

- (i) Changing the Kakap PSC Operatorship,
- (ii) Materially changing the nature or scope of its business for the Borrowers and Guarantors and the interests in the PSC without obtaining the prior written approval of the Lenders,
- (iii) Entering into any kind of amalgamation, demerger, merger or corporate reconstruction,

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

18. Commitments and contingencies (continued)

d. Senior term loan facility agreement (continued)

- (iv) Incurring additional indebtedness, unless arising under or permitted under any Finance Document or a Permitted Intercompany Loan Agreement,
- (v) Entering into any kind of hedging or other swap or derivative transactions of a similar nature for speculative purposes, except for interest rate hedging within 3 months of the date after the Initial Utilization Date,
- (vi) Declaring or paying any dividend or make any other income distribution to its shareholders or repay any shareholders' or investors' loans, unless permitted under the New Loan Agreement,
- (vii) Issuing new shares, purchase or redeem any of its issued shares or reduce its share capital or make a distribution of assets or other capital distribution to its shareholders,
- (viii) Making amendment to its memorandum or Articles of Association or equivalent constitutional documents without the prior written consent of the Lenders, unless permitted under the New Loan Agreement,
- (ix) Entering into any arrangement whereby subordinated Borrowers and Obligors to the rights of a third party other than as permitted or required under the New Loan Agreement,
- (x) Entering into any related parties transactions, except on arm's-length terms,
- (xi) Entering into any contracts or agreements, unless permitted under the New Loan Agreement,
- (xii) No disposal of assets,
- (xiii) No creation of security or quasi-security over assets, except as expressly permitted under the Finance Documents,
- (xiv) Compliance with all laws and regulations (including applicable environmental laws), and
- (xv) Other standard covenants and undertakings customary for a financing of this type.

As required under the provision of the New Loan agreement, on 8 May 2013, the Borrowers entered into Interest Rate Cap arrangement with the Lender for 100% of the outstanding New Loan at a strike rate of 0.75%. The Borrowers have not designated these arrangements as effective hedging instruments. Under the terms of the arrangement, the Borrowers will receive a payment if the USD LIBOR BBA is above the strike rate and therefore is entitled to receive payments equivalent to USD LIBOR BBA minus Strike Rate multiplied with the notional amount. This payment will be made in May, August, November and February of each calendar year and will end in February 2018. In the amended New Loan, the last repayment date of the New Loan will be in February 2020.

The Borrowers amended the term and condition of the New Loan on 28 June 2016. In the amended loan agreement, the last repayment date was extended to February 2020. The Lenders did not require the Borrowers to enter into a new interest rate option under the amended loan agreement.

In 2018, the Borrowers made partial principal repayment of US\$2,170,000 including interest of US\$100,000 on 22 February 2018 and the Borrowers made fully principal repayment of US\$4,543,000 including interest and break funding cost of US\$53,000 on 19 April 2018.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

18. Commitments and contingencies (continued)

e. Contractual commitment

The Group conducts all of its operation through membership of joint venture consortia. In the event of non-performance of obligations by another member, or members of such consortia, the Group would become subject to additional obligations. The Group does not anticipate non-performance by its joint venture partners.

19. Financial risk management

The Group's activities expose it to market risk (which consists of currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimize adverse effects from unpredictability of financial markets on the Group's financial performance.

Risk management is carried out by the corporate finance department under supervision by the Group's Board of Directors. Corporate finance identifies, evaluates and hedges financial risks.

(a) Foreign currency risk

The Group is not materially exposed to foreign currency risk as it principally trades in US dollars through the sale of liquid petroleum products denominated in US dollars, incurs expenditure in US dollars and has US dollars borrowings from a related entity.

(b) Interest rate risk

As the Group has no interest-bearing assets or liabilities, the Group is not exposed to changes in market interest rates.

(c) Commodity price risk exposure

The Group is exposed to commodity price fluctuations through the sale of petroleum product. The Group may enter into commodity crude oil price swap and option contracts to manage the Group's commodity price risk.

At 31 December 2018 and 2017, the Group had no open oil price swap contracts and is therefore not exposed to movements in commodity prices on financial instruments. The Group continues to monitor oil price volatility and to assess the need for commodity price hedging.

(d) Credit risk

Credit risk represents the potential financial loss if counterparties fail to perform as contracted. The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Credit risk arises from cash on hand and in banks, deposits with banks and financial institutions, as well as credit exposures from trade and related party receivables. The Group is subject to concentration of credit risk as its entire sales are to two counterparties. Oil and Gas sales are solely to BP Singapore Pte. Ltd. and SembCorp Gas Pte. Ltd., respectively (Note 10).

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

19. Financial risk management (continued)

(e) Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Group's business activities may not be available. The Group believes it has access to sufficient funding to meet currently foreseeable borrowing requirements primarily through access to support from group companies.

Effective management of the liquidity risk has the objective of ensuring the availability of adequate funding to meet short term requirements and due obligations as well as the objective of ensuring a sufficient level of flexibility in order to fund the development plans of the Group's businesses.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (Note 11):

As at 31 December	Less than one year US\$'000	More than one year US\$'000
2018		
Trade and other payables (Note 11)	5,394	
2017		
Trade and other payables (Note 11)	5,429	-

(f) Fair values

The financial assets and liabilities of the Group are recognised on the statement of financial position at their fair value in accordance with the accounting policies in Note 1.

The significant methods and assumptions used in estimating the fair values of financial instruments are:

Trade and other receivables

The carrying value less impairment provision of trade receivables is a reasonable approximation of their fair values due to the short-term nature of trade receivables.

Trade and other payables

The carrying value of trade payables is a reasonable approximation of their fair values due to the short-term maturities of such instruments.

NOVUS UK (INDONESIAN HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

20. Parent entities

Star Energy Oil and Gas Pte. Ltd. ("SEOGPL"), a holding company in Singapore, which the directors regard as the Company's ultimate parent undertaking with respect to the financial year ended 31 December 2018, is the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and to which the Company is a member. On 24 July 2017, Star Energy Group Holdings Pte. Ltd. ("SEGHPL") as the Shareholder of SEOGPL entered into a Share Purchase Agreement with Star Energy Investment Ltd. ("SEIL") and SE Holdings Ltd. ("SEHL"), for which SEGHPL agreed to sell its ownership interests in SEOGPL and its subsidiaries by 59.54% and 40.46% to SEIL and SEHL, respectively. On 4 December 2017 SEHL transferred 100% of their ownership in Group to SEIL. Consequently, SEIL owned 100% of SEOGPL shares.

Kakap Holdings Pte. Ltd., a company incorporated in Singapore, is the parent undertaking of the smallest group of undertakings for which group financial statements are drawn up and for which the Company is a member.

21. Events after the Reporting Period

- a. On 26 June 2019, the Company has applied for deregistration the UK VAT Group registration to HMRC. On 12 July 2019, the HMRC have deregistered the VAT Group registration of Novus UK Indonesia Holdings with effect from 30 June 2019.
- b. On 8 August 2019, the Tax Court accepted Novus UK (Kakap) Limited appeal letters for 2010, 2011, 2012 and 2013 fiscal year with the total tax dispute including the tax penalty amounting to US\$7,417,000.