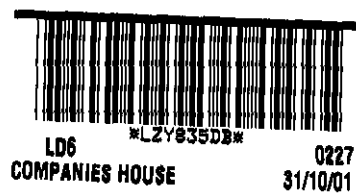


**NOVUS UK (MALACCA STRAIT) LIMITED**

**DIRECTORS' AND AUDITORS' REPORTS AND ACCOUNTS**

**31 December 2000**

**Registered Number 509336**



# NOVUS UK (MALACCA STRAIT) LIMITED

## Directors' Report

The Directors present their annual report and the audited accounts for the year ended 31 December 2000.

### **Principal Activity and Review of Business**

The principal activities of the Company remain unchanged and continue to comprise the exploration and production of hydrocarbons in areas of Indonesia granted by the Malacca Strait Production Sharing Contract.

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

### **Production**

Net production has again held up well at 2,046 bopd for 2000 compared to 2,222 bopd in 1999. This represents only an 8% decline in production, an excellent result for a mature asset. The seismic that was acquired in late 1998 was reprocessed during the year with several prospects identified. Drilling of exploration wells will occur upon further analysis of the prospects. Workovers and a significant infill development drilling program were undertaken throughout the year, with the success of these programs sustaining production at the levels noted.

### **Results**

The results for the year are summarised below:

	<b>2000 US\$'000</b>	<b>1999 US\$'000</b>
<b>Turnover</b>	21,087	14,489
	<hr/>	<hr/>
Profit on ordinary activities before taxation	2,455	1,089
Tax on profit on ordinary activities	(468)	(469)
	<hr/>	<hr/>
<b>Profit for the year</b>	1,987	620
	<hr/>	<hr/>

### **Dividends**

During the year a dividend of \$7,620,000 was paid. No dividend was recommended in respect of 1999.

### **Fixed Assets**

Changes in tangible fixed assets are shown in Note 9 to the accounts.

## **NOVUS UK (MALACCA STRAIT) LIMITED**

### **Directors' Report (continued)**

#### **Likely Future Developments**

There are no additional 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. In the opinion of the Directors, further information on the evaluations may prejudice the interests of the Company if included in this report.

#### **Directors and their Interests**

The Directors who served during the year were:

James T. Hornabrook  
Keith J. Goodwin  
Robert C. Williams

None of the Directors had any interest in the shares of the Company at 31 December 2000 or at the date of signing this report. Messrs. Williams and Hornabrook are directors of Novus Petroleum Limited, the ultimate parent company, and accordingly their and their families' interests in the ordinary shares of that company are disclosed in its accounts.

#### **Creditor Payment Policy and Practice**


It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2000, the company had an average of 45 days purchases outstanding in trade creditors.

#### **Auditors**

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. Ernst & Young LLP will be re-appointed as the Company's auditor in accordance with the elective resolution passed by the Company under section 386 Companies Act 1985.

By order of the Board



K. J. Goodwin  
Secretary  
40 Lime Street  
LONDON EC3M 7AW

October 23, 2001

## **NOVUS UK (MALACCA STRAIT) LIMITED**

### **Statement of Directors' Responsibilities in Respect of the Accounts**

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, the Directors are required to:

- \_ select suitable accounting policies and then apply them consistently;
- \_ make judgments and estimates that are reasonable and prudent;
- \_ prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

**REPORT OF THE AUDITORS**

**to the members of Novus UK (Malacca Strait) Limited**

We have audited the accounts on pages 4 to 11, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 6 and 7.

**Respective responsibilities of directors and auditors**

As described on page 3, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

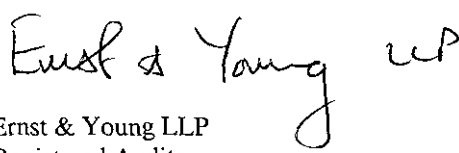
**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ernst & Young LLP  
Registered Auditor  
London

26 October 2001

**NOVUS UK (MALACCA STRAIT) LIMITED****Profit and Loss Account****For the Year Ended 31 December 2000**

	NOTES	2000 US\$'000	1999 US\$'000
Turnover	3	21,087	14,490
Cost of sales	4	<u>(18,656)</u>	<u>(13,411)</u>
<b>Gross Profit</b>		<u>2,431</u>	<u>1,079</u>
<b>Operating Profit</b>		2,431	1,079
Bank interest received		<u>24</u>	<u>10</u>
<b>Profit on ordinary activities before taxation</b>		2,455	1,089
Tax on profit on ordinary activities	8	<u>(468)</u>	<u>(469)</u>
<b>Profit for the year</b>		<u>1,987</u>	<u>620</u>
<b>Dividends</b>		<u>(7,620)</u>	<u>-</u>
<b>Retained (loss)/profit for the year</b>		<u><u>(5,633)</u></u>	<u><u>620</u></u>

All profits and losses included in the profit and loss account derive from activities of a continuing nature.

The Company has not recognised gains and losses other than the profit or loss above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above, and their historical cost equivalents.

The notes on pages 7 to 11 are an integral part of this profit and loss account.

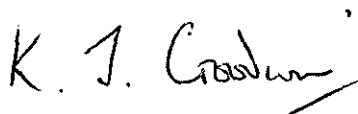
**NOVUS UK (MALACCA STRAIT) LIMITED**

**Balance Sheet**

**At 31 December 2000**

	NOTES	2000 US\$'000	1999 US\$'000
<b>Fixed Assets</b>			
Tangible assets	9	<u>5,554</u>	<u>4,866</u>
<b>Current Assets</b>			
Debtors	10	608	5,982
Stock	11	<u>474</u>	<u>601</u>
<b>Total Current Assets</b>		<u>1,082</u>	<u>6,583</u>
<b>Current Liabilities</b>			
Creditors - amounts falling due within one year	12	<u>(2,243)</u>	<u>(1,147)</u>
<b>Net Current (Liabilities)/Assets</b>		<u>(1,161)</u>	<u>5,436</u>
<b>Total Assets Less Current Liabilities</b>		4,393	10,302
Provisions for liabilities and charges	13	<u>(2,403)</u>	<u>(2,679)</u>
		<u><u>1,990</u></u>	<u><u>7,623</u></u>
<b>Represented by:</b>			
<b>Capital and Reserves</b>			
Called up share capital	14	8	8
Profit and loss account	17	<u>1,982</u>	<u>7,615</u>
<b>Shareholders' Funds - Equity Interest</b>		<u><u>1,990</u></u>	<u><u>7,623</u></u>

Approved by the Board of Directors  
on October 23, 2001 and signed on its behalf by:



K. J. Goodwin  
Director

The notes on pages 7 to 11 are an integral part of this Balance Sheet

## **NOVUS UK (MALACCA STRAIT) LIMITED**

### **Notes to the Accounts**

#### **1) Principal Accounting Policies**

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and with the preceding year is set out below.

##### **(a) Basis of preparation of accounts**

The accounts are prepared under the historical cost convention and in accordance with the applicable UK accounting standards.

The Company has taken advantage of the exemption given in FRS 1 (Revised) "Cash Flow Statements" not to prepare a cash flow statement as a consolidated cash flow statement, which includes the cash flows of the Company, has been published by the Ultimate Parent Undertaking.

##### **(b) Joint ventures**

The Company conducts the majority of its exploration, development and production activities in association with other companies under joint operating agreements. The accounts reflect the company's share of the costs and revenues resulting from such joint activities.

##### **(c) Oil and Gas expenditure**

The successful efforts method of accounting is followed for costs incurred in oil and gas exploration and production operations.

**Capitalisation Policy** - Acquisition costs are capitalised when incurred. Exploration costs, including geological and geophysical costs and costs of carrying and retaining unproved properties, are charged to the profit and loss account as incurred. Exploratory drilling costs are capitalised initially; however, if it is determined that an exploratory well does not contain proved reserves, such capitalised costs are charged to expense, as dry hole costs, at that time. Development costs are capitalised. Costs incurred to operate and maintain wells and equipment and to lift oil and gas to the surface are generally expensed.

**Depreciation, Depletion and Amortisation** - All capitalised costs are depleted on a unit-of-production method based on proved reserves.

**Disposal of fixed assets** - Gains and losses on disposals of fixed assets are taken to the profit and loss account in the year in which they arise.

**Decommissioning Provision** - Costs incurred by the joint venture for exploration, development and production are generally recoverable from production of reserves under the terms of the Malacca Strait Production Sharing Contract. At the termination of the contract, possession of the equipment and facilities reverts to the Indonesian government. Therefore, no provision for decommissioning is made in the accounts.



## **NOVUS UK (MALACCA STRAIT) LIMITED**

### **Notes to the Accounts (continued)**

#### **(d) Deferred Taxation**

Deferred tax is provided using the liability method on all timing differences which are expected to reverse in the foreseeable future, calculated at the rate at which such differences are anticipated to reverse.

#### **(e) Foreign Currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences arising on re-translation are taken to the profit and loss account.

#### **2) Related Party Transactions**

Novus Finance Pty Limited maintains a cash account for the benefit of the Company and other subsidiaries of the Ultimate Parent Undertaking. All costs related to and interest earned from this cash account have been transferred to the Company.

#### **3) Operating Revenue**

Sales of crude oil, which are stated net of value added tax are recorded on the entitlement method. When the company's share of production for a given period is greater than its entitlement, a royalty expense is recorded. When the volume of oil lifted is greater/(less) than the company's entitlement, a payable/(receivable) accrues.

Under the terms of the Kakap Production Sharing Contract, the Company is required to sell certain amounts of crude to the government of Indonesia at prices provided for in the contract. The Company has recorded revenue from such sales based on latest realised prices from sales of crude to third parties.

During the financial year the Company operated only in Indonesia and in one industry which consisted of exploration, development and production of crude oil, natural gas and associated liquids and all of its turnover is derived from such operations.

# NOVUS UK (MALACCA STRAIT) LIMITED

## Notes to the Accounts (continued)

### 4) Cost of Sales

	2000 US\$'000	1999 US\$'000
Operating Costs	3,817	4,405
Royalty Expense	13,916	8,203
Depreciation, depletion and amortisation	505	560
Other	418	243
	<u>18,656</u>	<u>13,411</u>

### 5) Employee Information

The Company had no employees, other than directors, during 2000 and 1999.

### 6) Directors Remuneration

The Directors who served during the year ended 31 December 2000 received no fees or remuneration for their services as directors of the company (1999 - \$Nil).

### 7) Auditors' Remuneration

Auditors' remuneration (and fees for other services) are borne by Novus Management Services Pty Limited, a related entity and a member of the Novus Petroleum Limited Group.

### 8) Taxation

The components of the provision for income taxes were as follows:

	2000 US\$'000	1999 US\$'000
United Kingdom		
UK corporation tax	471	581
Less: Double tax relief	<u>(464)</u>	<u>(578)</u>
	<u>7</u>	<u>3</u>
Indonesia		
Current	737	516
Deferred	<u>(276)</u>	<u>(50)</u>
	<u>461</u>	<u>466</u>
	<u>468</u>	<u>469</u>

The company is a member of a group for the purposes of relief under section 402 of the Income and Corporation Taxes Act 1988. Corporation Tax has been provided at 30% (1999 – 30.2465%) on the taxable profits for the year. Taxable profits are partly covered by double tax relief.

An Indonesian / UK Branch Profit Tax rate of 10% has been assumed for 2000 (1999: 10%).

**NOVUS UK (MALACCA STRAIT) LIMITED**

**Notes to the Accounts (continued)**

**9) Fixed Assets - Tangible Assets**

	<b>2000 US\$'000</b>	<b>1999 US\$'000</b>
Interest in Petroleum Properties		
At 1 January	93,726	93,610
Additions	<u>1,067</u>	<u>116</u>
At 31 December	<u>94,793</u>	<u>93,726</u>
Depreciation, depletion and amortisation		
At 1 January	88,978	88,535
Charge for the year	<u>487</u>	<u>443</u>
At 31 December	<u>89,465</u>	<u>88,978</u>
Net Book Value at 31 December	<u><u>5,328</u></u>	<u><u>4,748</u></u>
Property, Plant and Equipment		
At 1 January	2,056	1,939
Additions	<u>126</u>	<u>117</u>
At 31 December	<u>2,182</u>	<u>2,056</u>
Accumulated Depreciation		
At 1 January	1,938	1,822
Charge for the year	<u>18</u>	<u>116</u>
At 31 December	<u>1,956</u>	<u>1,938</u>
Net Book Value at 31 December	<u><u>226</u></u>	<u><u>118</u></u>
Total Net Book Value at 31 December	<u><u>5,554</u></u>	<u><u>4,866</u></u>

**10) Debtors**

	<b>2000 US\$'000</b>	<b>1999 US\$'000</b>
Trade Debtors	36	976
Fellow subsidiary undertakings	134	4,018
Other	<u>438</u>	<u>988</u>
	<u><u>608</u></u>	<u><u>5,982</u></u>

**11) Stock**

	<b>2000 US\$'000</b>	<b>1999 US\$'000</b>
Warehouse stock and drilling materials	<u><u>474</u></u>	<u><u>601</u></u>

# NOVUS UK (MALACCA STRAIT) LIMITED

## Notes to the Accounts (continued)

### 12) Creditors - Amounts Falling Due Within One Year

	2000 US\$'000	1999 US\$'000
Taxation	714	619
Trade	1,529	528
	<u>2,243</u>	<u>1,147</u>

### 13) Provisions for Liabilities and Charges

#### Deferred Taxation

The movements in deferred taxation during the Current and previous years are as follows:

	2000 US\$'000	1999 US\$'000
At 1 January	2,679	2,729
Charge for the year	591	-
Overseas Tax Credit	-	(50)
Change in Tax Rate	(867)	-
At 31 December	<u>2,403</u>	<u>2,679</u>

The potential liability for deferred taxation is:

	2000 US\$'000	1999 US\$'000
Accelerated capital allowances	1,834	2,185
Deferred Branch Profit Tax Liability	569	494
	<u>2,403</u>	<u>2,679</u>

All of which has been provided for in the accounts for the year ended 31 December 2000.

### 14) Share Capital

	2000 US\$'000	1999 US\$'000
Authorised, allotted, called up and fully paid 5000 ordinary shares of £1 translated at the 31 December 1982 rate of exchange of US\$1.62/£1	<u>8</u>	<u>8</u>

### 15) Ultimate Parent Undertaking

The Directors regard Novus Petroleum Limited of Sydney, Australia, a company incorporated in Australia, as the ultimate parent undertaking as of 31 December 2000 and whose principal place of business is at 321 Kent Street Sydney 2000, Australia. The consolidated accounts of the Group are available to the public and may be obtained from that address.

The company's immediate parent undertaking is Novus UK (Indonesian Holdings) Limited, a company incorporated in England and Wales.

# NOVUS UK (MALACCA STRAIT) LIMITED

## Notes to the Accounts (continued)

### 16) Commitments

The Company conducts substantially all of its operations through memberships of a number of joint venture consortia. In the event of non-performance of obligations by another member, or members of such consortia, the Company would become subject to additional obligations. The Company does not anticipate non-performance by its joint venture partners.

### 17) Profit and Loss Account

	2000 US\$'000	1999 US\$'000
At 1 January	7,615	6,995
Profit for the year	1,987	620
Dividends	(7,620)	-
At 31 December	<u>1,982</u>	<u>7,615</u>

### 18) Reconciliation of Movements in Shareholder's Funds

	2000 US\$'000	1999 US\$'000
At 1 January	7,623	7,003
Profit for the year	1,987	620
Dividends	(7,620)	-
At 31 December	<u>1,990</u>	<u>7,623</u>

### 19) Related party transactions

Certain services were provided by Novus Management Services Pty Limited, a related company on behalf of Novus UK (Malacca Strait) Limited. A service charge of US\$ 301,288 has been included in the accounts to reflect the services provided by this Company (1999 US\$ 165,270).