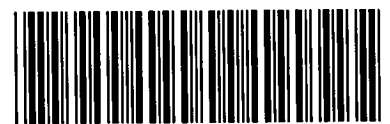

NOVUS UK (KAKAP) LIMITED
REGISTERED NUMBER 707927
ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2019
(THIS REPORT IS PREPARED IN UNITED STATES DOLLARS)

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COMPANIES HOUSE

NOVUS UK (KAKAP) LIMITED

REGISTERED NUMBER 707927

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

REGISTERED IN ENGLAND NO: 707927

NOVUS UK (KAKAP) LIMITED
REGISTERED NUMBER 707927
STRATEGIC REPORT

The directors present the strategic report, their report and financial statements for the year ended 31 December 2019.

Principal Activities

The principal activities of the Company remain unchanged and continue to comprise the exploration for and production of hydrocarbons in areas of Indonesia granted by the Kakap Production Sharing Contract ("Kakap PSC").

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

Business Review

The Company operates predominantly in one business, namely the exploration, development, production, transportation and marketing of hydrocarbons. Revenue is derived from the sale of gas and liquid hydrocarbons.

The Company operates in one geographical segment being Indonesia.

Oil and condensate gross production by the Kakap PSC, in the West Natuna Sea, Indonesia averaged 1,780 boepd in 2019 (2,265 boepd in 2018). Gas gross production averaged 2,417 boepd in 2019 (2,907 boepd in 2018).

Revenue decrease due to decrement production and price in 2019 compared to 2018. The average oil price in 2019 was US\$65.82/bbl (2018: US\$69.37/bbl) and the average gas price in 2019 was US\$11.14/mscf (2018: US\$13.19/mscf).

The results for the years ended 31 December 2019 and 2018 (as restated) are summarised below:

	2019 US\$'000	2018 As Restated - US\$'000
Revenue	10,598	13,026
Profit before tax	2,120	5,202
Income tax expense	(832)	(2,026)
Profit after tax for the year	1,288	3,176

The Company's profit for the year after taxation was US\$1,288,000 in 2019 (2018: US\$3,176,000). The higher profit in 2019 primarily arose due to decrement in operation expense in 2019 compared to 2018.

NOVUS UK (KAKAP) LIMITED
REGISTERED NUMBER 707927
STRATEGIC REPORT (CONTINUED)

Key Performance Indicators

The Company's ultimate parent entity Star Energy Oil & Gas Pte. Ltd., is the parent entity in the consolidated Star Energy Group. The Company 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 Kakap PSC against its strategic targets.

Principal Risks and Uncertainties

The principal risks that the Company faces are:

Exploration and development risk

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

The Company'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 Company 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 Company competes with other exploration and production companies, some of which have greater financial resources than the Company, 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 Company 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 Company's business.

Financing

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

NOVUS UK (KAKAP) LIMITED
REGISTERED NUMBER 707927
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 Company 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

27 November 2020

NOVUS UK (KAKAP) LIMITED

REGISTERED NUMBER 707927

DIRECTOR REPORT

The Directors present their directors' report for the year ended 31 December 2019.

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 Company's stability in recent years. They believe that the Company 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 Company will continue for the foreseeable future.

Going Concern

After reviewing the Company's budget and plans, the Directors consider that the Company 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' statement as to disclosure of information to auditor

The directors who were members of the board at the time of approving the directors' report as listed above confirm that:

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the auditor in connection with preparing their report) of which the Company's auditor is unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

Dividends

The Company has not declared any dividends in 2019 and 2018.

NOVUS UK (KAKAP) LIMITED

REGISTERED NUMBER 707927

DIRECTOR REPORT (CONTINUED)

Events after the Reporting Period

Subsequent to the year end, there are unprecedented market conditions with significant pressure on oil prices following the demand and supply implications driven by the COVID-19 pandemic and the failure of OPEC+ members to reach an agreement on deeper production cuts to support the oil markets. These subsequent events will have an adverse effect on the Company's earnings and cash flow for the financial year ending 31 December 2020. As these events are still unfolding and the scale and duration of their development remains unclear, the extent of the financial impact on the Company cannot be ascertained at this point in time.

Auditor

Pursuant to board of director's resolution dated 27 September 2019, 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

27 November 2020

NOVUS UK (KAKAP) LIMITED

REGISTERED NUMBER 707927

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 (KAKAP) LIMITED

Opinion

We have audited the financial statements of Novus UK (Kakap) Limited for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- 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 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.

Emphasis of Matter

We draw attention to Note 20 of the financial statements, which describes the economic and social consequences, the company is facing as a result of COVID-19 which is impacting its Operations. Our opinion is not modified in respect of this matter.

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 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 (KAKAP) 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 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 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 (KAKAP) LIMITED (continued)

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 8, 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 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 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
27 November 2020

NOVUS UK (KAKAP) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 US\$'000	2018 As Restated - US\$'000
Revenue	2	10,598	13,026
Operating expenses	3	(8,410)	(8,692)
Operating profit		2,188	4,334
Financial expense	4	(107)	(37)
Other income		39	905
Profit before tax		2,120	5,202
Provision for income tax	5	(832)	(2,026)
Net profit for the year		1,288	3,176
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains on defined benefit plans	13	(127)	461
Tax effect	14	47	(171)
Other comprehensive income/(loss), net of tax		(80)	290
Total comprehensive income for the year		1,208	3,466

All of the Company's activities during the year are in respect of continuing operations. Total comprehensive income for the year is attributable to the sole equity holder of the Company.

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

NOVUS UK (KAKAP) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share Capital	Retained Earnings	Non-Distributable Reserves (OCI)	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January				
2018	2	45,134	108	45,244
Adjustment on correction of error (net of tax) (Note 1v)	-	1,835	-	1,835
Balance at 1 January 2018 - as restated	2	46,969	108	47,079
Net profit for the year as restated	-	3,176	-	3,176
Other comprehensive income	-	-	290	290
Balance at 31 December 2018 (restated)	2	50,145	398	50,545
Net profit for the year	-	1,288	-	1,288
Other comprehensive income	-	-	(80)	(80)
Balance at 31 December 2019	2	51,433	318	51,753

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

NOVUS UK (KAKAP) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019 AND 2018

	Note	2019 US\$'000	2018 As Restated - US\$'000	As 1 January 2018 As Restated - US\$'000
Non-current assets				
Oil and gas assets	8	10,959	12,904	13,877
Right-of-use assets	9	367	-	-
Total non-current assets		11,326	12,904	13,877
Current assets				
Inventories	10	963	989	971
Amounts owing from related entities	16	35,760	34,850	34,306
Trade and other receivables	11	3,552	4,859	7,552
Restricted cash in banks		-	-	655
Cash and cash equivalents		6,107	4,168	-
Total current assets		46,382	44,866	43,484
Total assets		57,708	57,770	57,361
Equity				
Share capital	15	2	2	2
Non-distributable reserves		318	398	108
Retained earnings		51,433	50,145	46,969
Total equity		51,753	50,545	47,079
Non-current liabilities				
Provisions	13	314	114	1,004
Deferred tax liabilities	14	2,843	3,280	3,104
Lease liabilities, net of current maturities	9	131	-	-
Total non-current liabilities		3,288	3,394	4,108
Current liabilities				
Amounts owing to related entities	16	1	-	1,580
Lease liabilities, current maturities	9	263	-	-
Taxes payable		539	644	1,049
Trade and other payables	12	1,864	3,187	3,545
Total current liabilities		2,667	3,831	6,174
Total liabilities		5,955	7,225	10,282
Total equity and liabilities		57,708	57,770	57,361

These financial statements were approved by the Board of Directors on 27 November 2020 and were signed on its behalf by:



Rudy Suparman
Director



Hendra Soetjipto Tan
Director

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

NOVUS UK (KAKAP) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 US\$'000	2018 As Restated - US\$'000
Cash flows from operating activities			
Net profit for the year		1,288	3,176
Non-cash adjustments to reconcile profit for the year to net cash provided by operating activities:			
Depreciation and depletion	3,8,9	2,136	1,827
Reclassification of assets	8	-	239
Pension cost	3	141	213
Income tax expense	5	832	2,026
Cash flows from operating activities before working capital adjustments		4,397	7,481
Net decrease in receivables		397	2,150
Net (increase)/decrease in inventories		26	(18)
Net decrease in payables		(1,322)	(1,939)
Net decrease in provisions		(36)	(642)
Net increase in taxes payables		6	243
Cash provided by operations		3,468	7,275
Income taxes paid		(1,333)	(2,669)
Payment of interest portion of lease liabilities	9	(27)	-
Net cash flows from operating activities		2,108	4,606
Cash flows from investing activities			
Purchases:			
Oil and gas assets	8	(45)	(1,093)
Net cash used in investing activities		(45)	(1,093)
Cash flows from financing activities			
Transfer from restricted cash in bank		-	655
Payment of principal portion of lease liability	9	(124)	-
Net cash from/(used in) financing activities		(124)	655
Net increase in cash and cash equivalents		1,939	4,168
Cash and cash equivalents at the beginning of the year		4,168	-
Cash and cash equivalents at the end of the year		6,107	4,168

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

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information and Significant accounting policies

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

The Company is engaged in a joint venture involved in 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.

The financial report was authorised for issue by the Directors on 27 November 2020.

(a) Statement of compliance

The Company'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 Company's activities are conducted in Indonesia under a PSC. The Company 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

In assessing the Group's ability to continue as a going concern, the Directors have considered the Group's cash flows, liquidity and business activities. The assessment has taken into account the on-going impact of the COVID-19 pandemic and reduction in oil prices. The impact of COVID-19 and the business's response to it is disclosed in Note 20. To date there has been limited impact on production.

Cashflow forecasts have been updated to factor in the deferral of 2020 and 2021 capital expenditures and operating expenditures. These forecasts have been tested using the most recent oil price forward curves. Sensitivity analysis and reverse stress tests have been applied to these forecasts and the Group is able to break even at a dated Brent oil price of [\$15/bbl] for twelve months from the signing date of the 2019 Financial Statements.

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information and significant accounting policies (continued)

(b) Basis of preparation (continued)

Going concern (continued)

As a result of the cash flow and forecasts, the Directors are confident the Group will be able to operate and maintain liquidity and continue as a going concern for a period of not less than 12 months from the date of these financial statements. Accordingly, the going concern basis of accounting has been adopted in preparing the financial statements.

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 Company applied IFRS 16 for the first time starting January 1, 2019. 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 2019, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

• **IFRS 16 Leases**

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

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

The Company adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of January 1, 2019. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at January 1, 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information and significant accounting policies (continued)

(b) Basis of preparation (continued)

New and amended standards and interpretations (continued)

- IFRS 16 Leases (continued)

The effect of adoption IFRS 16 as of January 1, 2019 (increase/(decrease)) is as follows:

	US\$'000
Assets	
Right-of-use assets	144
Liabilities	
Lease liabilities	(144)

The Company has lease contracts for buildings, office equipment, vehicles and others. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

Leases previously accounted for as operating leases

The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information and Significant accounting policies (continued)

(b) Basis of preparation (continued)

New and amended standards and interpretations (continued)

• ***IFRS 16 Leases (continued)***

Based on the above, as of January 1, 2019:

- Right-of-use assets of US\$144 were recognized and presented separately in the statement of financial position.
- Additional lease liabilities of US\$144 were recognized.

The lease liabilities as of January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

	US\$'000
Operating lease commitments as of December 31, 2018	313
Less:	
Commitments relating to short-term leases	(109)
Commitments relating to leases of low-value assets	(1)
	<u>203</u>
Weighted average incremental borrowing rate as of January 1, 2019	11%
Discounted operating lease commitments as at 1 January 2019, representing lease liabilities as at 1 January 2019	<u>144</u>

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information and significant accounting policies (continued)

(b) Basis of preparation (continued)

New and amended standards and interpretations (continued)

• ***IFRIC Interpretation 23 Uncertainty over Income Tax Treatment***

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

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

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

The Company applies significant judgement in identifying uncertainties over income tax treatments.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to tax treaty. The Company determined, based on its assessment and the latest dispute position that there have been prominent errors on the latest decision as it is not in accordance with the updated prevailing laws. As such, the Company evaluated IFRIC 23 and determined that the adoption of IFRIC 23 had no significant impact on the Company's financial statements.

• ***Amendments to IFRS 9 Prepayment Features with Negative Compensation***

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the "SPPI criterion") and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments had no impact on the Company's financial statements.

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information and significant accounting policies (continued)

(b) Basis of preparation (continued)

New and amended standards and interpretations (continued)

- ***Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures***

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*.

The amendments had no impact on the Company's financial statements.

- ***Annual Improvements to IFRS Standards 2015 - 2017 Cycle***

- ***IAS 12 Income Taxes*** - The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period. Since the Company's current practice is in line with these amendments, they had no impact on the Company's financial statements.

- ***Annual Improvements to IFRS Standards 2015 - 2017 Cycle (continued)***

- ***IAS 23 Borrowing Costs*** - The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. Since the Company's current practice is in line with these amendments, they had no impact on the Company's financial statements.

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information and significant accounting policies (continued)

(b) Basis of preparation (continued)

New and amended standards and interpretations (continued)

- ***Amendments to IAS 19 Plan Amendment, Curtailment or Settlement***

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to re-measure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to re-measure that net defined benefit liability (asset).

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company.

(c) Joint arrangements

The Company'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 Company 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 Company with rights to the net assets of the arrangement, the arrangement is a joint venture.

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information and significant accounting policies (continued)

(c) Joint arrangements (continued)

- Joint operations

The Company 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 Company 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 Company 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 Company's financial statements are measured using the currency of the primary economic environment in which the Company operates ("functional currency"). The financial statements are presented in U.S. dollars, which is the Company's functional and presentation currency. 1 U.S. dollar to 1 GBP exchange rate as of reporting date comprised 0.76170 (31 December 2018: 0.78818).

- (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 (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information and 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 Company'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 (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information and 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 Company, 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 Company'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 Company 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 (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information and 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.

NOVUS UK (KAKAP) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information and significant accounting policies (continued)

(i) Impairment (continued)

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.

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 Company 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 Company'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 Company 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.

NOVUS UK (KAKAP) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information and significant accounting policies (continued)

(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 Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company 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 Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

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 Company'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 Company's financial assets include "cash and cash equivalent", "trade and other receivables excluding VAT reimbursement" and "Amounts owing from related parties".

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information and significant accounting policies (continued)

(k) Financial Instruments (continued)

(i) *Financial assets (continued)*

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")

Financial assets at amortized cost (debt instruments)

All of the Company's financial assets are classified under this category. The Company 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 Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control over the asset.

When the Company 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 Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company 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 Company has retained.

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information and significant accounting policies (continued)

(k) Financial Instruments (continued)

(i) *Financial assets (continued)*

Derecognition (continued)

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 Company could be required to repay.

Impairment of financial assets

The Company 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 Company 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 Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company 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 Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOVUS UK (KAKAP) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information and significant accounting policies (continued)

(k) Financial Instruments (continued)

(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.

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.

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information and significant accounting policies (continued)

(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 Company'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.

(m) Provisions

Provisions are recognized when the Company 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.

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information and significant accounting policies (continued)

(m) Provisions (continued)

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 Company expects to pay as at reporting date including related add on-costs.

(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 Company'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 Company 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 Company 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.

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information and significant accounting policies (continued)

(m) Provisions (continued)

Employee compensation (continued)

(iii) Long-term employee benefits (continued)

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

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 retained earnings 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 Company, nor can they be paid directly to the Company. 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 Company'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 Company recognizes its share of such items.

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information and significant accounting policies (continued)

(m) Provisions (continued)

Employee compensation (continued)

(iv) 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 Company 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.

(n) 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.

(o) 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 Company expects to be entitled in exchange for those goods or services. The Company 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.

(p) 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.

NOVUS UK (KAKAP) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information and significant accounting policies (continued)

(p) Other income (continued)

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.

(q) Lease

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

The Company as a lessee

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

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

• Buildings	3.0 years
• Vehicles	3.0 years
• Office equipment	3.0 years
• Others	3.0 years

NOVUS UK (KAKAP) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information and significant accounting policies (continued)

(q) Lease (continued)

Right-of-use assets (continued)

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below US\$5,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over 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 (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information and significant accounting policies (continued)

(r) 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 Company'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 Company 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.

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information and significant accounting policies (continued).

(s) Significant accounting judgements, estimates and assumptions

The preparation of the Company'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.

In particular, the Company 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 Company'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 Company 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 Company 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).

NOVUS UK (KAKAP) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information and significant accounting policies (continued)

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

(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 Company'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 13).

(iv) Employee benefits

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 Company 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 13).

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information and significant accounting policies (continued)

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

(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.

(u) Standards issued but not yet effective

The Company 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 17	Insurance Contracts	1 January 2021
IFRS 3 Amendments	Definition of a Business	1 January 2020
IAS 28 Amendments	Investment in Associates	1 January 2020

The Company 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.

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Corporate information and significant accounting policies (continued)

(v) Correction of an error

In accordance with the Joint Venture Agreement, the Operator has the right to recover a portion of the Home Office Overhead (HOO) charges from the partners of the joint operations in line with the partners' respective participating interests. As agreed, HOO charges are treated as an input to the crude oil revenue calculation and are settled through the over-under lifting calculation. However, as part of the regular cut-back calculation, a separate share is recognized by the Company for the monthly billing of HOO charges by recording an operating expense and a corresponding non-trade payable. As a consequence, operating expense and non-trade payables are overstated.

In 2019, the Company conducted a detailed review of the long-outstanding non-trade payables, and discovered the error.

The error has been corrected by restating each of the affected financial statement line items for the prior period, as follow:

	As at 31 December 2018 As Restated - US\$'000	As at 1 January 2018 As Restated - US\$'000
Increase/(decrease) in:		
<u>Statement of Financial Position</u>		
Trade and other payables	(1,918)	(1,835)
Retained earnings	1,918	1,835
<u>Statement of Comprehensive Income</u>		
Operating expense	(83)	-
<u>Statement of Cash Flows</u>		
Net profit for the year	83	-
Net decrease in payables	(83)	(1,835)

2. Revenue

	2019 US\$'000	2018 US\$'000
Product sales:		
Crude oil	4,373	4,679
Natural gas	6,225	8,347
Total revenue	10,598	13,026

Crude oil and natural gas sales are exported to Singapore-based customer

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Operating expenses

	2019 US\$'000	2018 As Restated - US\$'000
Included are the following items:		
Operating expenses	5,130	5,644
Depreciation and depletion of assets	1,990	1,827
General and administrative expenses	956	961
Depreciation of right-of-use-assets	146	-
Pension cost	141	213
Exploration expenses	47	47
Total operating expenses	8,410	8,692

Payments for Floating Storage and Offloading (FSO) unit rental services included as part of operating expenses account amounted to US\$1,058,000 and US\$1,236,000 for the years ended 31 December 2019 and 2018, respectively, and are recorded as part of operating expenses.

4. Financial expense

	2019 US\$'000	2018 US\$'000
Unwind of the effect of discounting on provisions (Note 13)	80	37
Interest on lease liabilities (Note 9)	27	-
Total finance expense	107	37

5. Taxation

Tax on profit for the year

The tax charge is made up as follows:

	2019 US\$'000	2018 US\$'000
Current tax:		
UK Corporation tax on profit for the year	-	-
Foreign tax under provision	-	-
Foreign taxation	1,222	2,021
Total current tax charge	1,222	2,021
Deferred tax:		
Origination and reversal of temporary differences	(390)	5
Total deferred tax benefit (Note 14)	(390)	5
Total tax charge for the year	832	2,026

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

5. Taxation (continued)

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:

	2019 US\$'000	2018 As Restated - US\$'000
Profit before tax	2,120	5,202
Profit multiplied by the standard rate of corporation tax in the UK of 19% for the period up to 31 December 2019 and 31 December 2018.	403	988
Effect of:		
Imputed interest income	-	-
Foreign tax under provision	-	-
Impact of (higher)/lower foreign taxes	429	1,038
Total tax charge for the year	832	2,026

6. Employees and directors emoluments

Other than Directors, the Company has no employees in 2019 and 2018.

The Company 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 2019 amounted to US\$5,000 (2018: US\$6,000).

Two (2) of the directors of the Company received remuneration from Star Energy (Kakap) Ltd., the operator of Kakap PSC. The portions of remuneration which represents a fair allocation to the Company, based on the working interest in Kakap PSC, amounts to US\$196,000 in 2019 (2018: US\$211,000). As at the date of the financial statements, the two directors agreed to provide director services to the Company without receiving any remuneration from the Company.

7. Auditor's remuneration

	2019 US\$'000	2018 US\$'000
Audit of these financial statements	22	25
Total fees	22	25

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

8. Oil and gas assets

	Subsurface assets US\$'000	2019 Plant and equipment US\$'000	Total US\$'000	Subsurface assets US\$'000	2018 Plant and equipment US\$'000	Total US\$'000
Cost at 31 December	136,881	1,089	137,970	136,872	1,053	137,925
Less accumulated depreciation and impairment	(108,657)	(999)	(109,656)	(106,690)	(976)	(107,666)
Less impairment loss	(17,355)	-	(17,355)	(17,355)	-	(17,355)
Balance at 31 December	10,869	90	10,959	12,827	77	12,904
Reconciliation of movements						
Producing assets						
Balance at 1 January	12,827	77	12,904	13,780	97	13,877
Additions	45	-	45	1,091	2	1,093
Reclassification	-	-	-	(239)	-	(239)
Depreciation and depletion (Note 3)	(1,967)	(23)	(1,990)	(1,805)	(22)	(1,827)
Balance at 31 December	10,905	54	10,959	12,827	77	12,904

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 Company 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 Company 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 review 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 2019 and 2018.

Key assumptions used

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

- Lifting
- Prices
- Discount rates
- Operating and capital expenses

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

NOVUS UK (KAKAP) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

8. Oil and gas assets (continued)

Key assumptions used (continued)

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 2019 are: US\$60.64 - US\$76.23 per bbls until 2027 (2018: US\$65.79 - US\$67.99 per bbls).

The increase of ten percent (10%) in oil price forecast will increase the recoverable amount of oil and gas properties by US\$2,998,000 as at 31 December 2019.

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 interest rate loan of the Group until 31 December 2019.

The discount rate used is 9.00% (2018: 8.09%) (post-tax): The increase of one percent (1%) in discount rate will decrease the recoverable amount of oil and gas properties by US\$398,000.

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.

9. Right-of-use assets and lease liabilities

Set out below are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets			Total	Lease liabilities
	Buildings	Vehicles	Others		
As of January 1, 2019	75	5	64	144	(144)
Additions	-	-	369	369	(369)
Depreciation expense	(33)	(2)	(111)	(146)	-
Accretion of interest	-	-	-	-	(27)
Payments	-	-	-	-	-
- Principal	-	-	-	-	124
- Interest	-	-	-	-	27
Foreign currency exchange	-	-	-	-	(5)
As of December 31, 2019	42	3	322	367	(394)
Less: current maturities	-	-	-	-	263
Net of current maturities	42	3	322	367	(131)

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

9. Right-of-use assets and lease liabilities (Continued)

The following are the amounts recognized in profit or loss:

	2019
	<hr/>
Depreciation expense of right-of-use of assets	146
Accretion of interest on lease liabilities	27
Expense relating to short-term leases (included in transportation and logistics, repair and maintenance, material supplies)	569
Expense relating to leases of low-value assets (included in material and supplies, repair and maintenance, others)	2
	<hr/>
Total amount recognized in profit or loss	744
	<hr/>

10. Inventories

	2019 US\$'000	2018 US\$'000
	<hr/>	<hr/>
Drilling and maintenance stocks	963	989
	<hr/>	<hr/>
Total inventories	963	989
	<hr/>	<hr/>

- ▶ During 2019, US\$552,000 (2018: US\$264,000) was recognised as expense for inventories carried at net realisable value. This is recognised in operating expenses.

11. Trade and other receivables

	2019 US\$'000	2018 US\$'000
	<hr/>	<hr/>
Current:		
Trade receivables	1,754	2,856
VAT receivables	365	373
Prepayments	73	47
Deposit	32	66
Others	1,328	1,517
	<hr/>	<hr/>
Total trade and other receivables	3,552	4,859
	<hr/>	<hr/>

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

11. Trade and other receivables (continued)

The other receivable are non-trade in nature, non-interest bearing, have no specific repayment terms and are to be settled in cash.

The Company believes that the carrying amounts are a reasonable approximation to the fair value. No impairment loss was recognized on trade and other receivables for the year ended 31 December 2019 and 2018 as result of the Company's expected credit loss assessment.

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

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

	2019 US\$'000	2018 US\$'000
US dollars	2,978	4,295
Indonesian rupiah	574	564
Total trade and other receivables	3,552	4,859

12. Trade and other payables

	2019 US\$'000	2018 As Restated - US\$'000	As at 1 January 2018 As Restated - US\$'000
Current:			
Deferred revenue	43	311	260
Trade payables	400	615	1,491
Non-trade payables and accrued expenses	1,421	2,261	1,794
Total trade and other payables	1,864	3,187	3,545

Deferred revenue represent the gas imbalance position amongst the WNTS participants. Trade payables represent payable to third party for oil and gas activity. Non-trade payables represent working funds advanced in Kakap PSC Joint Venture and accrued operation expenses are accrual for goods and services.

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

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

13. Provisions

Reconciliation of movements in provisions during the year:

	Employee Benefit US\$'000	Restoration US\$'000	Total US\$'000
Balance at 1 January 2018	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
Unwinding of discount	-	80	80
Expected return on plan assets	(1,341)	-	(1,341)
Provision additions during the year	1,539	18	1,557
Escrow account	-	(96)	(96)
Balance at 31 December 2019	303	11	314

Non-current:

Employee benefits
Restoration

	2019 US\$'000	2018 US\$'000
Employee benefits	303	105
Restoration	11	9
Total provisions	314	114

Employee benefits

Net employee defined benefit liability:

	2019 US\$'000	2018 US\$'000
Pre-retirement benefits	36	31
Other long-term benefits	16	18
Post-employment benefits	251	56
	303	105

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.

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

13. Provisions (continued)

Employee benefits (continued)

Net employee defined benefit liability: (continued)

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 2019 and 2018, in its reports dated 3 February 2020 and 1 February 2019, respectively, using the "Projected Unit Credit" method with the following assumptions:

	2019	2018
Salary increment rate	7.5% p.a	7.5% p.a
Discount rate	7% p.a	8% p.a.
Mortality rate	100% TMI 3	100% TMI** 3
Disability rate	5% of 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:

Pre-retirement benefits

Net benefit expense (recognized in profit or loss):

	2019 US\$'000	2018 US\$'000
Current service cost	2	3
Interest cost	3	3
Net benefit expense	5	6

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

13. Provisions (continued)

Employee benefits (continued)

Pre-retirement benefits (continued)

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

	2019 US\$'000	2018 US\$'000
Defined benefit obligation at 1 January	31	43
Current service cost	3	3
Interest cost	2	3
Actuarial changes arising from experience adjustment	(2)	(9)
Actuarial changes arising from changes in financial assumptions	1	(6)
Foreign exchange	1	(3)
Defined benefit obligation at 31 December	36	31

Other long-term benefits

Net benefit expense (recognized in profit or loss):

	2019 US\$'000	2018 US\$'000
Current service cost	1	2
Interest cost	1	1
Actuarial changes arising from experience adjustment	1	(2)
Actuarial changes arising from changes in financial assumptions	1	(2)
Net benefit expense	4	(1)

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

	2019 US\$'000	2018 US\$'000
Defined benefit obligation at 1 January	18	21
Current service cost	1	2
Interest cost	1	1
Actuarial changes arising from experience adjustment	1	(2)
Actuarial changes arising from changes in financial assumptions	1	(2)
Benefit paid	(6)	(1)
Foreign exchange	1	(1)
Defined benefit obligation at 31 December	17	18

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

13. Provisions (continued)

Employee benefits (continued)

Post-employment benefits

Net benefit expense (recognized in profit or loss):

	2019 US\$'000	2018 US\$'000
Current service cost	127	161
Interest cost	5	47
Net benefit expense	132	208

2019 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	1,226	(1,170)	56
Current service cost	127	-	127
Interest cost	100	(95)	5
Foreign currency exchange rate (gain)/loss	52	(51)	1
Benefits paid	(17)	17	-
Return on plan assets (excluding amounts included in net interest expenses)	-	25	25
Actuarial changes arising from experience adjustment	18	-	18
Actuarial changes arising from changes in financial assumptions	85	-	85
Contributions by employer	-	(67)	(67)
Defined benefit obligation at 31 December	1,591	(1,341)	250

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

13. Provisions (continued)

Employee benefits (continued)

Post-employment benefits (continued)

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

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 if all other assumptions were held constant. A quantitative sensitivity analysis for significant assumptions as at 31 December 2019 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 (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

13. 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%	(0.6)
	Base discount rate minus 1%	0.6
Future salary increases	Base discount rate plus 1%	0.5
	Base discount rate minus 1%	(0.5)

Post-employment benefits

		Impact on the net defined benefit obligation
		US\$'000
Discount rates	Base discount rate plus 1%	(85)
	Base discount rate minus 1%	92
Future salary increases	Base discount rate plus 1%	88
	Base discount rate minus 1%	(83)

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)	2
Between 2 and 5 years	34
Beyond 5 years	26
Total expected payments	62

The average duration of the defined benefit pension plan at the end of the reporting period is 4.60 years.

Other long-term benefits

	Amount
	US\$'000
Within the next 12 months (next annual reporting period)	1
Between 2 and 5 years	19
Beyond 5 years	9
Total expected payments	29

The average duration of the defined benefit pension plan at the end of the reporting period is 4.90 years.

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

13. Provisions (continued)

Employee benefits (continued)

Post-employment benefits

	Amount US\$'000
Within the next 12 months (next annual reporting period)	159
Between 2 and 5 years	644
Beyond 5 years	3,018
Total expected payments	3,821

The average duration of the defined benefit pension plan at the end of the reporting period is 6.96 years.

The defined contribution plan is contributed by both employees and the Company for a fixed contribution of 6% from the Company and a contribution of 2%-14% from the employees. During the years of 2019 and 2018, the Company has contributed the funds amounted to US\$35,000 and US\$32,000, 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 Company portion amounted to US\$1,341,000 (2018: US\$1,170,000).

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 2023. 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 2019 amounted to US\$80,000 (2018: US\$37,000).

The discount rate of 5.28% was used in the calculation of the provisions as at 31 December 2019 and 2018, respectively.

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 2019 and 2018, the above escrow account was placed in PT Bank Mandiri (Persero) Tbk.

NOVUS UK (KAKAP) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

14. 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:

2019	1 January 2019	(Charged) to profit or loss	(Charged) to OCI	31 December 2019
	US\$'000	US\$'000	US\$'000	US\$'000
Deferred income tax assets:				
- Provision for decommissioning, site restoration and abandonment costs	5	7	-	12
- Lease liabilities	-	146	-	146
- Estimated liabilities for long-term employee benefits	87	26	47	160
- Others	229	(60)	-	169
	321	119	47	487
Deferred income tax liabilities:				
- Oil and gas properties and other property and equipment, net	(3,601)	407	-	(3,194)
- Right-of-use-assets	-	(136)	-	(136)
	(3,601)	271	-	(3,330)
Deferred income tax liabilities, net	(3,280)	390	47	(2,843)
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
	665	(173)	(171)	321
Deferred income tax liabilities:				
- Oil and gas properties and other property and equipment, net	(3,590)	(11)	-	(3,601)
- Others	(179)	179	-	-
	(3,769)	168	-	(3,601)
Deferred income tax liabilities, net	(3,104)	(5)	(171)	(3,280)

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

15. Share capital

	2019 US\$'000	2018 US\$'000
Authorised and issued capital		
Share capital		
Authorized, allotted, called up and fully paid 1,000 ordinary shares of £1 translated at 31 December 1982 rate of exchange rate of US\$1.6175/£1	2	2

Capital risk management

The Company'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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

16. Related parties

		2019 US\$'000	2018 US\$'000
(a) Related party balances:			
<i>Payables</i>	Relationship with the related parties		
- Star Energy (Kakap) Limited	The same ultimate shareholder	1	-
		1	-
<i>Receivables</i>	Relationship with the related parties		
- Kakap Holdings Pte. Ltd.	Indirect parent undertaking	34,361	34,334
- Novus UK (Indonesian Holdings) Limited	Immediate parent undertaking	173	493
- Star Energy Investment Limited	The ultimate shareholder	1,200	-
- Star Energy Oil and Gas Pte Limited	The ultimate shareholder	5	5
- Star Energy (Sebatik) Limited	The same ultimate shareholder	7	7
- Star Energy (Sekayu) Limited	The same ultimate shareholder	5	5
- Other		9	6
		35,760	34,850

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

16. Related parties (*continued*)

The movement of loans receivable from 2018 to 2019 mostly was related to loan to Star Energy Investment Limited for operating purpose amounting US\$ 1,200,000.

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

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. No impairment loss was recognized on related party receivables for the years ended 31 December 2019 and 2018 as a result of the Company's expected credit loss assessment.

The 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 Company employs no permanent staff.

NOVUS UK (KAKAP) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

17. 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 to the Company.

- (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 that any final settlement on such cases is uncertain. Management believes that the disputes will be resolved with no material impact on the Company's financial statements, accordingly no provision has been recognized at the reporting dates.
- (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 SIN\$13,218,265 (full amount), which is equivalent to US\$9,775,000 as at 31 December 2019 (2018: US\$9,678,000). As at the completion date of these 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 Company's 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 Company 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, 2019, the Operator has various disputed claims outstanding for the periods up to 2018, consisting of dry hole expenditure and other matters amounting to US\$4,355,000 (2018: US\$44,162,000). In 2019, the Government of Republic of Indonesia and SKK Migas have decided on the various disputed claims amounting to US\$43,785,000 in favor of the Operator. The remaining findings amounting to US\$4,355,000 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 Company's financial statements.

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

17. 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, gas on and 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.

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 Company was required to pay 20% BPT equivalent to US\$3,577,000.

The management is of the opinion that the Company (company 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 (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

17. Commitments and contingencies (continued)

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

In November 2011, the Company 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, the Company made payment to the Tax Office.

BPT Dispute for fiscal year 2008

In February 2012, the Company filed objection letters to the Tax Office regarding the basis for the issuance of tax assessment letters since the Company believes that the rate applied by the Company is supported by the Indonesian - UK Treaty, which reduced the tax rate to 10%. In addition, the Company received confirmations from UK HM Revenue and Custom (UK HMRC) that they are entitled to apply the 10% treaty rate since the Company is a UK tax resident. In February 2013, the Tax Office declined the objection letter and in May 2013, the Company submitted an appeal letter to the Tax Court. On 26 March 2014, the Company gave the closing statement in the Tax Court. On 29 September 2016, Tax Court rejected the Company appealed letters for 2008 fiscal year. The Tax Court argued that there is not sufficient documentation to support the appeals and therefore the Company are not eligible to apply UK-Indonesia Tax Treaty. The Company submitted the reconsideration request to the Supreme Court on 11 January 2017. As at the completion date of the financial statements, no decision letter has been received from the Supreme Court.

BPT Dispute for fiscal year 2009

In August 2014, the Company received tax assessment letters from the Tax Office related to the underpayment of BPT (including penalties) for fiscal year 2009 amounting to US\$1,200,000. The Company 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 the Company objection letters. On 23 December 2015, the Company submitted appeal letters to the Tax Court. On 31 December 2019, Tax Court accepted the Company appeal letter and the tax refund has been received on the Company's bank account on 9 March 2020. On 9 July 2020, Tax Office submitted the reconsideration request to the Supreme Court and the Company has already submitted the contra memory of reconsideration request to the Supreme Court on 5 August 2020. As at the completion date of the financial statements, no decision letter has been received from the Supreme Court.

BPT Dispute for fiscal year 2010, 2011, 2012 and 2013

On 2 September 2015, the Company 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, the Company 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 the Company objection letters. On 24 January 2017, the Company submitted appeal letters to the Tax Court. On 15 February 2018, the Company gave the closing statement in the Tax Court. On 8 August 2019, the Tax Court accepted the Company appeal letters for 2010, 2011, 2012 and 2013 fiscal year. On 30 January 2020, the tax refund for fiscal year 2010 and 2011 have been received by the Company amounting to US\$4,160,000.

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

17. Commitments and contingencies (continued)

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

BPT Dispute for fiscal year 2010, 2011, 2012 and 2013 (continued)

On 1 November 2019, Tax Office submitted the reconsideration request to the Supreme Court and the Company has already submitted the contra memory of reconsideration request to the Supreme Court on 12 December 2019 for fiscal year 2010, 2011, 2012 and 2013. On 23 September 2020 and 6 November 2020, Supreme Court accepted the Tax Office reconsideration request for 2013 and 2011 fiscal year, respectively. As at the completion date of the financial statements, Supreme Court has not made decision on tax dispute for fiscal year 2010 and 2012.

BPT Dispute for fiscal year 2014

On 30 April 2016, the Company received the tax assessment letters for underpaid 2014 BPT amounting to US\$639,000. The Company 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 the Company objection letters. On 12 September 2017, the Company submitted appeal letters to the Tax Court. On 29 November 2018, the Company gave the closing statement in the Tax Court. As at the completion date of the financial statements, no decision has been made by the Tax Court.

BPT Dispute for fiscal year 2015

On 3 April 2017, the Company received the tax assessment letters for underpaid 2015 BPT amounting to US\$210,000. The Company 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 the Company objection letters. On 8 August 2018, the Company submitted appeal letter to the Tax Court. As at the completion date of the financial statements, no decision has been made by the Tax Court.

The management continues to believe that the Company 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 the Company from periods 1996 to 2004 for the 20% rate of BPT (approximately US\$3,287,000) and from years 2005 to 2019 for the additional 10% rate on the BPT (approximately US\$4,275,000).

d. Contractual commitment

The Company 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 Company would become subject to additional obligations. The Company does not anticipate non-performance by its joint venture partners.

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

18. Financial risk management

The Company'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 Company's overall risk management strategy seeks to minimize adverse effects from unpredictability of financial markets on the Company's financial performance.

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

(a) Foreign currency risk

The Company 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) Commodity price risk exposure

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

At 31 December 2019 and 2018, the Company had no open oil price swap contracts and is therefore not exposed to movements in commodity prices on financial instruments. The Company continues to monitor oil price volatility and to assess the need for commodity price hedging.

(c) Credit risk

Credit risk represents the potential financial loss if counterparties fail to perform as contracted. The Company 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 Company 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 11).

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

18. Financial risk management (continued)

(d) Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Company's business activities may not be available. The Company 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 Company's businesses.

The table below analyses the Company'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 Company's financial liabilities based on contractual undiscounted payments (Note 12):

As at 31 December	Less than one year US\$'000	More than one year US\$'000
2019		
Trade and other payables (Note 12)	1,864	-
Lease liabilities (Note 9)	278	148
Amounts owing to related entities (Note 16)	1	-
	<hr/>	<hr/>
2018 (Restated)		
Trade and other payables (Note 12)	3,187	-
	<hr/>	<hr/>

(e) Fair values

The financial assets and liabilities of the Company 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 (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
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18. Financial risk management (continued)

(e) Fair values (continued)

Amounts owing to/ owed by related parties

The carrying value less impairment provision of amounts owing to/owed by related parties are reasonable approximation of their fair values due to its nature that is payable on demand.

19. 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 2019, 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 Group shares.

Star Energy Kakap Holdings Limited, a company incorporated in Bermuda, 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.

20. Events after the Reporting Period

Subsequent to the year end, there are unprecedented market conditions with significant pressure on oil prices following the demand and supply implications driven by the COVID-19 pandemic and the failure of OPEC+ members to reach an agreement on deeper production cuts to support the oil markets. These subsequent events will have an adverse effect on the Company's earnings and cash flow for the financial year ending December 31, 2020.

If sustained for the medium term these events may impact the business operations of the Company, while the degree of the impact depends on mitigating and preventative measures put in place. In particular, the Company has taken various actions to protect its personnel and operations from the direct impact of COVID-19 and to secure and minimize the Company's business interruption. To support cash flows and ensure stability of operations, management has taken several steps including reducing and deferring 2020 and 2021 capital expenditures and operating expenditures to essential expenditure only and implementing cost efficiency measures. In the management of the Company's liquidity, management is closely monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations.

As these events are still unfolding and the scale and duration of their development remains unclear, the Company is and will continue to closely monitor developments, assess and react to mitigate and prevent impacts on the financial position and operating results of the Company. Given the dynamic nature of these circumstances, the related impact on the Company's results of operations, cash flows and financial condition could not be reasonably estimated at this stage. When the impact can be reliably estimated, it will be reflected in the Company's financial statements for the relevant period.