

**NOVUS UK (MALACCA STRAIT) LIMITED**

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

**31 December 2002**

**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 2002.

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

Throughout 2002 the principal activities of the Company comprised the exploration and production of hydrocarbons in areas of Indonesia granted by the Malacca Strait Production Sharing Contract.

Effective 31 December 2002, the company sold its interest in the Malacca Strait PSC for an amount of \$6.494m. It is the intention of the directors that during 2003 a review will be performed to determine the nature of any business that the company may seek to undertake in future.

#### **Production**

During 2002 net production again held up well at 1,563 bopd for 2002 compared to 1,898 bopd in 2001. This is an excellent result for a mature asset.

#### **Results**

The results for the year are summarised below:

	2002 US\$'000	2001 US\$'000
<b>Turnover</b>	14,314	15,949
Profit on ordinary activities before taxation	4,454	2,259
Tax on profit on ordinary activities	(647)	(611)
<b>Profit for the year</b>	3,807	1,648

#### **Dividends**

During the year no dividends were paid or declared (2001: nil).

#### **Fixed Assets**

Changes in tangible fixed assets are shown in Note 10 to the accounts.

## NOVUS UK (MALACCA STRAIT) LIMITED

### Directors' Report (continued)

#### **Likely Future Developments**

As foreshadowed in the Directors report of the accounts for 2001, the sale of the Company's working interest in the Malacca Strait PSC was concluded, effective 31 December 2002. As previously noted, the directors intend to conduct a review of the company in order to determine the nature of any future business it may undertake.

#### **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 2002 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**

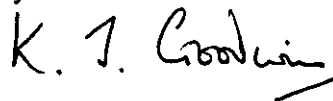
It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2002, the Company had an average of 45 days purchases outstanding in trade creditors.

#### **Auditors**

Ernst & Young LLP was 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  
34 South Molton Street  
LONDON W1K 5RG

October 23, 2003

## **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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
NOVUS UK (MALACCA STRAIT) LIMITED**

We have audited the company's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Company Balance Sheet and the related notes 1 to 19. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

***Respective responsibilities of directors and auditors***

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

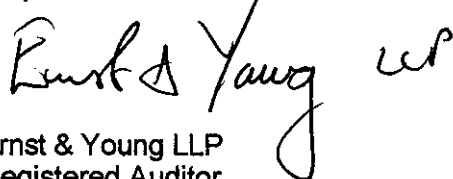
***Basis of audit opinion***

We conducted our audit in accordance with United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

***Opinion***

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2002 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

23 October 2003

**NOVUS UK (MALACCA STRAIT) LIMITED**

**Profit and Loss Account**

**For the Year Ended 31 December 2002**

	<b>NOTES</b>	<b>2002 US\$'000</b>	<b>2001 US\$'000</b>
<i>Discontinued Operations</i>	4		
<b>Turnover</b>	3	14,314	15,949
<b>Cost of sales</b>	5	<u>(12,970)</u>	<u>(13,706)</u>
<b>Gross Profit</b>		1,344	2,243
<b>Dry Hole Costs</b>		<u>(295)</u>	<u>-</u>
<b>Operating Profit</b>		1,049	2,243
Profit on disposal of interest in Joint Venture		3,405	-
Bank interest received		<u>-</u>	<u>16</u>
<b>Profit on ordinary activities before taxation</b>		4,454	2,259
Tax on profit on ordinary activities	9	<u>(647)</u>	<u>(611)</u>
<b>Profit for the year</b>		<u>3,807</u>	<u>1,648</u>
<b>Dividends</b>		<u>-</u>	<u>-</u>
<b>Retained profit/(loss) for the year</b>		<u><u>3,807</u></u>	<u><u>1,648</u></u>

During the year, the company disposed of its interest in the Malacca Straits PSC, the management of this interest having represented its principle business activity. Accordingly, all profits and losses included in the profit and loss account derive from activities of a discontinuing 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 12 are an integral part of this profit and loss account.

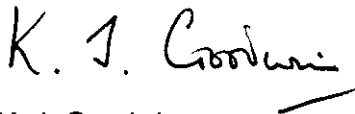
**NOVUS UK (MALACCA STRAIT) LIMITED**

**Balance Sheet**

**At 31 December 2002**

	NOTES	2002 US\$'000	2001 US\$'000
<b>Fixed Assets</b>			
Tangible assets	10	-	5,580
<b>Current Assets</b>			
Cash		-	31
Debtors	11	8,020	1,388
Stock	12	-	340
<b>Total Current Assets</b>		8,020	1,759
<b>Current Liabilities</b>			
Creditors - amounts falling due within one year	13	(575)	(1,097)
<b>Net Current Assets</b>		7,445	662
<b>Total Assets Less Current Liabilities</b>		7,445	6,242
Provisions for liabilities and charges	14	-	(2,604)
		<u>7,445</u>	<u>3,638</u>
<b>Represented by:</b>			
<b>Capital and Reserves</b>			
Called up share capital	15	8	8
Profit and loss account	18	7,437	3,630
<b>Shareholders' Funds – Equity Interest</b>		<u>7,445</u>	<u>3,638</u>

Approved by the Board of Directors  
on October 23, 2003 and signed on its behalf by:



K. J. Goodwin  
Director

The notes on pages 7 to 12 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.

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

Deferred tax is recognized in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax is measured in an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The company has adopted FRS19 Deferred Taxation during the period. There is no material impact on the financial statements arising from the adoption of this new accounting policy.



## NOVUS UK (MALACCA STRAIT) LIMITED

### Notes to the Accounts (continued)

#### (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

Certain services were provided by Novus Management Services Pty Limited, a related company. A service charge of US\$ 203,352 has been included in the accounts to reflect the services provided by that company (2001 US\$ 181,597).

#### 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 Malacca Straits 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.

#### 4) Discontinued Operations

During the year, the company sold its interest in the Malacca Straits PSC. Management of this interest constituted the company's principle business activity. Accordingly, the company's results for the period covered by this report are considered as being of a discontinued nature. Disclosures on the income statement have been made accordingly.

On disposal, a profit of \$3.405m was realized. No tax is applicable to this profit in 2002.

#### 5) Cost of Sales

	2002 US\$'000	2001 US\$'000
Operating Costs	5,304	3,955
Royalty Expense	6,903	8,388
Depreciation, depletion and amortisation	543	645
Other	220	718
	<u>12,970</u>	<u>13,706</u>

#### 6) Employee Information

The Company had no employees, other than directors, during 2002 and 2001.

# NOVUS UK (MALACCA STRAIT) LIMITED

## Notes to the Accounts (continued)

### 7) Directors' Remuneration

The Directors who served during the year ended 31 December 2002 received no fees or remuneration for their services as directors of the company (2001 - \$Nil). Mr K Goodwin and Mr J Hornabrook are directors of Novus UK (Indonesian Holdings) Ltd, (the parent undertaking) in whose accounts information required by the Companies Act 1985 as to emoluments is given.

### 8) 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.

### 9) Tax on Profit on Ordinary Activities

The tax charge is made up as follows:

	2002 US\$'000	2001 US\$'000
<i>Current Tax:</i>		
UK Corporation Tax on Profits of the Period	-	413
Double Tax relief	-	(409)
	-	4
Foreign Tax	408	406
Total current tax	408	410
<i>Deferred Tax:</i>		
Origination and reversal of timing differences (note 14)	239	201
Tax on profit on Ordinary Activities	647	611

### *Factors affecting the tax charge for the period*

The tax assessed for the period is lower than the standard rate of Corporation tax in UK. The differences are explained below:

	2002 US\$'000	2001 US\$'000
Profit/(Loss) on ordinary activities before tax	4,454	2,259
Profit on ordinary activities multiplied by the standard rate of corporation tax for the company of 37% (2001: 37%)	1,648	836
<i>Effect of:</i>		
Profit on disposal of interest in Joint Venture not taxable	(1,259)	-
Expenses not deductible for tax purposes	61	(385)
Depreciation in excess of capital allowances	(42)	(41)
Current tax charge for the period	408	410

**NOVUS UK (MALACCA STRAIT) LIMITED**

**Notes to the Accounts (continued)**

**10) Fixed Assets - Tangible Assets**

	<b>2002 US\$'000</b>	<b>2001 US\$'000</b>
Interest in Petroleum Properties		
At 1 January	95,257	94,793
Additions	773	960
Dry Hole Costs	(295)	-
Disposals	(95,735)	(496)
At 31 December	<u>-</u>	<u>95,257</u>
Depreciation, depletion and amortisation		
At 1 January	90,082	89,465
Charge for the year	495	617
Disposals	(90,577)	
At 31 December	<u>-</u>	<u>90,082</u>
Net Book Value at 31 December	<u>-</u>	<u>5,175</u>
Property, Plant and Equipment		
At 1 January	2,389	2,182
Additions	252	207
Disposals	(2,641)	
At 31 December	<u>-</u>	<u>2,389</u>
Accumulated Depreciation		
At 1 January	1,984	1,956
Charge for the year	48	28
Disposals	(2,032)	
At 31 December	<u>-</u>	<u>1,984</u>
Net Book Value at 31 December	<u>-</u>	<u>405</u>
Total Net Book Value at 31 December	<u>-</u>	<u>5,580</u>

**11) Debtors**

	<b>2002 US\$'000</b>	<b>2001 US\$'000</b>
Trade Debtors	770	1,126
Fellow subsidiary undertakings	756	-
Other	6,494	262
	<u>8,020</u>	<u>1,388</u>

**12) Stock**

	<b>2002 US\$'000</b>	<b>2001 US\$'000</b>
Warehouse stock and drilling materials	<u>-</u>	<u>340</u>

# NOVUS UK (MALACCA STRAIT) LIMITED

## Notes to the Accounts (continued)

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

	2002 US\$'000	2001 US\$'000
Corporation Tax Creditor	60	159
Fellow subsidiary undertakings	-	193
Trade	515	745
	<u>575</u>	<u>1,097</u>

### 14) Provisions for Liabilities and Charges

	Deferred Taxation	
	2002 US\$'000	2001 US\$'000
The movements in deferred taxation during the Current and previous years are as follows:		
At 1 January	2,604	2,403
Charge for the year	239	201
Disposal	(2,843)	-
At 31 December	<u>-</u>	<u>2,604</u>

The potential liability for deferred taxation is:

	2002 US\$'000	2001 US\$'000
Accelerated capital allowances	-	2,034
Deferred Branch Profit Tax Liability	-	570
	<u>-</u>	<u>2,604</u>

All of which has been provided for in the accounts for the year ended 31 December 2001.

### 15) Share Capital

	2002 US\$'000	2001 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>

### 16) 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 2002 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)**

**17) Commitments**

There are no commitments other than those disclosed elsewhere in the accounts.

**18) Profit and Loss Account**

	<b>2002</b>	<b>2001</b>
	<b>US\$'000</b>	<b>US\$'000</b>
At 1 January	3,630	1,982
Profit for the year	3,807	1,648
Dividends	-	-
At 31 December	<u>7,437</u>	<u>3,630</u>

**19) Reconciliation of Movements in Shareholder's Funds**

	<b>2002</b>	<b>2001</b>
	<b>US\$'000</b>	<b>US\$'000</b>
At 1 January	3,638	1,990
Profit for the year	3,807	1,648
Dividends	-	-
At 31 December	<u>7,445</u>	<u>3,638</u>