

NOVUS UK (KAKAP) LIMITED

DIRECTORS' AND AUDITORS' REPORTS AND ACCOUNTS

31 DECEMBER 2007

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 2007

Principal Activity and Review of Business

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

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 Natuna Sea, continues to deliver steadily, with average production rates for the year 2007 of 1.08 Mbopd and 1.26 Mboepd for Oil and Gas, respectively

During 2007 only one Exploratory well, Pancing-1, was drilled in the Kakap Block. Pancing-1 was spudded on June 27, 2007 and was drilled to the Total Depth of 11,935' MD within Intra Lama Formation. The well was Plugged and Abandoned on August 15, 2007 as a non-commercial oil well.

Results

The results for the year are summarised below

	2007 US\$'000	Restated 2006 US\$'000
Turnover	36,822	28,158
Profit on ordinary activities before taxation	20,834	11,834
Tax on profit on ordinary activities	(8,459)	(9,753)
Profit for the year	12,375	2,081

Prior Year Restated

A prior year adjustment has been made to the accounts, see Note 12 to the accounts for details

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.

Subsequent Events

The directors have been notified that the ultimate parent company, PT Medco Energi Internasional Tbk, is considering an offer for its wholly owned subsidiary company, Medco Kakap Holdings Pte Ltd, whose wholly owned subsidiary companies include Novus UK (Kakap) Ltd.

On 23 May 2008, the company declared a dividend amounting to US\$9,979,707

NOVUS UK (KAKAP) LIMITED

Directors' Report (continued)

Principal risks and uncertainties

Price risk

Oil, gas and product prices are subject to international supply and demand. Political developments (especially in the Middle East) and the outcome of meetings of OPEC can particularly affect world supply and oil prices. In addition to the adverse effect on revenues, margins and profitability from any future fall in oil and natural gas prices, a prolonged period of low prices or other indicators would lead to a review for impairment of the group's oil and natural gas properties. This review would reflect management's view of long-term oil and natural gas prices. Such a review could result in a charge for impairment that could have a significant effect on the group's results of operations in the period in which it occurs.

Drilling and production risk

Exploration and production require high levels of investment and have particular economic risks and opportunities and may often involve innovative technologies. They are subject to natural hazards and other uncertainties, including those relating to the physical characteristics of an oil or natural gas field. The cost of drilling, completing or operating wells is often uncertain. The company may be required to curtail, delay or cancel drilling operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions and compliance with governmental requirements.

Directors and their interests

The Directors who served during the year were

James T. Hornabrook

Keith J. Goodwin

Rashid I. Mangunkusumo

None of the Directors had any interest in the shares of the Company at 31 December 2007 or at the date of signing this report.

Rashid I. Mangunkusumo is a Director of PT Medco Energi Internasional Tbk (MEDCO), the ultimate parent company, and accordingly his and his families' interest in the ordinary shares of the Company are disclosed in its accounts.

Creditor Payment Policy and Practice

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

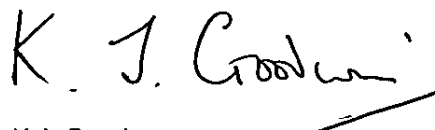
At 31 December 2007, the Company had an average of 8 days purchases outstanding in trade creditors.

Auditors

In accordance with the Companies Audit, Investigations and Enterprise Act 2004, so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware and each director has taken all the steps he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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
24 Esher Avenue,
Walton-on-Thames,
Surrey KT12 2TA
26 August 2008

NOVUS UK (KAKAP) LIMITED

Statement of Directors' Responsibilities in Respect of the Accounts

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these financial statements, the Directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgments and estimates that are reasonable and prudent,
- Ensure applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- Prepare the financial statements 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 that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements 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 NOVUS UK (KAKAP) LIMITED

We have audited the company financial statements (the "financial statements") of Novus UK (Kakap) Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Company Balance Sheet and the related notes 1 to 19. These financial statements have been prepared under 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of the Company's profit for the year then ended,
- The financial statements have been properly prepared in accordance with the Companies Act 1985, and
- The information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
London

28 August 2008

NOVUS UK (KAKAP) LIMITED

Profit and Loss Account

For the Year Ended 31 December 2007

	NOTES	2007 US\$'000	Restated 2006 US\$'000
Turnover	3	36,822	28,158
Cost of sales	4, 12	(15,988)	(16,324)
Gross profit / Operating profit		20,834	11,834
Profit on ordinary activities before taxation		20,834	11,834
Tax on profit on ordinary activities	8	(8,459)	(9,753)
Profit for the year	.	12,375	2,081

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

There were no recognised gains or losses other than those stated above

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

The notes on pages 7 to 12 are an integral part of this Profit and Loss Account

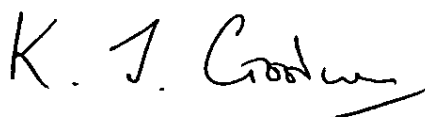
NOVUS UK (KAKAP) LIMITED

Balance Sheet

At 31 December 2007

	NOTES	2007 US\$'000	Restated 2006 US\$'000
Fixed Assets			
Tangible assets	9	21,374	20,242
Current Assets			
Cash		1,381	940
Debtors	10	22,418	9 002
Stocks	11	681	827
Total Current Assets		24,480	10,769
Current Liabilities			
Creditors – amounts falling due within one year	12	(15,461)	(13,604)
Net Current Assets / (Liabilities)		9,019	(2,835)
Total Assets Less Current Liabilities		30,393	17,407
Provisions for liabilities and charges	13	(3,001)	(2,390)
		27,392	15,017
Represented by			
Capital and Reserves			
Called up share capital	14	2	2
Profit and loss account	19	27,390	15,015
Shareholders' Funds – Equity Interest	19	27,392	15,017

Approved by the Board of Directors,
and signed on its behalf on 26 August 2008 by



K J Goodwin
Director

The notes on pages 7 to 12 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

In addition to the requirements of accounting standards, the accounts have been prepared in accordance with the Statement of Recommended Practice on "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities" issued by the Oil Industry Accounting Committee and updated 7 June 2001 (SORP), except the SORP recommends that oil and gas reserve quantities be disclosed. The Directors have elected not to publish this information for the Company

During the current year the Company identified that a correction was required in relation to the 2006 Creditor (Other) balance. This followed receipt of updated government audit findings regarding the refund of investment credit claims

The Company has restated the 2006 comparatives to show these corrections. The impact of the restatement is described in Notes 8, 12 and 19

(b) Joint Ventures

The Company conducts 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 Indonesian 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 on 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

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 PT Medco Energi Internasional Tbk (MEDCO), the ultimate parent company, in 2007. A service charge of US\$663 thousand has been included in the accounts to reflect the services provided by MEDCO (2006: US\$508 thousand).

3) Operating Revenues

Sales of crude oil, which are stated net of value added tax, are recorded on the entitlement method. When the volume of oil lifted is greater/(less) than the Company's entitlement, a payable/(receivable) accrues.

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. 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

	2007 US\$'000	2006 US\$'000
Operating costs	11,372	5,687
Depreciation, depletion and amortisation	3,702	6,210
Others	914	4,427
	<u>15,988</u>	<u>16,324</u>

5) Employee Information

The Company had no employees, other than Directors, during 2007 and 2006.

6) Directors' Remuneration

The Directors who served during the year ended 31 December 2007 received no fees or remuneration for their services as directors of the Company (2006: \$Nil).

7) Auditors' Remuneration

2007 auditors' remuneration (and fees for other services) is borne by MEDCO, the ultimate parent company.

Auditors' remuneration for the audit of the accounts of the Novus UK Group of Companies is:

2007 US\$'000	2006 US\$'000
21	29

NOVUS UK (KAKAP) LIMITED
Notes to the Accounts (continued)

8) Tax on Profit on Ordinary Activities

The tax charge is made up as follows

	2007 US\$'000	2006 US\$'000
<i>Current Tax</i>		
UK Corporation tax on profits of the year	7,196	4,851
Double tax relief	(7,168)	(4,813)
Overseas taxation	7,820	6,978
UK tax over provision in respect of previous years	-	(43)
Foreign tax under provision in respect of previous years	-	6,766
Total current tax	7,848	13,739
<i>Deferred Tax</i>		
Origination and reversal of timing differences	611	(1,081)
Under/(over) provision of deferred tax in previous years	-	(2,905)
Total deferred tax (note 13)	611	(3,986)
Tax on Profit on Ordinary Activities	8,459	9,753

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

	2007 US\$'000	Restated 2006 US\$'000
Profit on ordinary activities before tax	20,834	11,834
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	6,250	3,550
<i>Effect of</i>		
Depreciation in excess of capital allowances	1,117	1,868
Imputed interest income	103	109
Non taxable income	-	(66)
Group relief	(75)	(70)
Excess unrelieved foreign tax suffered	652	2,165
Other timing differences	(199)	(540)
UK tax over provision in respect of previous years	-	(43)
Foreign tax under provision in respect of previous years	-	6,766
Current tax charge for the year	7,848	13,739

NOVUS UK (KAKAP) LIMITED
Notes to the Accounts (continued)

9) Fixed Assets - Tangible Assets

	2007 US\$'000	2006 US\$'000
Interest in Petroleum Properties		
At 1 January	83,290	80,105
Additions	4,803	3,185
At 31 December	88,093	83,290
Depreciation, depletion and amortisation		
At 1 January	68,223	65,444
Charge for the year	2,399	2,779
At 31 December	70,622	68,223
Net Book Value at 31 December	17,471	15,067
Property and Equipment		
At 1 January	40,073	39,883
Additions	31	190
At 31 December	40,104	40,073
Accumulated Depreciation		
At 1 January	34,898	31,467
Charge for the year	1,303	3,431
At 31 December	36,201	34,898
Net Book Value at 31 December	3,903	5,175
Total Net Book Value at 31 December	21,374	20,242

10) Debtors

	2007 US\$'000	2006 US\$'000
Fellow subsidiary undertakings	11,270	3,904
Trade debtors	8,088	3,156
Others	3,060	1,942
	22,418	9,002

11) Stocks

	2007 US\$'000	2006 US\$'000
Warehouse stocks and drilling materials	681	827

NOVUS UK (KAKAP) LIMITED
Notes to the Accounts (continued)

12) Creditors – Amounts Falling Due Within One Year

	2007 US\$'000	Restated 2006 US\$'000
Trade creditors	6,857	4,455
Corporation tax creditor	1,461	1,342
Other	7,143	7,807
	<u>15,461</u>	<u>13,604</u>

A prior year adjustment has been processed to restate the 2006 Creditor (Other) balance. This was required following receipt of updated government audit findings regarding the refund of investment credit claims.

The impact of this restatement on the financial position of the Company on 1 January 2007 is to decrease Creditor (Other) balance by US\$ 1,799 thousand and increase profit and loss included within Capital and Reserves by US\$ 1,799 thousand.

13) Provision for Liabilities and Charges

The movements in deferred taxation during the current and previous years are as follows:

	Deferred Taxation 2007 US\$'000	2006 US\$'000
At 1 January	2,390	6,376
Charge for the year	611	(3,986)
At 31 December	<u>3,001</u>	<u>2,390</u>

The potential liability for deferred taxation is:

	2007 US\$'000	2006 US\$'000
Accelerated capital allowances	3,001	2,390
Deferred branch profit tax liability	-	-
At 31 December	<u>3,001</u>	<u>2,390</u>

A deferred tax asset of US\$5,837 thousand is not recognised due to the future uncertainty concerning the recognition of benefit.

14) Share Capital

	2007 US\$'000	2006 US\$'000
Authorised, allotted, called up and fully paid 1,000 ordinary shares of £1 translated at 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 MEDCO, whose principal place of business is at Graha Niaga Building, 16th Floor, Jalan Jenderal Sudirman, Kav 58, Jakarta 12190, Indonesia, as the ultimate parent undertaking at 31 December 2007. 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 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.

In terms of specific commitments, the Company is committed to drilling one exploration well before 22 March 2011 (with total commitment not less than US\$ 540 thousand).

17) Paid in Capital

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

On 24 May 2006, the Company transferred its entire paid in capital of US\$16,297 thousand to the profit and loss account.

18) Dividends

	2007 US\$'000	2006 US\$'000
Equity dividends on ordinary shares paid	-	20,804

19) Reconciliation of Movements in Shareholders' Funds

	2007 US\$'000	Restated 2006 US\$'000
At 1 January (as previously reported)	13,218	33,740
Prior year adjustment	1,799	-
At 1 January (adjusted)	15,017	33,740
Profit for the year	12,375	2,081
Dividends	-	(20,804)
At 31 December	27,392	15,017

20) Subsequent Events

The directors have been notified that the ultimate parent company, PT Medco Energi Internasional Tbk, is considering an offer for its wholly owned subsidiary company, Medco Kakap Holdings Pte Ltd, whose wholly owned subsidiary companies include Novus UK (Kakap) Ltd.

On 23 May 2008, the Company declared a dividend amounting to US\$9,979,707.