

COMPANY NUMBER: 3418736

AMERADA HESS (MALAYSIA-PM 304) LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2003



AMERADA HESS (MALAYSIA-PM 304) LIMITED

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AMERADA HESS (MALAYSIA-PM 304) LIMITED

COMPANY INFORMATION

Directors

M C Hughes
A G Lodge
H Paver

Secretary

R M Harwood

Registered Office

33 Grosvenor Place
London
SW1X 7HY

Bankers

JP Morgan Chase
125 London Wall
London
EC2Y 5AJ

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Principal Shareholder

Amerada Hess Exploration & Production Corporation
The Corporation Trust Company
Corporation Trust Center
1209 Orange Street
Wilmington
DE 19801

AMERADA HESS (MALAYSIA-PM 304) LIMITED

REPORT OF THE DIRECTORS

The Directors submit their report and audited accounts for the year ended 31 December 2003.

Principal Activities

The Company's principal activity is, and will continue to be, the exploration for and the production of oil and natural gas in Malaysia.

Results and Dividends

The results of the Company are set out in detail on page 5. The Directors are unable to recommend the payment of a dividend (2002 - nil), leaving a loss of US\$ 6,174,793 (2002 - loss US\$ 5,833,102) to be taken to reserves.

The Company's share holder has entered into an agreement to dispose of 100% of its holding in the Company. This is subject to a number of conditions prior to completion.

Directors

The Directors who served throughout the year, unless otherwise specified, were as follows:

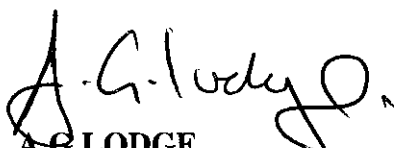
M C Hughes
A G Lodge
R M Mew (resigned 12 May 2003)
H Paver

None of the Directors at the year end hold, or have ever held, any beneficial interests in the shares of the Company, the immediate parent company or any fellow subsidiary undertakings.

Auditors

In accordance with Section 386 (1) of the Companies Act 1985, an elective resolution to dispense with the obligation to re-appoint auditors was passed on 14 May 2002. Accordingly Ernst & Young LLP shall be deemed to be re-appointed auditors annually until further notice.

For and on behalf of the Board


A G LODGE
Director

28 May 2004

AMERADA HESS (MALAYSIA-PM 304) 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 judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that the accounts comply with the above requirements. 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 AUDITOR'S REPORT TO THE MEMBERS OF AMERADA HESS
(MALAYSIA-PM 304) LIMITED**

We have audited the Company's financial statements for the year ended 31 December 2003 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 13. 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 opinion 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 applicable 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.

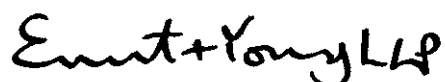
Basis of audit opinion

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 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG LLP

Registered Auditor

London

28 May 2004

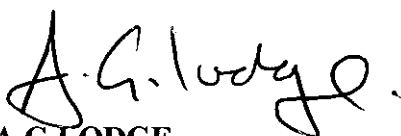
AMERADA HESS (MALAYSIA-PM 304) LIMITED**Profit and Loss Account****Year ended 31 December 2003**

	<u>Notes</u>	<u>2003</u> <u>US\$</u>	<u>2002</u> <u>US\$</u>
Cost of sales	2(a)	(6,009,028)	(5,882,439)
Administrative (expenses) / credit	2(b)	(164,171)	60,329
Other operating expenses	2(c)	(1,594)	(10,992)
		<hr/>	<hr/>
Loss on ordinary activities before tax	2	(6,174,793)	(5,833,102)
Tax on loss on ordinary activities	4	-	-
		<hr/>	<hr/>
Loss for the year	10	(6,174,793)	(5,833,102)
Accumulated deficit brought forward		(29,063,296)	(23,230,194)
		<hr/>	<hr/>
Accumulated deficit carried forward		(35,238,089)	(29,063,296)
		<hr/> <hr/>	<hr/> <hr/>

The retained losses for the years ended 31 December 2003 and 31 December 2002 comprise in each case all recognised gains and losses.

AMERADA HESS (MALAYSIA-PM 304) LIMITED**Balance Sheet****31 December 2003**

	<u>Notes</u>	<u>2003</u> <u>US\$</u>	<u>2002</u> <u>US\$</u>
FIXED ASSETS			
Intangible assets	5	487,380	5,443,634
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	6	11,424	767,796
Cash at bank and in hand		1,384	202,480
		<hr/>	<hr/>
TOTAL CURRENT ASSETS		12,808	970,276
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	7	(9,677,450)	(9,416,379)
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(9,664,642)	(8,446,103)
		<hr/>	<hr/>
NET LIABILITIES		(9,177,262)	(3,002,469)
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called-up share capital	9	10,908,827	10,908,827
Other distributable reserves	10	15,152,000	15,152,000
Profit and loss account		(35,238,089)	(29,063,296)
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS	10	(9,177,262)	(3,002,469)
		<hr/>	<hr/>

**A G LODGE****Director**

28 May 2004

AMERADA HESS (MALAYSIA-PM 304) LIMITED

Notes to the Accounts

31 December 2003

1 ACCOUNTING POLICIES

(a) **Accounting Convention**

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

(b) **Foreign Currencies**

The accounts are prepared in US Dollars, this being the functional currency of the Company.

Transactions in currencies other than US Dollars are recorded at the estimated rates ruling at the date of the transaction.

Monetary assets and liabilities denominated in currencies other than US Dollars are translated at the rate of exchange ruling at the balance sheet date. All gains and losses arising are included in the profit and loss account.

(c) **Exploration Costs**

Oil and gas exploration activities are accounted for using the successful efforts method. Costs of acquiring unproved and proved oil and gas leasehold acreage, including lease bonuses, brokers' fees and other related costs, are capitalised as intangible fixed assets.

Annual lease rentals and exploration expenses, including geological and geophysical expenses and exploratory dry hole costs, are charged against income as incurred.

(d) **Depreciation and Amortisation**

Depreciation of fixed assets, essentially office premises, furniture and equipment, is determined under the straight line method using a rate of 25%, designed to write assets off over the duration of the related Production Sharing Contract, or such shorter period as necessary.

(e) **Cash Flow Statement**

The ultimate parent company has published a group cash flow statement. The Company has taken advantage of the exemption under Financial Reporting Standard No.1 (Revised) and not presented a cash flow statement in these accounts.

(f) **Stocks**

Stocks of warehouse materials are stated at the lower of weighted average cost and net realisable value and are reflected in fixed assets.

(g) **Joint Ventures**

The operation of all of the oil and gas exploration activity is conducted through joint arrangements that are not entities. The appropriate share of costs of these joint arrangements is reflected in the Company accounts.

(h) **Pension Costs**

The cost of providing pension benefits is charged to the profit and loss account over the period benefiting from employees' services as disclosed in Note 3. The company operates a defined contribution fund.

AMERADA HESS (MALAYSIA-PM 304) LIMITED

Notes to the Accounts (Continued)

31 December 2003

1 ACCOUNTING POLICIES (Continued)

(i) Deferred Tax

Deferred taxation arises in respect of items where there is a timing difference between their treatment for accounting purposes and their treatment for taxation purposes. Provision is made for deferred taxation using the full provision method. Deferred tax assets are only recognised where, on the basis of all available evidence, it is more likely than not that there will be suitable taxable profits for which it could be recovered.

2	LOSS ON ORDINARY ACTIVITIES BEFORE TAX	<u>2003</u> US\$	<u>2002</u> US\$
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This is stated after charging:

(a)	In cost of sales:		
	Depreciation	72,671	141,282
	Exploration expense	1,802,314	2,026,334
	Dry hole costs	4,667,548	3,714,823
		<hr/>	<hr/>
(b)	In administrative (credit):		
	Auditor's remuneration - audit services	12,500	5,000
		<hr/>	<hr/>
(c)	In other operating expenses:		
	Gain on sale of assets	(6,607)	(580)
	Loss on assets written off	17,863	-
		<hr/>	<hr/>

3 DIRECTORS AND EMPLOYEES

(a) Directors

Emoluments of the Directors of the Company were nil.

AMERADA HESS (MALAYSIA-PM 304) LIMITED

Notes to the Accounts (Continued)

31 December 2003

3 DIRECTORS AND EMPLOYEES (Continued)

(b) Employees

	<u>2003</u> US\$	<u>2002</u> US\$
The aggregate employee payroll costs were:		
Wages and salaries	276,310	854,204
Social security costs	590	2,324
Other pension costs	32,476	101,522
	<u>309,376</u>	<u>958,050</u>

On a monthly average, 30 persons (2002 - 33 persons) were employed under full time employment contracts during the period 1 January 2003 to 31 March 2003. From 1 April 2003, the employees transferred to an affiliated company.

4 TAX ON LOSS ON ORDINARY ACTIVITIES

(a) Tax on loss on ordinary activities

No tax has been provided for the year (2002 - nil).

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2002 - 30%). The differences are reconciled below:

	<u>2003</u> US\$	<u>2002</u> US\$
Loss on ordinary activities before tax	(6,174,793)	(5,833,102)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002 - 30%)	(1,852,438)	(1,749,931)
Pre-trading expenditure	1,852,438	1,749,931
Total current tax	<u>-</u>	<u>-</u>

AMERADA HESS (MALAYSIA-PM 304) LIMITED**Notes to the Accounts (Continued)****31 December 2003****5 INTANGIBLE FIXED ASSETS**

	Exploration expenditure US\$
Cost	
At 1 January 2003	6,446,612
Additions at cost	92,896
Disposals / assets written off	(1,384,580)
Dry hole costs	<u>(4,667,548)</u>
At 31 December 2003	<u>487,380</u>
Depreciation	
At 1 January 2003	1,002,978
Provided during year	72,671
Disposals / assets written off	<u>(1,075,649)</u>
At 31 December 2003	<u>-</u>
Net Book Amounts	
At 1 January 2003	<u>5,443,634</u>
At 31 December 2003	<u>487,380</u>

6 DEBTORS	<u>2003</u> US\$	<u>2002</u> US\$
Trade debtors	-	684,292
Other receivables	11,424	83,504
	<u>11,424</u>	<u>767,796</u>

**7 CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

Trade creditors	9,098	-
Accruals	555,644	3,931,873
Amounts owed to group undertakings	9,112,708	5,484,506
	<u>9,677,450</u>	<u>9,416,379</u>

AMERADA HESS (MALAYSIA-PM 304) LIMITED

Notes to the Accounts (Continued)

31 December 2003

8 DEFERRED TAXATION

A deferred tax asset for pre-trading expenditure of US\$ 10,571,427 (2002 - US\$ 8,718,989) has not been recognised on the grounds that there is insufficient evidence that the asset will be recoverable. This asset would be recoverable to the extent that the expenditure is incurred within 6 years of the first day of trading and provided that there are sufficient taxable profits against which the asset could be offset.

9 SHARE CAPITAL

	<u>Authorised</u>	Allotted, called-up and <u>fully paid</u>
At 31 December 2003 and 2002:		
Ordinary shares of £1 each	2	2
Ordinary shares of US\$1 each	20,000,000	10,908,824
Preference shares of US\$1 each	5,000,000	-
	<hr/>	<hr/>
Translated to US Dollars		US\$ 10,908,827
		<hr/>

There were no share issues during the last two financial years.

The preference shares carry a dividend of 5% per annum of the amount paid up or credited as paid up share capital, payable yearly in arrears on 1 June in each year. The dividend rights are cumulative.

The preference shares carry no votes at meetings unless the dividend thereon is more than twelve months in arrears in which event each holder will be entitled to one vote on a show of hands or one vote per share on a poll.

On a winding up of the company, the preference shareholders have a right to receive, in preference to any payments to the ordinary shareholders, the amounts paid up on such shares together with all arrears of dividend plus any accrued dividend.

AMERADA HESS (MALAYSIA-PM 304) LIMITED

Notes to the Accounts (Continued)

31 December 2003

10 CAPITAL AND RESERVES

The movements in shareholders' funds were as follows:

	<u>Share Capital</u> US\$	<u>Other Distributable Reserves</u> US\$	<u>Profit and Loss Account</u> US\$	<u>Shareholders' Funds</u> US\$
At 1 January 2002	10,908,827	15,152,000	(23,230,194)	2,830,633
Loss for the year	-	-	(5,833,102)	(5,833,102)
At 1 January 2003	10,908,827	15,152,000	(29,063,296)	(3,002,469)
Loss for the year	-	-	(6,174,793)	(6,174,793)
At 31 December 2003	10,908,827	15,152,000	(35,238,089)	(9,177,262)

Other Distributable Reserves represent capital contributions from the Company's parent, Amerada Hess Exploration & Production Corporation.

11 PARENT COMPANY AND ULTIMATE PARENT COMPANY

The Company is a wholly owned subsidiary of Amerada Hess Exploration & Production Corporation, a company incorporated in the State of Delaware, United States of America. The parent undertaking of both the smallest and largest group for which group accounts are prepared is Amerada Hess Corporation, a company incorporated in the State of Delaware, United States of America.

Copies of their accounts can be obtained by application to the registered office of the Company: 33 Grosvenor Place, London SW1X 7HY.

12 FINANCIAL SUPPORT

Amerada Hess Exploration & Production Corporation has agreed to provide such finance to the Company as is necessary to enable it to meet its obligations as they fall due.

13 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in paragraph 3(c) of Financial Reporting Standard No.8 from disclosing transactions with related parties that are part of the Amerada Hess Corporation group.