
NOVUS UK (KAKAP) LIMITED
REGISTERED NUMBER 707927
ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2020
(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 2020.

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 1,429 boepd in 2020 (1,780 boepd in 2019). Gas gross production averaged 2,046 boepd in 2020 (2,417 boepd in 2019).

Revenue decrease due to decrement production and price in 2020 compared to 2019. The average oil price in 2020 was US\$38.19/bbl (2019: US\$65.82/bbl) and the average gas price in 2020 was US\$7.66/mscf (2019: US\$11.14/mscf).

The results for the years ended 31 December 2020 and 2019 are summarised below:

	2020 US\$'000	2019 US\$'000
Revenue	6,653	10,598
Profit/(loss) before tax	(6,152)	2,120
Income tax benefit/(expense)	2,033	(832)
Profit/(loss) after tax for the year	(4,119)	1,288

The Company's loss for the year after taxation was US\$4,119,000 in 2020 (profit in 2019: US\$1,288,000). The loss in 2020 primarily arose due to the drop of oil and gas price and the impairment loss amounting to US\$5,692,000 which was charged to operating expenses in 2020.

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 drops 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

16 December 2021

NOVUS UK (KAKAP) LIMITED
REGISTERED NUMBER 707927
DIRECTORS' REPORT

The Directors present their directors' report for the year ended 31 December 2020.

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 participating interest holders of Kakap PSC have submitted an application for termination of Kakap PSC operations in 2022. Review of the application by SKK Migas (the oil and gas regulatory agency of Indonesia) is ongoing and there is uncertainty on when and/or whether SKK Migas will approve the application as of financial statement date. Despite this, there are no immediate plans to liquidate the Company. The directors aim to maintain the management policies which have resulted in the Company's stability in recent years.

The Company is in a good position to take advantage of any opportunities which may arise in the future. The Directors believe that the balances held will be realized at their reported carrying value in the normal course of business and so the accounts continue to be prepared on a going concern basis.

Going Concern

The Directors have carried out a detailed assessment on the Company's ability to continue as a going concern and disclosed in detail in Note 1 of the financial statements. The Company closely monitors and manages its funding position and liquidity risk throughout the year. Cash forecasts are regularly produced, and sensitivities considered for, but not limited to, oil and gas prices. These forecasts and sensitivity analyses allow management to mitigate liquidity in a timely manner.

Management have applied the following stress testing by considering the following downside scenarios:

- Unfavorable market condition and lower power oil and gas prices
- Unfavorable production resulting in lower production volumes for 2021 and 2022

Under both the scenarios the Company has sufficient cash throughout the going concern period after meeting its commitments. The Company has analysed the risks and concluded that the likelihood that the oil & gas prices and production will reach the downside scenarios is remote.

Subsequent to period end, the participating interest holders of Kakap PSC have submitted an application for termination of Kakap PSC operations in 2022. Review of the application by SKK Migas is ongoing and there is uncertainty on when and/or whether SKK Migas will approve the application as of financial statement date. Despite this, there are no intentions of liquidating the Company immediately after license termination. The Company has a strong net asset position to meet its liabilities and obligations in the next twelve months until 31 December 2022 and in the near future. The Directors believe that the balances held will be realized at their reported carrying value in the normal course of business. Therefore, the Directors consider it appropriate to adopt the going concern basis in preparing these financial statements.

NOVUS UK (KAKAP) LIMITED

REGISTERED NUMBER 707927

DIRECTORS' REPORT (CONTINUED)

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 2020 and 2019.

Events after the Reporting Period

On 16 September 2021, the participating interest holders of Kakap PSC agreed to submit an application for termination of Kakap PSC operations in 2022. On 11 October 2021, SEKL as the Operator of Kakap PSC has sent the application letter to SKK Migas on behalf of the participating interest holders of Kakap PSC. 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 November 2020, 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

16 December 2021

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 the applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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 and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent;
- 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 the applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements.
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 2020 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 the applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006; 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.

Conclusions relating to going concern

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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.

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

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 course of 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 themselves. 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out 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

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

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (IFRS and Companies Act 2006) and the relevant tax compliance regulations in the jurisdictions in which the Company and its affiliates operate.
- We understood how the Company is complying with those frameworks by making enquiries of management, internal audit and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes, correspondence received from regulatory bodies, as well as consideration of the results of our audit procedures across the Company and noted that there was no contradictory evidence.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it considered there was susceptibility to fraud. We also considered performance indicators and their propensity to influence efforts made by management to manage revenue and earnings. We considered the programs and controls that the Company has established to address risks identified, including how management monitors effectiveness of the control framework. Where the risk was considered to be higher, including areas impacting Company's key performance indicators or management remuneration, we performed audit procedures to address each identified fraud risk or other risk of material misstatements. These procedures included those on revenue recognition, the assessment of key estimates and assumptions on key areas of estimations and testing of manual journal entries and were designed to provide reasonable assurance that the financial statements were free from material fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of management and those charged with governance, legal counsel; and journal entry testing with a focus on journals meeting our defined risk criteria based on our understanding of the business.

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

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
17 December 2021

NOVUS UK (KAKAP) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 US\$'000	2019 US\$'000
Revenue	2	6,653	10,598
Operating expenses	3	(12,702)	(8,410)
Operating profit/(loss)		(6,049)	2,188
Financial expense	4	(116)	(107)
Other income/(expenses)		13	39
Profit/(loss) before tax		(6,152)	2,120
Benefit from/(provision for) income tax	5	2,033	(832)
Net profit/(loss) for the year		(4,119)	1,288
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains on defined benefit plans	13	88	(127)
Tax effect	14	(33)	47
Other comprehensive income/(loss), net of tax		55	(80)
Total comprehensive income/(loss) for the year		(4,064)	1,208

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 2020

	Share Capital	Retained Earnings	Non-Distributable Reserves (OCI)	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January				
2019	2	50,145	398	50,545
Net profit for the year	-	1,288	-	1,288
Other comprehensive loss	-	-	(80)	(80)
Balance at 31				
December 2019	2	51,433	318	51,753
Net loss for the year	-	(4,119)	-	(4,119)
Other comprehensive income	-	-	55	55
Balance at 31				
December 2020	2	47,314	373	47,689

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

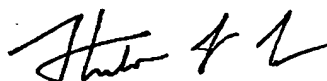
NOVUS UK (KAKAP) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020 AND 2019

	Note	2020 US\$'000	2019 US\$'000
Non-current assets			
Oil and gas assets	8	4,246	10,959
Right-of-use assets	9	164	367
Total non-current assets		4,410	11,326
Current assets			
Inventories	10	914	963
Amounts owing from related entities	16	35,534	35,760
Trade and other receivables	11	3,505	3,552
Cash and cash equivalents		11,625	6,107
Total current assets		51,578	46,382
Total assets		55,988	57,708
Equity			
Share capital	15	2	2
Non-distributable reserves		373	318
Retained earnings		47,314	51,433
Total equity		47,689	51,753
Non-current liabilities			
Provisions	13	334	314
Deferred tax liabilities	14	891	2,843
Lease liabilities, net of current maturities	9	26	131
Total non-current liabilities		1,251	3,288
Current liabilities			
Amounts owing to related entities	16	1	1
Lease liabilities, current maturities	9	159	263
Taxes payable		5,291	539
Trade and other payables	12	1,597	1,864
Total current liabilities		7,048	2,667
Total liabilities		8,299	5,955
Total equity and liabilities		55,988	57,708

These financial statements were approved by the Board of Directors on 16 December 2021 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 2020

	Note	2020 US\$'000	2019 US\$'000
Cash flows from operating activities			
Net profit/(loss) for the year		(4,119)	1,288
Non-cash adjustments to reconcile profit/(loss) for the year to net cash provided by operating activities:			
Impairment losses	8	5,692	-
Depreciation and depletion	3,8,9	1,997	2,136
Pension cost	3	162	141
Income tax expense	5	(2,033)	832
Cash flows from operating activities before working capital adjustments		1,699	4,397
Net decrease in receivables		274	397
Net decrease in inventories		49	26
Net decrease in payables		(267)	(1,322)
Net decrease in provisions		(26)	(36)
Net increase/(decrease) in taxes payables		(141)	6
Cash provided by operations		1,588	3,468
Income taxes paid		(85)	(1,333)
Income taxes refund received		5,026	-
Payment of interest portion of lease liabilities	9	(30)	(27)
Net cash flows from operating activities		6,499	2,108
Cash flows from investing activities			
Purchases:			
Oil and gas assets	8	(721)	(45)
Net cash used in investing activities		(721)	(45)
Cash flows from financing activities			
Payment of principal portion of lease liability	9	(260)	(124)
Net cash used in financing activities		(260)	(124)
Net increase in cash and cash equivalents		5,518	1,939
Cash and cash equivalents at the beginning of the year		6,107	4,168
Cash and cash equivalents at the end of the year		11,625	6,107

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 2020

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 holding working interest in an oil and gas joint operation with other participants as the contractors for the exploration and production of crude oil and natural gas in South Natuna Sea area, Indonesia, under a Production Sharing Contract ("PSC") with Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi ("SKK Migas"), the oil and gas regulatory agency of Indonesia, (the "Kakap PSC"). 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 16 December 2021.

(a) Statement of compliance

The Company's financial statements have been prepared and approved by the Directors in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

(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

The Directors have carried out a detailed assessment on the Company's ability to continue as a going concern and disclosed in detail in Note 1 of the financial statements. The Company closely monitors and manages its funding position and liquidity risk throughout the year. Cash forecasts are regularly produced, and sensitivities considered for, but not limited to, oil and gas prices. These forecasts and sensitivity analyses allow management to mitigate liquidity in a timely manner.

Management have applied the following stress testing by considering the following downside scenarios:

- Unfavorable market condition and lower power oil and gas prices
- Unfavorable production resulting in lower production volumes for 2021 and 2022

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. Corporate information and significant accounting policies (continued)

(b) Basis of preparation (continued)

Under both the scenarios the Company has sufficient cash throughout the going concern period after meeting its commitments. The Company has analysed the risks and concluded that the likelihood that the oil & gas prices and production will reach the downside scenarios is remote.

Subsequent to period end, the participating interest holders of Kakap PSC have submitted an application for termination of Kakap PSC operations in 2022. Review of the application by SKK Migas is ongoing and there is uncertainty on when and/or whether SKK Migas will approve the application as of financial statement date. Despite this, there are no intentions of liquidating the Company immediately after license termination. The Company has a strong net asset position to meet its liabilities and obligations in the next twelve months until 31 December 2022 and in the near future. The Directors believe that the balances held will be realized at their reported carrying value in the normal course of business. Therefore, the Directors consider it appropriate to adopt the going concern basis in preparing these financial statements.

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. Several other amendments and interpretations apply for the first time in 2020, 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.

- **Amendments to IFRS 3 *Definition of a Business***

The amendment to IFRS 3 *Business Combinations* clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company, but may impact future periods should the Company enter into any business combinations.

- **Amendments to IFRS 7 *Financial Instruments: Disclosures*, IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement - Interest Rate Benchmark Reform***

The amendments to IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. Corporate information and significant accounting policies (continued)

(b) Basis of preparation (continued)

New and amended standards and interpretations (continued)

- *Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Company.

- *Conceptual Framework for Financial Reporting issued on 29 March 2018*

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

- *Amendments to IFRS 16 Covid-19 Related Rent Concessions*

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Company.

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. Corporate information and significant accounting policies (continued)

(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.

- **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 0.73904 (31 December 2019: 0.76170).

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. Corporate information and significant accounting policies (continued)

(d) Currency translation (continued)

(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.

(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 capitalised as oil and gas property, and intangible exploration and evaluation assets, respectively. The costs of wells are initially capitalised 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)).

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. Corporate information and significant accounting policies (continued)

(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.

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 capitalised value of a finance lease is also included within plant and equipment.

Subsequent expenditures related to an asset that has already been recognised 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.

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. Corporate information and significant accounting policies (continued)

(g) Plant and equipment (continued)

An item of plant and equipment is derecognised 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 derecognised.

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

(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 recognised 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 2020

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 recognised 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 recognised. 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 recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised 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 2020

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 recognised 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 equivalents", "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 2020

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 recognised in profit or loss when the asset is derecognised, 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 derecognised 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 recognises 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 2020

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 recognises 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 recognised 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 recognises 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 2020

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 recognised 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 recognised in profit or loss when the liabilities are derecognised 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 derecognised 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 recognised 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 recognised 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 2020

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 recognised 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 recognised as a finance cost.

Decommissioning, site restoration and abandonment costs

Provisions for future environmental restoration are recognised 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 capitalised and depleted as a component of the cost of those activities. The unwinding of the effect of discounting on the provision is recognised 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 2020

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 recognised 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 recognised in other comprehensive income ("OCI") as part of remeasurement and unvested past service costs are recognised immediately in profit or loss when incurred. For long-term service benefits, the Company recognises the net total of the amounts in profit or loss.

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

- The date of the plan amendment or curtailment, and
- The date that the Company recognises 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 2020

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 recognised as expense in profit or loss. Past service costs are recognised 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 recognised 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 recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised 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 recognised 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 recognises its share of such items.

NOVUS UK (KAKAP) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 recognises its share of such items. Actuarial gains and losses for OLTEB are recognised 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 recognised 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 recognised 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 2020

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

• 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 2020

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 recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the 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 recognised 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 recognised as expense on a straight-line basis over the lease term.

Operating lease payments are recognised 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 recognised 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 2020

1. Corporate information and significant accounting policies (continued)

(r) Income tax expenses

Current income tax is recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 2020

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 recognises 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 2020

1. Corporate information and significant accounting policies (continued)

(s) 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 2020

1. Corporate information and significant accounting policies (continued)

(s) 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 17).

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.

(t) 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
IAS 1 Amendments	Classification of Liabilities as Current or Non-current	1 January 2023
IFRS 3 Amendments	Reference to the Conceptual Framework	1 January 2022
IAS 16 Amendments	Proceeds before Intended Use	1 January 2022
IAS 37 Amendments	Costs of Fulfilling a Contract	1 January 2022
IFRS 9 Amendments	Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022

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 2020

2. Revenue

	2020 US\$'000	2019 US\$'000
Product sales:		
Crude oil	2,363	4,373
Natural gas	4,290	6,225
Total revenue	6,653	10,598

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

3. Operating expenses

	2020 US\$'000	2019 US\$'000
Included are the following items:		
Impairment loss	5,692	-
Operating expenses	4,193	5,130
Depreciation and depletion of assets	1,742	1,990
General and administrative expenses	622	956
Depreciation of right-of-use-assets	255	146
Pension cost	162	141
Exploration expenses	36	47
Total operating expenses	12,702	8,410

Payments for Floating Storage and Offloading (FSO) unit rental services included as part of operating expenses account amounted to US\$757,000 and US\$1,058,000 for the years ended 31 December 2020 and 2019, respectively, and are recorded as part of operating expenses.

4. Financial expense

	2020 US\$'000	2019 US\$'000
Unwind of the effect of discounting on provisions (Note 13)	86	80
Interest on lease liabilities (Note 9)	30	27
Total financial expense	116	107

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

5. Taxation

Tax on profit for the year

The tax charge is made up as follows:

	2020 US\$'000	2019 US\$'000
Current tax:		
UK Corporation tax on profit for the year	-	-
Foreign tax under provision	-	-
Foreign taxation	(48)	1,222
Total current tax charge	(48)	1,222
Deferred tax:		
Origination and reversal of temporary differences	(1,985)	(390)
Total deferred tax benefit (Note 14)	(1,985)	(390)
Total tax charge for the year	(2,033)	832

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:

	2020 US\$'000	2019 US\$'000
Profit/(loss) before tax	(6,152)	2,120
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% for the period up to 31 December 2020 and 31 December 2019	(1,169)	403
Effect of:		
Imputed interest income	-	-
Foreign tax under provision	-	-
Impact of (higher)/lower foreign taxes	(864)	429
Total tax charge for the year	(2,033)	832

NOVUS UK (KAKAP) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

6. Employees and directors emoluments

Other than Directors, the Company has no employees in 2020 and 2019.

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 2020 amounted to US\$5,000 (2019: US\$5,000).

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\$324,000 in 2020 (2019: US\$196,000). 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

	2020 US\$'000	2019 US\$'000
Audit of these financial statements	32	22
Total fees	32	22

8. Oil and gas assets

	Subsurface assets US\$'000	2020 Plant and equipment US\$'000	Total US\$'000	Subsurface assets US\$'000	2019 Plant and equipment US\$'000	Total US\$'000
Cost at 31 December	137,552	1,139	138,691	136,881	1,089	137,970
Less accumulated depreciation and impairment	(110,378)	(1,020)	(111,398)	(108,657)	(999)	(109,656)
Less impairment loss	(22,947)	(100)	(23,047)	(17,355)	-	(17,355)
Balance at 31 December	4,227	19	4,246	10,869	90	10,959
Reconciliation of movements						
Producing assets						
Balance at 1 January	10,869	90	10,959	12,827	77	12,904
Additions	671	50	721	9	36	45
Impairment loss	(5,592)	(100)	(5,692)	-	-	-
Depreciation and depletion (Note 3)	(1,721)	(21)	(1,742)	(1,967)	(23)	(1,990)
Balance at 31 December	4,227	19	4,246	10,869	90	10,959

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

8. Oil and gas assets (continued)

Impairment test on oil and gas properties

Impairment test on oil and gas properties is performed on annual basis at 31 December or 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. As part of annual assessment, management of the Company considered the spot price of oil and gas in 2020 and performed impairment testing on the affected CGU, which the products are sold under 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 2023. While the PSC terms allow the Company to operate the PSC until March 2028, the management is in the view that activities after 2023 is considered not economical and management has intention to surrender the operations of Kakap Block operations to the Indonesian Government.

On 16 September 2021, the participating interest holders of Kakap PSC agreed to submit an application for termination of Kakap PSC operations in 2022. As at the completion date of these financial statements, there has been no response received from SKK Migas. Given that the approval by SKK Migas is substantial to the conclusion of the application, management determines the CGU's recoverable amount based on the assumption that the Company will operate up to 2023 which is consistent with the Company's existing contractual obligation to its customers. 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.

Based on management's assessment, the recoverable amount is less than the carrying amount of oil and gas properties as at 31 December 2020.

Key assumptions used

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

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

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

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

The assumptions for Brent price used by management for impairment test as of 31 December 2020 are: US\$51.00 - US\$72.90 per bbls until 2023 (2019: US\$60.64 - US\$76.23 per bbls).

The increase/decrease of ten percent (10%) in oil price forecast will increase/decrease the recoverable amount of oil and gas properties by US\$667,000/US\$547,000 as at 31 December 2020.

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

8. Oil and gas assets (continued)

Key assumptions used (continued)

Discount rates: The pre-tax discount rate used is 13.69% (2019: 16.07%), derived from the post-tax Weighted Average Cost of Capital (WACC) of 7.67% (2019: 9.00%). The WACC takes into account fully on equity. The cost of equity is equal to the return on risk-free securities plus the equity risk premium adjusted for the Company systematic risk. The increase/decrease of one percent (1%) in discount rate will decrease/increase the recoverable amount of oil and gas properties by US\$70,000/US\$73,000.

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

Changes to the assumptions used by the management to determine the recoverable amount, in particular the discount rate, can have significant impact on the result of the impairment assessment. Management is of the opinion that there was no reasonably possible change in any of the key assumptions stated above that would cause the carrying amount of the CGU to materially exceed its recoverable amount. Based on the review of the oil and gas properties, management believes that no further impairment in value of oil and gas properties is necessary as of 31 December 2020.

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
	Buildings	Vehicles	Others		
	US\$'000	US\$'000	US\$'000	US\$'000	Liabilities
					US\$'000
As of 1 January 2020	42	3	322	367	(394)
Additions	-	-	52	52	(52)
Depreciation expense	(33)	(2)	(220)	(255)	-
Accretion of interest	-	-	-	-	(30)
Payments					
- Principal	-	-	-	-	260
- Interest	-	-	-	-	30
Foreign currency exchange	-	-	-	-	1
As of 31 December 2020	9	1	154	164	(185)
Less: current maturities	-	-	-	-	159
Net of current maturities	9	1	154	164	(26)

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Right-of-use assets			Total US\$'000	Lease Liabilities US\$'000
	Buildings US\$'000	Vehicles US\$'000	Others US\$'000		
As of 1 January 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 31 December 2019	42	3	322	367	(394)
Less: current maturities	-	-	-	-	263
Net of current maturities	42	3	322	367	(131)

The following are the amounts recognised in profit or loss:

	2020 US\$'000	2019 US\$'000
Depreciation expense of right-of-use of assets	255	146
Accretion of interest on lease liabilities	30	27
Expense relating to short-term leases (included in transportation and logistics, repair and maintenance, material supplies)	149	569
Expense relating to leases of low-value assets (included in material and supplies, repair and maintenance, others)	2	2
Total amount recognised in profit or loss	436	744

10. Inventories

	2020 US\$'000	2019 US\$'000
Drilling and maintenance stocks	914	963
Total inventories	914	963

During 2020, US\$495,000 (2019: US\$552,000) was recognised as expense for inventories carried at net realisable value. This is recognised in operating expenses.

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

11. Trade and other receivables

	2020 US\$'000	2019 US\$'000
Current:		
Trade receivables	2,033	1,754
VAT receivables	421	365
Prepayments	90	73
Deposit	31	32
Others	930	1,328
Total trade and other receivables	3,505	3,552

Other receivables 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 recognised on trade and other receivables for the year ended 31 December 2020 and 2019 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:

	2020 US\$'000	2019 US\$'000
US dollars	2,812	2,978
Indonesian rupiah	693	574
Total trade and other receivables	3,505	3,552

12. Trade and other payables

	2020 US\$'000	2019 US\$'000
Current:		
Deferred revenue	61	43
Trade payables	237	400
Non-trade payables and accrued expenses	1,299	1,421
Total trade and other payables	1,597	1,864

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 2020

13. Provisions

	2020	2019
	US\$'000	US\$'000
Non-current:		
Employee benefits	303	303
Restoration	31	11
Total provisions	334	314

Employee benefits

Net employee defined benefit liability:

	2020	2019
	US\$'000	US\$'000
Pre-retirement benefits	36	36
Other long-term benefits	20	16
Post-employment benefits	247	251
	303	303

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 2020

13. Provisions (continued)

Employee benefits (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 2020 and 2019, in its reports dated 18 March 2021 and 3 February 2020, respectively, using the "Projected Unit Credit" method with the following assumptions:

	2020	2019
Salary increment rate	6.5% p.a.	7.5% p.a
Discount rate	5.75% p.a.	7% p.a
Mortality rate	100% TMI** 4	100% TMI 3
Disability rate	5% of TMI 4	5% of 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	Whichever comes first between attaining age 58 years or 31 March 2028 (end of PSC)	Whichever comes first between attaining age 58 years or 31 March 2028 (end of PSC)
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 recognised in the statement of comprehensive income and the funded status and amounts recognised in the statement of financial position for the respective benefits:

Pre-retirement benefits

Net benefit expense (recognised in profit or loss):

	2020 US\$'000	2019 US\$'000
Current service cost	3	2
Interest cost	2	3
Net benefit expense	5	5

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

13. Provisions (continued)

Employee benefits (continued)

Pre-retirement benefits (continued)

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

	2020 US\$'000	2019 US\$'000
Defined benefit obligation at 1 January	36	31
Current service cost	3	2
Interest cost	2	3
Actuarial changes arising from experience adjustment	(4)	(2)
Actuarial changes arising from changes in financial assumptions	-	1
Foreign exchange	(1)	1
Defined benefit obligation at 31 December	36	36

Other long-term benefits

Net benefit expense (recognised in profit or loss):

	2020 US\$'000	2019 US\$'000
Current service cost	1	1
Interest cost	1	1
Actuarial changes arising from experience adjustment	3	1
Actuarial changes arising from changes in financial assumptions	1	1
Net benefit expense	6	4

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

	2020 US\$'000	2019 US\$'000
Defined benefit obligation at 1 January	16	18
Current service cost	1	1
Interest cost	1	1
Actuarial changes arising from experience adjustment	3	1
Actuarial changes arising from changes in financial assumptions	1	1
Benefit paid	(2)	(7)
Foreign exchange	-	1
Defined benefit obligation at 31 December	20	16

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

13. Provisions (continued)

Employee benefits (continued)

Post-employment benefits

Net benefit expense (recognised in profit or loss):

	2020 US\$'000	2019 US\$'000
Current service cost	135	127
Interest cost	16	5
Net benefit expense	151	132

2020 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	1,591	(1,340)	251
Current service cost	135	-	135
Interest cost	101	(85)	16
Foreign currency exchange rate (gain)/loss	(30)	22	(8)
Benefits paid	(148)	148	-
Return on plan assets (excluding amounts included in net interest expenses)	-	27	27
Actuarial changes arising from demographic adjustment	(1)	-	(1)
Actuarial changes arising from experience adjustment	(90)	-	(90)
Actuarial changes arising from changes in financial assumptions	(20)	-	(20)
Contributions by employer	-	(63)	(63)
Defined benefit obligation at 31 December	1,538	(1,291)	247

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

13. Provisions (continued)

Employee benefits (continued)

Post-employment benefits (continued)

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	(50)	2
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	(1,340)	251

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 2020 is as shown below:

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

13. Provisions (continued)

Employee benefits (continued)

Pre-retirement benefits

		Impact on the net defined benefit obligation US\$'000
Discount rates	Base discount rate plus 1%	(1.0)
	Base discount rate minus 1%	1.1
Future salary increases	Base discount rate plus 1%	1.2
	Base discount rate minus 1%	(1.1)

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%	0.6
	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%	(76)
	Base discount rate minus 1%	82
Future salary increases	Base discount rate plus 1%	79
	Base discount rate minus 1%	(75)

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:

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

13. Provisions (continued)

Employee benefits (continued)

Pre-retirement benefits

	Amount US\$'000
Within the next 12 months (next annual reporting period)	8
Between 2 and 5 years	31
Beyond 5 years	13
Total expected payments	52

The average duration of the defined benefit pension plan at the end of the reporting period is 3.74 years.

Other long-term benefits

	Amount US\$'000
Within the next 12 months (next annual reporting period)	2
Between 2 and 5 years	23
Beyond 5 years	8
Total expected payments	33

The average duration of the defined benefit pension plan at the end of the reporting period is 4.16 years.

Post-employment benefits

	Amount US\$'000
Within the next 12 months (next annual reporting period)	156
Between 2 and 5 years	568
Beyond 5 years	2,365
Total expected payments	3,089

The average duration of the defined benefit pension plan at the end of the reporting period is 6.40 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 2020 and 2019, the Company has contributed the funds amounted to US\$33,000 and US\$35,000, 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\$1,291,000 (2019: US\$1,340,000).

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

13. Provisions (continued)

Restoration

Movements in restoration are as follows:

	2020 US\$'000	2019 US\$'000
Beginning of financial year	11	9
Provision made during the year	-	18
Unwinding of discount on provision	86	80
End of financial year	97	107
Addition to escrow account	(66)	(96)
Ending balance	31	11

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 2020 amounted to US\$86,000 (2019: US\$80,000).

The discount rate of 5.28% was used in the calculation of the provision for decommissioning, site restoration and abandonment costs as at 31 December 2020 and 2019, 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 2020 and 2019, 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 2020

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:

2020	1 January 2020	(Charged) to profit or loss	(Charged) to OCI	31 December 2020
	US\$'000	US\$'000	US\$'000	US\$'000
Deferred income tax assets:				
- Provision for decommissioning, site restoration and abonnement costs	12	22	-	34
- Lease liabilities	146	(77)	-	69
- Estimated liabilities for long-term employee benefits	160	(15)	(33)	112
- Others	169	25	-	194
	487	(45)	(33)	409
Deferred income tax liabilities:				
- Oil and gas properties and other property and equipment, net	(3,194)	1,955	-	(1,239)
- Right-of-use-assets	(136)	75	-	(61)
	(3,330)	2,030	-	(1,300)
Deferred income tax liabilities, net	(2,843)	1,985	(33)	(891)
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 abonnement 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)

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

15. Share capital

	2020 US\$'000	2019 US\$'000
Authorised and issued capital		
Share capital		
Authorised, 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

		2020 US\$'000	2019 US\$'000
(a) Related party balances:			
<i>Payables</i>	Relationship with the related parties		
- Star Energy (Kakap) Limited	The same ultimate shareholder	1	1
		1	1
<i>Receivables</i>	Relationship with the related parties		
- Kakap Holdings Pte. Ltd.	Indirect parent undertaking	34,301	34,361
- Star Energy Investment Limited	The ultimate shareholder	1,200	1,200
- Novus UK (Indonesian Holdings) Limited	Immediate parent undertaking	17	173
- Star Energy Oil and Gas Pte Ltd.	The ultimate shareholder	5	5
- Star Energy (Sebatik) Limited	The same ultimate shareholder	7	7
- Star Energy (Sekayu) Limited	The same ultimate shareholder	4	5
- Other		-	9
		35,534	35,760

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

16. Related parties (continued)

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, have no fixed terms and are repayable on demand.

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 recognised on related party receivables for the years ended 31 December 2020 and 2019 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 2020

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 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 recognised at the reporting date.
- (ii) The Operator also has a legal dispute with Seabulk Offshore Vessel Holding Inc. ("SOVH"), owner of the vessel MU Seabulk Plover. On 14 August 2008, the Operator received a letter from SOVH, claiming damages sustained by the Frontier Duchess Oil rig as a result of a collision that occurred on 25 June 2007. The claim amounted to SIN\$13,218,265 (full amount), which is equivalent to US\$9,975,000 as at 31 December 2020 (2019: US\$9,775,000). 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 recognised 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 2020, the Operator has various disputed claims outstanding for the periods up to 2020, consisting of dry hole expenditure and other matters amounting to US\$3,809,000 (2019: US\$4,355,000). In 2020, the Government of Republic of Indonesia and SKK Migas have decided on the various disputed claims amounting to US\$1,638,000 in favor of the Operator. The remaining findings amounting to US\$3,809,000 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 recognised 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 2020

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 2021 is 7.5% (2020: 6.6%).

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 2020

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 letter from the Tax Office related to the underpayment of BPT (including penalties) for fiscal year 2009 amounting to US\$1,206,000. 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 letter to reject the Company objection letters. On 23 December 2015, the Company submitted an appeal letter to the Tax Court. On 31 December 2019, Tax Court accepted the Company's appeal letter and the tax refund has been received on the Company's bank account on 9 March 2020. On 8 June 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 letters to the Tax Office on 3 November 2015. On 2 November 2016, the Tax Office sent the letters to reject the Company's 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's appeal letters for fiscal years 2010, 2011, 2012 and 2013 and Novus UK has received tax refund for fiscal years 2010, 2011 and 2012 totaling US\$5,971,000.

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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. As at the completion date of these financial statements, Tax Court informed that Supreme Court accepted the Tax Office reconsideration request for fiscal years 2010, 2011, 2012 and 2013. The Company has refunded the tax refund for fiscal year 2010 and 2011 amounting to US\$4,160,000 to the Tax Office. In regard with the decision for fiscal year 2012 as mentioned above, the Company is required to return the 2012 refund to the Tax Office, hence the Company recognized the 2012 BPT refund of US\$1,811,000 as part of provision for outstanding tax cases under "Taxes payable" in the statement of financial position as of 31 December 2020. As of the completion date of these financial statements, the Company has not returned the 2012 BPT refund to the Tax Office, awaiting the billing letter from the Tax Office.

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 payment 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's 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 letter for underpaid 2015 BPT amounting to US\$210,000. The Company has made the payment on 25 April 2017 and sent the objection letter to the Tax Office on 12 June 2017. On 6 June 2018, the Tax Office sent the letter to reject the Company's objection letter. 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 2020 for the additional 10% rate on the BPT (approximately US\$4,285,000).

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 2020

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 2020 and 2019, 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 2020

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:

As at 31 December

	Less than one year US\$'000	More than one year US\$'000
2020		
Trade and other payables (Note 12)	1,597	-
Lease liabilities	167	27
Amounts owing to related entities (Note 16)	1	-
	<hr/>	<hr/>
2019		
Trade and other payables (Note 12)	1,864	-
Lease liabilities	278	148
Amounts owing to related entities (Note 16)	1	-
	<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.

NOVUS UK (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

18. Financial risk management (continued)

(e) Fair values (continued)

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.

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.

Lease liabilities

Lease liabilities are estimated using a discounted cash flow model.

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 2020, 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

- a. On 16 September 2021, the participating interest holders of Kakap PSC agreed to submit an application for termination of Kakap PSC operations in 2022. On 11 October 2021, SEKL as the Operator of Kakap PSC has sent the application letter to SKK Migas on behalf of the participating interest holders of Kakap PSC. As at the completion date of these financial statements, there has been no response received from SKK Migas.

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.

- b. On 30 November 2021, the Company received the decision from the Supreme Court which accepted reconsideration request submitted by Tax Office in relation to underpayment of BPT for fiscal year 2012 amounting to US\$1,811,000. Further details are disclosed in Note 17(c).