

NOVUS UK (KAKAP) LIMITED

DIRECTORS' AND AUDITORS' REPORTS AND ACCOUNTS

31 DECEMBER 2002

Registered Number 707927



NOVUS UK (KAKAP) LIMITED

Directors' Report

The Directors present their annual report and the audited accounts for the year ended 31 December 2002.

Principal Activity and Review of Business

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

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

Production/Exploration

The Kakap PSC, in the West Natuna Sea, continues to deliver as a core asset, although lower oil production was evident during 2002. Production averaged 1,302 bopd (1,545 bopd in 2001), the decrease was primarily a result of natural decline, but also maintenance operations which occurred during the year. The impact of this decline was offset by strong deliveries from the West Natuna Gas scheme which averaged a production rate of 1,086 boepd, more than twice the 2001 average of 450 boepd.

2002 was a year of consolidation on the development efforts & costs associated with the West Natuna gas scheme & accordingly no exploration wells were drilled. Indeed the exploration effort centered on improving the existing knowledge base regarding the Kakap North area.

NOVUS UK (KAKAP) LIMITED

Directors' Report (continued)

Results

The results for the year are summarised below:

	2002 US\$'000	2001 US\$'000
Turnover	22,613	16,759
Profit on ordinary activities before taxation	6,247	5,813
Tax on profit on ordinary activities	(3,113)	(2,857)
Profit for the year	3,134	2,956

Dividends

During the year no dividend was paid or declared (2001: nil).

Fixed Assets

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

Likely Future Developments

There are no additional immediate developments that are likely to have a material impact on the operations of the Company although the Company is continually reviewing opportunities for growth and development. In the opinion of the Directors, further information on the evaluations may prejudice the interests of the Company if included in this report.

Directors and their Interests

The directors who served during the year were:

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

None of the directors had any interest in the shares of the Company at 31 December 2002 or at the date of signing this report.

Messrs. Williams and Hornabrook are Directors of Novus Petroleum Limited, the ultimate parent company, and accordingly their and their families' interests in the ordinary shares of that company are disclosed in its accounts.

NOVUS UK (KAKAP) LIMITED

Directors' Report (continued)

Creditor Payment Policy and Practice


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

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

Auditors

Ernst & Young LLP was re-appointed as the Company's auditor in accordance with the elective resolution passed by the Company under section 386 Companies Act 1985.

By order of the Board



K. J. Goodwin
Secretary
34 South Molton Street
LONDON W1K 5RG

October 23, 2003

NOVUS UK (KAKAP) LIMITED

Statement of Directors' Responsibilities in Respect of the Accounts

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

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOVUS UK (KAKAP) LIMITED

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

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Ernst & Young LLP
Registered Auditor
London

23 October 2003

NOVUS UK (KAKAP) LIMITED

Profit and Loss Account

For the Year Ended 31 December 2002

	NOTES	2002 US\$'000	2001 US\$'000
Turnover	3	22,613	16,759
Cost of sales	4	<u>(16,369)</u>	<u>(10,964)</u>
Gross Profit		6,244	5,795
Dry hole costs		<u>-</u>	<u>-</u>
Operating Profit		6,244	5,795
Bank and third party interest received		<u>3</u>	<u>18</u>
Profit on ordinary activities before taxation		6,247	5,813
Tax on profit on ordinary activities	8	<u>(3,113)</u>	<u>(2,857)</u>
Profit for the year		<u><u>3,134</u></u>	<u><u>2,956</u></u>
Dividends		<u>-</u>	<u>-</u>
Retained Profit for the year		<u><u>3,134</u></u>	<u><u>2,956</u></u>

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

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

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

The notes on pages 8 to 13 are an integral part of this profit and loss account.

NOVUS UK (KAKAP) LIMITED

Balance Sheet

at 31 December 2002

	NOTES	2002 US\$'000	2001 US\$'000
Fixed Assets			
Tangible assets	9	38,830	43,357
		<u>38,830</u>	<u>43,357</u>
Current Assets			
Cash		647	1,089
Debtors	10	12,882	5,610
Stock	11	846	843
		<u>14,375</u>	<u>7,542</u>
Total Current Assets			
		<u>14,375</u>	<u>7,542</u>
Current Liabilities			
Creditors - amounts falling due within one year	12	(5,179)	(5,600)
		<u>9,196</u>	<u>1,942</u>
Net Current Assets			
		<u>9,196</u>	<u>1,942</u>
Total Assets Less Current Liabilities			
		<u>48,026</u>	<u>45,299</u>
Provisions for liabilities and charges	13	(17,802)	(18,209)
		<u>30,224</u>	<u>27,090</u>
Represented by:			
Capital and Reserves			
Called up share capital	14	2	2
Paid in capital	17	16,297	16,297
Profit and loss account	18	13,925	10,791
Shareholders' Funds - equity interests		<u>30,224</u>	<u>27,090</u>

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

K. J. Goodwin

K. J. Goodwin
Director

The notes on pages 8 to 13 are an integral part of this Balance Sheet.

NOVUS UK (KAKAP) LIMITED

Notes to the Accounts

1) Principal Accounting Policies

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

(a) Basis of preparation of accounts

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

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

(b) Joint Ventures

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

(c) Oil and Gas expenditure

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

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

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

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

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

(d) Deferred Taxation

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

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

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

NOVUS UK (KAKAP) LIMITED

Notes to the Accounts (continued)

(e) Foreign Currencies

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

2) Related Party Transactions

Certain services were provided by Novus Management Services Pty Limited, a related company. A service charge of US\$ 156,409 has been included in the accounts to reflect the services provided by that company (2001 US\$ 101,373).

3) Operating Revenue

Sales of crude oil, which are stated net of value added tax are recorded on the entitlement method. Differences between actual production and entitlements result in a receivable when underlifting occurs and a payable when overlifting occurs.

Under the terms of the Kakap Production Sharing Contract, the Company is required to sell certain amounts of crude to the government of Indonesia at prices provided for in the contract. The Company has recorded revenue from such sales based on latest realised prices from sales of crude to third parties. The resulting difference is treated as a royalty expense which is included in cost of sales.

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

4) Cost of Sales

	2002 US\$'000	2001 US\$'000
Operating Costs	4,527	4,131
Royalty Expense	5,714	1,026
Depreciation, depletion and amortisation	5,809	4,496
Other	319	1,311
	<u>16,369</u>	<u>10,964</u>

5) Employee Information

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

6) Directors' Remuneration

The Directors who served during the year ended 31 December 2002 received no fees or remuneration for their services as directors of the company (2001 – \$Nil)

Mr K Goodwin and Mr J Hornabrook are directors of Novus UK (Indonesian Holdings) Ltd, (the parent undertaking) in whose accounts information required by the Companies Act 1985 as to emoluments is given.

NOVUS UK (KAKAP) LIMITED

Notes to the Accounts (continued)

7) Auditors' Remuneration

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

8) Tax on Profit on Ordinary Activities

The tax charge is made up as follows:

	2002 US\$'000	2001 US\$'000
<i>Current Tax:</i>		
UK Corporation Tax on Profits of the Period	2,002	1,881
Double Tax relief	(2,002)	(1,875)
	-	6
Foreign Tax	3,520	2,293
Total current tax	3,520	2,299
<i>Deferred Tax:</i>		
Origination and reversal of timing differences (note 13)	(407)	558
Tax on profit on Ordinary Activities	3,113	2,857

Factors affecting the tax charge for the period

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

	2002 US\$'000	2001 US\$'000
Profit/(Loss) on ordinary activities before tax	6,247	5,813
Profit on ordinary activities multiplied by the standard rate of corporation tax for the company of 45% (2001: 45%)	2,811	2,616
<i>Effect of:</i>		
Expenses not deductible for tax purposes	(75)	241
Depreciation in excess of capital allowances	784	(558)
Current tax charge for the period	3,520	2,299

NOVUS UK (KAKAP) LIMITED

Notes to the Accounts (continued)

9) Fixed Assets - Tangible Assets

	2002	2001
	US\$'000	US\$'000
Interests in Petroleum Properties		
At 1 January	79,567	79,024
Additions	18	543
At 31 December	<u>79,585</u>	<u>79,567</u>
Depreciation, depletion and amortisation		
At 1 January	53,854	51,576
Charge for the year	2,868	2,278
At 31 December	<u>56,722</u>	<u>53,854</u>
Net Book Value at 31 December	<u><u>22,863</u></u>	<u><u>25,713</u></u>
Property, Plant and Equipment		
At 1 January	37,770	36,006
Additions	1,264	1,764
At 31 December	<u>39,034</u>	<u>37,770</u>
Accumulated Depreciation		
At 1 January	20,126	17,908
Charge for the year	2,941	2,218
At 31 December	<u>23,067</u>	<u>20,126</u>
Net Book Value at 31 December	<u><u>15,967</u></u>	<u><u>17,644</u></u>
Total Net Book Value at 31 December	<u><u>38,830</u></u>	<u><u>43,357</u></u>

10) Debtors

	2002	2001
	US\$'000	US\$'000
Trade debtors	2,460	1,673
Fellow subsidiary undertakings	9,694	2,489
Other	728	1,448
	<u>12,882</u>	<u>5,610</u>

11) Stock

	2002	2001
	US\$'000	US\$'000
Warehouse stock and drilling materials	<u>846</u>	<u>843</u>

NOVUS UK (KAKAP) LIMITED

Notes to the Accounts (continued)

12) Creditors - Amounts Falling Due Within One Year

	2002 US\$'000	2001 US\$'000
Corporation Tax Creditor	3,455	875
Trade Creditors	1,724	4,725
	<u>5,179</u>	<u>5,600</u>

13) Provisions for Liabilities and Charges

	Deferred Taxation	
	2002 US\$'000	2001 US\$'000
The movements in deferred taxation during the current and previous years are as follows:		
At 1 January	18,209	17,651
Charge for the year	(407)	558
At 31 December	<u>17,802</u>	<u>18,209</u>

The potential liability for deferred taxation is:

	2002 US\$'000	2001 US\$'000
Accelerated capital allowances	15,751	16,580
Deferred Branch Profit Tax Liability	2,051	1,629
	<u>17,802</u>	<u>18,209</u>

All of which has been provided for in the accounts for the year ended 31 December 2002

14) Share Capital

	2002 US\$'000	2001 US\$'000
Authorised, allotted, called up and fully paid 1,000 ordinary shares of £1 translated at the 31 December 1982 rate of exchange of US\$1.62/£1	<u>2</u>	<u>2</u>

NOVUS UK (KAKAP) LIMITED

Notes to the Accounts (continued)

15) Ultimate Parent Undertaking

The Directors regard Novus Petroleum Limited of Sydney, Australia, a company incorporated in Australia, as the ultimate parent undertaking as of 31 December 2002 and whose principal place of business is at 321 Kent Street, Sydney 2000, Australia. The consolidated accounts of the Group are available to the public and may be obtained from that address.

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

16) Commitments

The Company conducts substantially all of its operations through memberships of a number of joint venture. 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.

In terms of specific commitments, at the end of 2002, the company was committed to drilling one exploration well before the end of 2005 (total commitment of \$1.35m).

17) Paid in Capital

Net amounts payable to British Petroleum Company p.l.c. (BP) and its affiliates of \$16,297 thousand (2001: \$16,297 thousand) were waived immediately prior to the acquisition by Oryx from BP on 1 January 1990. Such amounts have been treated as paid in capital.

18) Profit for the Year

	2002 US\$'000	2001 US\$'000
At 1 January	10,791	7,835
Profit for the year	3,134	2,956
Dividends	-	-
At 31 December	<u>13,925</u>	<u>10,791</u>

19) Reconciliation of Movements in Shareholder's Funds

	2002 US\$'000	2001 US\$'000
At 1 January	27,090	24,134
Profit for the year	3,134	2,956
At 31 December	<u>30,224</u>	<u>27,090</u>