

**Registered Number 707927**

**NOVUS UK (KAKAP) LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2014**

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**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 Secretarial Services Limited  
5th Floor, 6 St Andrew Street,  
London EC4A 3AE  
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 of Novus UK (Kakap) Limited present the Strategic Report, their report and financial statements for the year ended 31 December 2014.

#### 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"). The Company owns a 13.5% working interest in the Kakap PSC.

#### Business Review and Future Developments

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 3,906 boepd in 2014 (3,661 boepd in 2013). Gas gross production averaged 4,309 boepd in 2014 (4,708 boepd in 2013).

Turnover in 2014 increased primarily due to increase in oil production in 2014 compared to production per year 2013. The average oil price in 2014 was US\$101.38/bbl (2013: US\$107.71/bbl) and the average gas price in 2014 was US\$18.09/mscf (2013: US\$20.03/mscf).

The results for the years ended 31 December 2014 and 31 December 2013 are summarized below:

	2014 US\$'000	2013 US\$'000	Change %
Turnover	29,655	29,569	+0.29
Profit on ordinary activities before taxation	6,010	16,408	-63.37
Tax on profit on ordinary activities	(11,595)	(6,741)	+72.01
(Loss)/profit for the year	(5,585)	9,667	-157.77

The Company's loss for the year after taxation was US\$5,585,000 in 2014 (2013: profit US\$9,667,000). On October 6, 2014, the Company's Board of Directors declared non-cash dividends amounting to US\$12,000,000 (2013: \$nil) to the shareholder, Novus UK (Indonesian Holdings) Limited. The non-cash dividends were recorded in November 2014 by offsetting the intercompany balances between the Company and the shareholder.

In 2014, Kakap PSC as the Operator completed the drilling activities for KRA South - 1 Reactivation and KRA - South 2 wells. Subsequently, in January 2015, the drilling activities for KRA - South 3 well were completed. As the results of KRA South - 1 Reactivation and KRA - South 3 were not economically favorable to the Company, management decided to suspend the reactivation activities in KRA South - 1 well, and plug and abandon KRA - South 3 well. Total costs incurred in 2014 for KRA South - 1 and KRA - South 3 wells amounting to US\$3,320,000 were charged to cost of sales.

**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 the 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 in a joint venture with a number of other companies, which have access to rigs and equipment.

*Competition*

There is strong competition within the petroleum industry for the identification and acquisition of properties considered to have hydrocarbon potential. The Company competes with other exploration and production companies, some of which have greater financial resources than the Company, for the acquisition of properties, leases and other interests as well as for the recruitment and retention of skilled personnel. The challenge to management is to secure transactions without having to over pay.

*Commodity prices, fiscal regimes and currency*

The market price of hydrocarbon products is volatile and cannot be controlled. If the price of hydrocarbon products should drop significantly, or the fiscal regime change for the worse, the economic prospects of the projects in which the Company has an interest could be significantly reduced or rendered uneconomic. Currently the Company has an indexed gas contract to supply gas until 2023 which will minimise the commodity price risk.

Exposure to foreign currency and commodity price risks arises in the normal course of the Company's business.

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

**Principal Risks and Uncertainties (continued)**

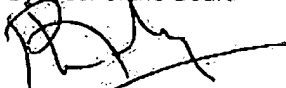
*Financing*

The development of the Company's property will depend upon the Company's ability to obtain financing through the joint venture of projects, debt financing through Star Energy Oil and Gas Pte. Ltd. or its subsidiaries, farm downs or by other means. There is no assurance that the Company will be successful in obtaining the required financing or attracting farminees. If the Company is unable to obtain additional financing as needed through the attraction of suitable farm-in partners, the interest in Kakap block may be relinquished and/or the scope of the operations reduced.

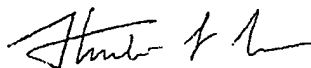
*Credit risk*

Credit risk arises from cash in banks as well as credit exposures from trade 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.

By order of the Board



Rudy Suparman  
Director



Hendra Soetjipto Tan  
Director

28 September 2015

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

The Directors present their directors' report for the year ended 31 December 2014.

**Directors**

The directors who served during the year and up to the date of the financial statements, unless otherwise noted, were:

Rudy Suparman  
Hendra Soetjipto Tan  
James Patrick Johnston Fairrie  
Spencer Harry Saffer

**Business Review and Future Developments**

The business review and future developments of the Company are discussed in the Strategic Report.

**Going Concern**

After reviewing the Company's budget and plans, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis in preparing the financial statements.

**Directors' indemnity**

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

**Disclosure of information to the auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and of the Company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

**Dividends**

On 6 October 2014, the Company's Board of Directors declared non-cash dividends amounting to US\$12,000,000 (2013: \$nil) to the shareholder, Novus UK (Indonesian Holdings) Limited. The non-cash dividends were recorded in November 2014 by offsetting the intercompany balances between the Company and the shareholder.

**NOVUS UK (KAKAP) LIMITED**

**REGISTERED NUMBER 707927**

**DIRECTORS' REPORT (CONTINUED)**

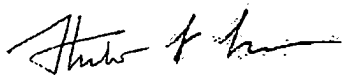
**Events since the Balance Sheet Date**

On 2 September 2015, the Company received tax assessment letters from the Tax Office related to the underpayment of the Branch Profit Tax ("BPT") for fiscal year 2010, 2011, 2012 and 2013 resulting from the difference between the tax rate and treaty rate, including the tax penalty, amounting to US\$7,417,000. The payment is due on 1 October 2015.

By order of the Board



**Rudy Suparman**  
Director



**Hendra Soetjipto Tan**  
Director

28 September 2015

**NOVUS UK (KAKAP) LIMITED**

**REGISTERED NUMBER 707927**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE  
FINANCIAL STATEMENTS**

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable 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). Under company law, the directors must not approve the financial statements unless they are satisfied that they 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 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 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 the 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.

The Directors confirm that they have complied with these requirements and, having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts.



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

We have audited the financial statements of Novus UK (Kakap) Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, 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.

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

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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.

**Ernst & Young LLP**

Jacqueline Ann Geary (Senior statutory auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor  
London

**29** September 2015

**NOVUS UK (KAKAP) LIMITED**  
**(Registered Number 707927)**  
**Profit and Loss Account**  
**For the Year Ended 31 December 2014**

	Notes	2014 US\$'000	2013 US\$'000
Turnover	3	29,655	29,569
Cost of sales	4	(23,292)	(13,584)
<b>Gross profit</b>		<b>6,363</b>	<b>15,985</b>
Other operating (loss)/income		(358)	593
<b>Operating profit</b>		<b>6,005</b>	<b>16,578</b>
Finance income/(expense)	5	5	(170)
<b>Profit on ordinary activities before taxation</b>		<b>6,010</b>	<b>16,408</b>
Tax on profit on ordinary activities	9	(11,595)	(6,741)
<b>(Loss)/profit for the year</b>	17	<b>(5,585)</b>	<b>9,667</b>

All of the Company's activities during the year are in respect of continuing operations.

The notes on pages 13 to 36 are an integral part of these financial statements.

**NOVUS UK (KAKAP) LIMITED**

**(Registered Number 707927)**

**Statement of Total Recognised Gains and Losses**

**For the Year Ended 31 December 2014**

	<b>2014</b>	<b>2013</b>
	<b>US\$'000</b>	<b>US\$'000</b>
(Loss)/profit for the year	<u>(5,585)</u>	<u>9,667</u>
Actuarial losses	(86)	(150)
<b>Total recognised (losses)/gains for the year</b>	<b><u>(5,671)</u></b>	<b><u>9,517</u></b>

The notes on pages 13 to 36 are an integral part of these financial statements.


**NOVUS UK (KAKAP) LIMITED**  
**(Registered Number 707927)**

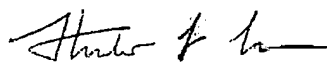
**Balance Sheet**

**At 31 December 2014**

		2014	2013
	Notes	US\$'000	US\$'000
<b>Fixed Assets</b>			
Tangible assets	10	17,007	19,225
Intangible assets		9	17
<b>Total Fixed Assets</b>		<u>17,016</u>	<u>19,242</u>
<b>Current Assets</b>			
Restricted cash in bank		13	115
Debtors:			
Amounts falling due after one year	2,11	37,664	46,151
Amounts falling due within one year	11	<u>7,839</u>	<u>5,957</u>
		45,503	52,108
Stocks	12	<u>2,075</u>	<u>982</u>
<b>Total Current Assets</b>		<u>47,591</u>	<u>53,205</u>
<b>Current Liabilities</b>			
Creditors - amounts falling due within one year	13	<u>(16,514)</u>	<u>(6,434)</u>
<b>Net Current Assets</b>		<u>31,077</u>	<u>46,771</u>
<b>Total Assets Less Current Liabilities</b>		<u>48,093</u>	<u>66,013</u>
 Creditors - amounts falling due after more than one year	 2,14	 (39)	 (25)
Provisions for liabilities and charges	15	<u>(3,413)</u>	<u>(3,676)</u>
<b>Net Assets</b>		<u>44,641</u>	<u>62,312</u>
 <b>Capital and Reserves</b>			
Called up share capital	16	2	2
Profit and loss account	17	44,639	62,310
<b>Shareholder's Funds - equity interests</b>	18	<u>44,641</u>	<u>62,312</u>

Approved by the Board of Directors, and signed on its behalf on 28 September 2015 by:

  
**Rudy Suparman**  
 Director

  
**Hendra Soetjipto Tan**  
 Director

The notes on pages 13 to 36 are an integral part of these financial statements.

## **NOVUS UK (KAKAP) LIMITED**

### **Notes to the Financial Statements**

#### **For the Year Ended 31 December 2014**

##### **1) Significant Accounting Policies**

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

##### **(a) Basis of Preparation**

The financial statements of Novus UK (Kakap) Limited were approved for issue by the Board of Directors on 28 September 2015.

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 that the SORP recommends that oil and gas reserve quantities be disclosed and recommends that overlift or underlift balances when material should be reflected by adjusting cost of sales. The Directors have elected not to publish the reserves quantities for the Company for confidentiality reasons and over or underlift balances are adjusted in revenue in line with the group accounting policy.

##### **(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.

*Capitalization Policy* - Acquisition costs are capitalized 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 capitalized initially; however, if it is determined that an exploratory well does not contain proved reserves, such capitalized costs are charged to expense, as dry hole costs, at that time. Development costs are capitalized. Costs incurred to operate and maintain wells and equipment and to lift oil and gas to the surface are generally expensed.

## **NOVUS UK (KAKAP) LIMITED**

### **Notes to the Financial Statements**

#### **For the Year Ended 31 December 2014**

##### **1) Significant Accounting Policies (continued)**

###### **(c) Oil and Gas Expenditure (continued)**

*Depreciation, Depletion and Amortization* - All capitalized 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.

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 removing facilities, abandoning wells and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the future expenditure required to settle the restoration obligation at the balance sheet date, based on current legal requirements and is recognised as part of "Petroleum Properties". Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at the balance sheet date with a corresponding change in the cost of the associated asset.

The amount of the provision for future restoration costs relating to exploration, development and production facilities is capitalised and depleted as a component of the cost of those activities.

###### **(d) Oil and gas assets**

Oil and gas assets are usually single oil or gas fields being developed for future production or which are in the production phase. Where several individual oil or gas fields are to be produced through common facilities the individual oil or gas fields and the associated production facilities are managed and reported as a single oil and gas asset.

###### ***Assets under construction***

When the technical and commercial feasibility of an undeveloped oil or gas field is being developed for future production, the costs of oil and gas assets in the development phase are separately accounted for as oil and gas assets and include past exploration and evaluation costs, development drilling and other sub-surface expenditures, surface plant and equipment and any associated buildings. When commercial operation commences, the accumulated costs are transferred to oil and gas assets - producing assets.

## **NOVUS UK (KAKAP) LIMITED**

### **Notes to the Financial Statements**

#### **For the Year Ended 31 December 2014**

#### **1) Significant Accounting Policies (continued)**

##### **(d) Oil and gas assets (continued)**

###### ***Producing assets***

The costs of oil and gas assets in production are separately accounted for as oil and gas assets and include past exploration and evaluation costs, pre-production development costs and the ongoing costs of continuing to develop reserves for production and to expand or replace plant and equipment and any associated land and buildings. These costs are subject to depreciation and depletion in accordance with note 1(c).

###### ***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.

##### **(e) Trade and other receivables**

Trade and other receivables are initially recognised at fair value, which in practice is the equivalent of cost, less any impairment losses. Trade receivables are non-interest bearing and settlement terms are generally within 30 days.

Trade and other receivables are assessed for indicators of impairment at each balance sheet date. Where a receivable is impaired the amount of the impairment is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the receivable is reduced through the use of an allowance account. Changes in the allowance account are recognised in the profit and loss account.



## **NOVUS UK (KAKAP) LIMITED**

### **Notes to the Financial Statements**

#### **For the Year Ended 31 December 2014**

##### **1) Significant Accounting Policies (continued)**

###### **(f) 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 creditors: amounts falling due within one year on the balance sheet.

Cash in bank balances which are restricted for use as stipulated under the terms of the loan agreement are presented as "Restricted cash in Bank".

###### **(g) Stocks**

Stocks are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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 stocks 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 stocks at each reporting date.

###### **(h) Trade and other payables**

Trade and other payables are initially recognised at fair value, and subsequently carried at amortized cost using the effective interest method.

###### **(i) Provisions**

Provisions are recognised in the balance sheet 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 balance sheet 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.

**NOVUS UK (KAKAP) LIMITED**

**Notes to the Financial Statements**

**For the Year Ended 31 December 2014**

**1) Significant Accounting Policies (continued)**

**(i) Provisions (continued)**

***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 capitalized 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 the profit and loss account.

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.

***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.

## **NOVUS UK (KAKAP) LIMITED**

### **Notes to the Financial Statements**

#### **For the Year Ended 31 December 2014**

#### **1) Significant Accounting Policies (continued)**

##### **(i) Provisions (continued)**

##### ***Employee compensation (continued)***

##### **(ii) Long-term employee benefits (continued)**

Actuarial gains and losses for defined benefit plans are recognised in full in the period in which they occur in the statement of total recognised gains and losses ("STRGL") in accordance with FRS 17 "Retirement Benefits" and are not reclassified to profit or loss in subsequent periods.

Unvested past service costs previously recognised over the average vesting period are recognised immediately in profit or loss when incurred.

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.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Operator recognises the following changes in the net defined benefit obligation under "Pension Cost" in the statement of profit or loss (by function).

- Service cost comprising current service cost, past-service cost, gains and losses on curtailments and non-routine settlements.
- Net interest expense or income.

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 profit and loss account and the Company recognises its share of such items.

##### **(iii) 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 statement of total recognised gains and losses.

##### **(j) Turnover**

Sales of crude oil, which are stated net of value added tax, are recorded on the entitlement method. Differences between the actual liftings of crude oil and gas result in a receivable when entitlements exceed liftings of crude oil and gas (under lifting position) and in a payable when liftings of crude oil and gas exceed entitlement (over lifting position). Under/ over lifting volumes are valued based on the annual weighted average sales price for crude oil (i.e. Indonesian Crude Price - "ICP") and gas (i.e. contract prices).

# **NOVUS UK (KAKAP) LIMITED**

## **Notes to the Financial Statements**

### **For the Year Ended 31 December 2014**

#### **1) Significant Accounting Policies (continued)**

##### **(k) Deferred Taxation**

Deferred tax is recognised 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.

##### **(l) 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.

##### **(m) Leasing and Hire Purchase Commitments**

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the shorter of the lease term and the date of the next rent review.

#### **2) Related Party Transactions**

As at 31 December, the Company has the following receivables from and payables to parent and fellow subsidiary undertakings.

	Relationship with the Related Parties	2014 US\$'000	2013 US\$'000
<b>Receivable (note 11)</b>			
Kakap Holdings Pte. Ltd.	Indirect parent undertaking	34,407	34,366
Novus UK (Indonesian Holdings) Limited	Immediate parent undertaking	2,952	11,171
Other		305	614
		<b>37,664</b>	<b>46,151</b>
<b>Payable (note 14)</b>			
Other		39	25
<b>Total</b>		<b>39</b>	<b>25</b>

Receivables from related parties are unsecured, non-interest bearing and are due to be settled in cash after more than twelve months from the reporting date.

# **NOVUS UK (KAKAP) LIMITED**

## **Notes to the Financial Statements**

### **For the Year Ended 31 December 2014**

#### **3) Turnover**

	<b>2014</b> <b>US\$'000</b>	<b>2013</b> <b>US\$'000</b>
Product sales:		
Crude oil	9,722	9,293
Gas and ethane	19,933	20,276
<b>Total turnover</b>	<b>29,655</b>	<b>29,569</b>

Crude oil sales are generally sold under short-term contract to BP Singapore Pte. Ltd. and generally do not require collateral from the counter party. Natural gas is sold under Supply Gas Agreement between Kakap PSC and other gas producers to SembCorp Gas Pte. Ltd.

Under the terms of the Kakap PSC, the Company is required to supply the pro rata share of current Indonesian domestic crude oil requirements (Domestic Market Obligation - "DMO") up to a maximum of 6.7% of the total crude production out of their equity oil production. The Company receives the prevailing market price per DMO barrel for the first five years of production from each new field under the terms of the Kakap PSC. Thereafter, the Company will receive 15% of the weighted average price per barrel of all crude oil produced.

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 its entire turnover is derived from such operations.

#### **4) Cost of Sales**

	<b>2014</b> <b>US\$'000</b>	<b>2013</b> <b>US\$'000</b>
Operating costs	18,666	9,397
Depreciation, depletion and amortization	3,049	2,565
Operating lease payments	1,213	1,124
Pension cost	364	498
<b>Total Cost of Sales</b>	<b>23,292</b>	<b>13,584</b>

Operating lease payments for Floating Storage and Offloading (FSO) unit rental services charged to profit and loss account amounted to US\$1,213,000 and US\$1,124,000 for the years ended 31 December 2014 and 2013, respectively.

#### **5) Finance (income)/expense**

	<b>2014</b> <b>US\$'000</b>	<b>2013</b> <b>US\$'000</b>
Unwinding of discount on decommissioning provision	(5)	170
<b>Total Finance (income)/expense</b>	<b>(5)</b>	<b>170</b>

#### **6) Auditor's Remuneration**

The Company incurred US\$40,000 as fees to its auditor in respect to the 2014 (2013: US\$28,000) audit of the Company financial statements.

The Company did not incur any other costs in relation to services from the auditors.

## **NOVUS UK (KAKAP) LIMITED**

### **Notes to the Financial Statements**

#### **For the Year Ended 31 December 2014**

**7) Employee Information**

Other than Directors, the Company has no employees during 2014 and 2013.

**8) Directors' Remuneration**

The Company entered into an agreement with Aspect Financial Limited ("Aspect") (previously ATC Corporate Services (UK) Limited) under a contract for the provision of director services for two (2) directors. The fees paid to Aspect for director services during 2014 amounted to US\$8,000 (2013: US\$4,000).

Two (2) of the directors of the Company received remuneration from Star Energy (Kakap) Ltd., the operator of Kakap PSC. The Company's portion of remuneration based on the working interest in Kakap PSC amounts to US\$309,000 in 2014 (2013: US\$379,000). 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.

**9) Tax on Profit on Ordinary Activities**

The tax charge is made up as follows:

	<b>2014</b> <b>US\$'000</b>	<b>2013</b> <b>US\$'000</b>
Current tax:		
UK Corporation tax on profits for the year	3,948	4,843
Double tax relief	(3,797)	(4,633)
Foreign tax under provision (note 20)	8,647	-
Overseas taxation	3,147	5,685
<b>Total current tax charge</b>	<b>11,945</b>	<b>5,895</b>
Deferred tax:		
Origination and reversal of timing differences	(350)	846
<b>Total deferred tax (credit)/charge (note 15)</b>	<b>(350)</b>	<b>846</b>
<b>Total tax charge</b>	<b>11,595</b>	<b>6,741</b>

**Factors affecting the current 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:

**NOVUS UK (KAKAP) LIMITED**

**Notes to the Financial Statements**

**For the Year Ended 31 December 2014**

**9) Tax on Profit on Ordinary Activities (continued)**

**Factors affecting the current tax charge for the year (continued)**

	<b>2014</b> <b>US\$'000</b>	<b>2013</b> <b>US\$'000</b>
Current tax:		
Profit on ordinary activities before tax	6,010	16,408
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23% for the period up to 31 March 2014 and 21% for the period to 31 December 2014 (24% for the period up to 31 March 2013 and 23% for the period to 31 December 2013)	1,292	3,815
Effect of:		
Depreciation in excess of capital allowances	655	603
Imputed interest income	152	210
Impact of higher foreign taxes	(650)	1,054
Foreign tax under provision (note 20)	8,647	
Other timing and permanent differences	1,849	213
<b>Total current tax charge for the year</b>	<b>11,945</b>	<b>5,895</b>

**10) Fixed Assets - Tangible Assets**

	<b>Petroleum Properties US\$'000</b>	<b>Property and Equipment US\$'000</b>	<b>Total US\$'000</b>
<b>Cost</b>			
At 1 January 2014	98,855	43,180	142,035
Additions	6,043	59	6,102
<b>At 31 December 2014</b>	<b>104,898</b>	<b>43,239</b>	<b>148,137</b>
<b>Depreciation and impairment</b>			
At 1 January 2014	83,981	38,829	122,810
Charge for the year	2,974	67	3,041
Impairment loss	5,279	-	5,279
<b>At 31 December 2014</b>	<b>92,234</b>	<b>38,896</b>	<b>131,130</b>
<b>Net Book Value</b>			
At 31 December 2014	12,664	4,343	17,007
At 31 December 2013	14,874	4,351	19,225

Impairment loss amounting to US\$5,279,000 is the result of an impairment assessment which includes discounted cash flow using an estimated discount rate of 8.75% and annual growth projection for the years 2015 to 2024.

**NOVUS UK (KAKAP) LIMITED**

**Notes to the Financial Statements**

**For the Year Ended 31 December 2014**

**11) Debtors**

	<b>2014</b> <b>US\$'000</b>	<b>2013</b> <b>US\$'000</b>
Related parties (note 2)	37,664	46,151
Trade debtors	4,049	3,921
Other debtors	3,790	2,036
<b>Total</b>	<b>45,503</b>	<b>52,108</b>

Amounts due from related parties of US\$37,664,000 (2013: US\$46,151,000) are due after more than one year.

**12) Stocks**

	<b>2014</b> <b>US\$'000</b>	<b>2013</b> <b>US\$'000</b>
Warehouse stocks and drilling materials	2,075	982
<b>Total</b>	<b>2,075</b>	<b>982</b>

The difference between the carrying value of stocks and their replacement cost is not material.

**13) Creditors - Amounts Falling Due Within One Year**

	<b>2014</b> <b>US\$'000</b>	<b>2013</b> <b>US\$'000</b>
Trade creditors	8,272	5,041
Non-trade creditors	478	282
Corporation tax creditor	7,764	1,111
<b>Total</b>	<b>16,514</b>	<b>6,434</b>

Corporation tax creditor in 2014 mainly represents payable for Branch Profit Tax for fiscal year 2010 until 2013 (note 20).

**14) Creditors - Amounts Falling Due After One Year**

	<b>2014</b> <b>US\$'000</b>	<b>2013</b> <b>US\$'000</b>
Creditors - related parties (note 2)	39	25
<b>Total</b>	<b>39</b>	<b>25</b>



**NOVUS UK (KAKAP) LIMITED**

**Notes to the Financial Statements**

**For the Year Ended 31 December 2014**

**15) Provision for Liabilities and Charges**

	<b>2014</b> <b>US\$'000</b>	<b>2013</b> <b>US\$'000</b>
Provision for employee benefits	1,503	1,127
Provision for decommissioning	821	1,057
Deferred tax liabilities	1,089	1,492
<b>At 31 December</b>	<b>3,413</b>	<b>3,676</b>

Reconciliation of movements in provisions during the year is as follows:

	<b>Employee Benefits US\$'000</b>	<b>Decommissioning US\$'000</b>	<b>Deferred Tax US\$'000</b>	<b>Total US\$'000</b>
At 1 January 2014	1,127	1,057	1,492	3,676
Charge for the year	376	-	(350)	26
Charge to statement of recognised gains and losses	-	-	(53)	(53)
Unwinding of discount on decommissioning	-	(5)	-	(5)
Escrow account	-	(231)	-	(231)
<b>At 31 December 2014</b>	<b>1,503</b>	<b>821</b>	<b>1,089</b>	<b>3,413</b>

**Provision for employee benefits**

Net employee defined benefit liability represents:

	<b>2014</b> <b>US\$'000</b>	<b>2013</b> <b>US\$'000</b>
Pre-retirement benefit	50	44
Other long-term benefit	23	24
Post-employment benefit	1,430	1,059
	<b>1,503</b>	<b>1,127</b>

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.

## **NOVUS UK (KAKAP) LIMITED**

### **Notes to the Financial Statements**

#### **For the Year Ended 31 December 2014**

##### **15) Provision for Liabilities and Charges (continued)**

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 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.

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 2014 and 2013, in its reports dated 17 February 2015 and 21 April 2014, respectively, using the "Projected Unit Credit" method with the following assumptions:

	<b><u>2014</u></b>	<b><u>2013</u></b>
Salary increment rate	10% p.a.	10% p.a.
Discount rate	8.00% p.a.	8.75% p.a.
Mortality rate	100% TMI** 3	100% TMI** 3
Disability rate	5% TMI 3	5% TMI 3
Resignation rate	2.5% p.a. until age 35 then decrease linearly into 0% at age 58*	2.5% p.a. until age 33 then decrease linearly into 0% at age 58*
Proportion of normal retirement	100%	100%

\* Starting 2010, the Operator, Star Energy (Kakap) Limited, used retiring age of 58 in compliance with SKKMIGAS letter No. KEP-058/BP00000/ 2010/SO issued in 2010.

\*\* Tabel Mortalita Indonesia

The following tables summarize the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective benefits:

##### **Pre-retirement benefits**

Net benefit expense (recognised in profit or loss):

	<b><u>2014</u></b>	<b><u>2013</u></b>
	<b><u>US\$'000</u></b>	<b><u>US\$'000</u></b>
Current service cost	5	8
Interest cost	4	5
<b>Net benefit expense</b>	<b>9</b>	<b>13</b>

**NOVUS UK (KAKAP) LIMITED**

**Notes to the Financial Statements**

**For the Year Ended 31 December 2014**

**15) Provision for Liabilities and Charges (continued)**

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

	<b>2014</b>	<b>2013</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Defined benefit obligation at 1 January	44	66
Current service cost	5	8
Interest cost	4	5
Actuarial changes arising from experience adjustment	(5)	(47)
Actuarial changes arising from changes in financial assumptions	3	35
Foreign exchange	(1)	(23)
<b>Defined benefit obligation at 31 December</b>	<b>50</b>	<b>44</b>

**Other long-term benefits**

Net benefit expense (recognised in profit or loss):

	<b>2014</b>	<b>2013</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Current service cost	3	3
Interest cost	2	(2)
Actuarial changes arising from experience adjustment	(1)	1
Actuarial changes arising from changes in financial assumptions	1	(3)
<b>Net benefit expense</b>	<b>5</b>	<b>(1)</b>

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

	<b>2014</b>	<b>2013</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Defined benefit obligation at 1 January	24	42
Current service cost	3	3
Interest cost	2	1
Actuarial changes arising from experience adjustment	(1)	(3)
Actuarial changes arising from changes in financial assumptions	1	(2)
Foreign exchange	(6)	(17)
<b>Defined benefit obligation at 31 December</b>	<b>23</b>	<b>24</b>

# **NOVUS UK (KAKAP) LIMITED**

## **Notes to the Financial Statements**

### **For the Year Ended 31 December 2014**

**15) Provision for Liabilities and Charges (continued)**

**Provision for employee benefits (continued)**

**Post-employment benefits**

Net benefit expense (recognised in profit or loss):

	<b>2014</b>	<b>2013</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Current service cost	287	390
Interest cost	90	96
<b>Net benefit expense</b>	<b>377</b>	<b>486</b>

2014 changes in the defined benefit obligation and fair value of plan assets:

	Defined benefit obligation US\$'000	Fair value of plan assets US\$'000	Benefit liability US\$'000
Defined benefit obligation at 1 January	1,895	(836)	1,059
Current service cost	287	-	287
Interest cost	162	(72)	90
Foreign currency exchange rate (gain)/loss	(26)	11	(15)
Benefits paid	(128)	-	(128)
Return on plan assets (excluding amounts included in net interest expenses)	-	7	7
Actuarial changes arising from experience adjustment	(5)	-	(5)
Actuarial changes arising from changes in financial assumptions	135	-	135
<b>Defined benefit obligation at 31 December</b>	<b>2,320</b>	<b>(890)</b>	<b>1,430</b>

2013 changes in the defined benefit obligation and fair value of plan assets:

	Defined benefit obligation US\$'000	Fair value of plan assets US\$'000	Benefit liability US\$'000
Defined benefit obligation at 1 January	1,949	-	1,949
Current service cost	390	-	390
Interest cost	119	(23)	96
Foreign currency exchange rate (gain)/loss	(552)	158	(394)
Benefits paid	(152)	-	(152)
Return on plan assets (excluding amounts included in net interest expenses)	-	4	4
Actuarial changes arising from experience adjustment	62	-	62
Actuarial changes arising from changes in financial assumptions	79	-	79
Contribution by employer	-	(975)	(975)
<b>Defined benefit obligation at 31 December</b>	<b>1,895</b>	<b>(836)</b>	<b>1,059</b>

**NOVUS UK (KAKAP) LIMITED**

**Notes to the Financial Statements**

**For the Year Ended 31 December 2014**

**15) Provision for Liabilities and Charges (continued)**

**Provision for employee benefits (continued)**

**Post-employment benefits (continued)**

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 all other assumptions were held constant. A quantitative sensitivity analysis for significant assumptions as at 31 December 2014 is as shown below:

**Pre-retirement benefits**

		<b>Impact on the net defined benefit obligation (US\$'000)</b>
Discount rates	+1%	(4)
	-1%	4
Future salary increases	+1%	4
	-1%	(4)

**Other long-term benefits**

		<b>Impact on the net defined benefit obligation (US\$'000)</b>
Discount rates	+1%	(1)
	-1%	1
Future salary increases	+1%	1
	-1%	(1)

**Post-employment benefits**

		<b>Impact on the net defined benefit obligation (US\$'000)</b>
Discount rates	+1%	(178)
	-1%	198
Future salary increases	+1%	192
	-1%	(176)

**NOVUS UK (KAKAP) LIMITED**

**Notes to the Financial Statements**

**For the Year Ended 31 December 2014**

**15) Provision for Liabilities and Charges (continued)**

**Provision for employee benefits (continued)**

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period (deterministic method).

The following payments are expected contributions to be made in the next five years and the aggregate for five years thereafter out of the defined benefit plan obligation as follows:

**Pre-retirement benefits**

	Amount (US\$'000)
Between 2 and 5 years	24
Beyond 5 years	96
<b>Total expected payments</b>	<b>120</b>

The average duration of the defined benefit pension plan at the end of the reporting period is 9.69 years

**Other long-term benefits**

	Amount (US\$'000)
Within the next 12 months (next annual reporting period)	1
Between 2 and 5 years	19
Beyond 5 years	59
<b>Total expected payments</b>	<b>79</b>

The average duration of the defined benefit pension plan at the end of the reporting period is 9.69 years.

**NOVUS UK (KAKAP) LIMITED**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2014**

**15) Provision for Liabilities and Charges (continued)**

**Provision for employee benefits (continued)**

**Post-employment benefits**

	<b>Amount (US\$'000)</b>
Within the next 12 months (next annual reporting period)	85
Between 2 and 5 years	1,226
Beyond 5 years	2,079
	<hr/> 3,390 <hr/>

The average duration of the defined benefit pension plan at the end of the reporting period is 9.69 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 2014 and 2013, the Company has contributed the funds amounted to US\$58,000 and US\$64,000, respectively, charged to current year profit and loss account.

The plan assets are quoted in active market (money market investments) and the Company portion amounted to US\$890,000 (2013: US\$836,000).

**Provision for decommissioning**

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 2020. 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.

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.

Discount rates of 4.78% were used in the calculation of the provisions as at 31 December 2014 and 2013.

As of 31 December 2014 and 2013, the escrow accounts for Kakap PSC are placed in PT Bank Mandiri (Persero) Tbk.

# **NOVUS UK (KAKAP) LIMITED**

## **Notes to the Financial Statements**

### **For the Year Ended 31 December 2014**

**15) Provision for Liabilities and Charges (continued)**

**Deferred tax liabilities**

The deferred tax included in balance sheet comprises:

	<b>2014</b>	<b>2013</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Accelerated capital allowances	2,221	3,405
Other	(1,132)	(1,913)
<b>At 31 December</b>	<b>1,089</b>	<b>1,492</b>

Deferred tax assets of US\$15,225,000 as of 31 December 2014 (2013: US\$14,537,000) are not recognised due to the uncertainty concerning the recognition of future profits.

In UK tax computation, the tax charge can be offset by tax suffered in Indonesia. As the tax suffered in Indonesia has historically been greater than the UK tax, an excess has been built up over time and carried forward in the UK tax computation to be used if the UK tax charge was greater than the Indonesian tax charge in future years. The unrecognised deferred tax asset relates to this excess Indonesian tax. It is unrecognised as it is a reasonable assumption that the Indonesian tax charge will continue to be greater than the UK tax charge in future years.

**16) Share Capital**

	<b>2014</b>	<b>2013</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Authorized, allotted, called up and fully paid 1,000 ordinary shares of £1 translated at 31 December 1982 rate of exchange rate of US\$1.6175/£1	2	2

**17) Reconciliation of Capital and Reserves**

	<b>Share capital</b>	<b>Profit and Loss</b>	<b>Total</b>
	<b>US\$'000</b>	<b>account</b>	<b>US\$'000</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>At 1 January 2013</b>	<b>2</b>	<b>52,793</b>	<b>52,795</b>
Profit for the year	-	9,667	9,667
Actuarial loss, net of income tax effect	-	(150)	(150)
<b>At 31 December 2013</b>	<b>2</b>	<b>62,310</b>	<b>62,312</b>
Loss for the year	-	(5,585)	(5,585)
Actuarial loss, net of income tax effect	-	(86)	(86)
Dividend declared and distributed	-	(12,000)	(12,000)
<b>At 31 December 2014</b>	<b>2</b>	<b>44,639</b>	<b>44,641</b>



**NOVUS UK (KAKAP) LIMITED**

**Notes to the Financial Statements**

**For the Year Ended 31 December 2014**

**17) Reconciliation of Capital and Reserves (continued)**

On 6 October 2014, the Company's Board of Directors declared non-cash dividends amounting to US\$12,000,000 (2013: \$nil) to the shareholder, Novus UK (Indonesian Holdings) Limited. The non-cash dividends were recorded in November 2014 by offsetting the intercompany balances between the Company and the shareholder.

**18) Reconciliation of Movement in the Profit and Loss Account**

	2014 US\$'000	2013 US\$'000
At 1 January	62,310	52,793
(Loss)/profit for the year	(5,585)	9,667
Actuarial losses	(86)	(150)
Dividend declared and distributed	(12,000)	-
At 31 December	<u>44,639</u>	<u>62,310</u>

**19) Obligations under Operating Lease Agreements**

Total future minimum rentals payable under non-cancellable leases relating to floating storage and offloading ("FSO") contracts for each of the following periods are as follows:

	2014 US\$'000	2013 US\$'000
Not later than one year	1,250	1,250
After one year but not more than five years	4,861	6,135
	<u>6,111</u>	<u>7,385</u>

**20) Commitments and Contingencies**

**Government Audit Claim**

The accounting policies specified in the Kakap 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. 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 2013, the joint venture had various disputed claims outstanding for the periods up to 2012, consisting of severance payment and other matters amounting to US\$99,000. As at 31 December 2014, these disputed claims have been resolved.

## **NOVUS UK (KAKAP) LIMITED**

### **Notes to the Financial Statements**

#### **For the Year Ended 31 December 2014**

#### **20) Commitments and Contingencies (continued)**

##### **Significant disputes**

The following disputes are current contingencies faced by the operator of Kakap PSC and may result in future liabilities 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.
- (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 Singaporean dollar \$13,218,265, which is equivalent to US\$10,012,000 as at 31 December 2014 (2013: US\$10,441,000).

As of the completion date of these financial statements, there is no further progress on the above cases 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 dates.

##### **Gas Supply Agreement**

On 15 January 1999, Pertamina has entered into a Gas Supply Agreement ("GSA") with SembCorp Gas Pte. Ltd. as the buyer.

Under the GSA, Pertamina as the seller agrees 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 agrees to take or pay, 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 have entered into a Gas Supply Agreement ("GSuA") in which under such GSuA, each supplier agrees to make gas available to Pertamina based on each market share of the gas suppliers, to enable Pertamina fulfilling its commitment under the GSA. Kakap PSC's market share for year 2015 is 14.0% (2014: 14.52%).

##### **Provision for 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.

## **NOVUS UK (KAKAP) LIMITED**

### **Notes to the Financial Statements**

#### **For the Year Ended 31 December 2014**

#### **20) Commitments and Contingencies (continued)**

##### ***Provision for Branch Profit Tax ("BPT") (continued)***

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 December 31, 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.

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.

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, and at the completion date of the financial statements, no decision letter has been received from 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 2007 and 2014 for the additional 10% rate on the BPT (approximately US\$4,045,000).

In August 2014, the Company received tax assessment letters from the Tax Office related to the underpayment of corporate income tax and BPT for fiscal year 2009 resulting from the difference between the tax rate and treaty rate, including the tax penalty, amounting to US\$1,230,000. The Company made the payment on 14 August 2014 and sent an objection letter to the Tax Office on 3 October 2014. As at the completion date of the financial statements, no decision letter has been received from the Tax Office.

## **NOVUS UK (KAKAP) LIMITED**

### **Notes to the Financial Statements**

#### **For the Year Ended 31 December 2014**

##### **20) Commitments and Contingencies (continued)**

###### **Provision for Branch Profit Tax ("BPT") (continued)**

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 resulting from the difference between the tax rate and treaty rate, including the tax penalty, amounting to US\$7,417,000. The payment is due on 1 October 2015.

The Company has recognized a tax payable for BPT fiscal year 2010 until 2013 amounting to US\$ 7,417,000 (note 13).

###### **Senior Term Loan Facility Agreement**

On 7 December 2012, the ultimate shareholder of the Company, Star Energy Investment Ltd. ("SEIL") entered into a US\$121,000,000 Acquisition Bridge Facilities Agreement ("Bridge Loan Facility") with DBS Bank Ltd. ("DBS") ("Lender") for the purposes of financing the acquisition of 100% shares in Star Energy Holdings Limited, which owns 40.46% shares in Star Energy Group Holdings Pte. Ltd.

On 1 February 2013, part of the Bridge Loan Facility amounting to US\$58,000,000 ("Bridge Loan Facility A") was pushed down and novated to Star Energy (Kakap) Limited ("SEKL") and Star Energy (Kakap) Holdings Limited ("SEKHL").

On 1 February 2013, SEKL and SEKHL (or together referred to as "the Borrowers") entered into a US\$60,000,000 Senior-Term Loan Facility Agreement ("New Loan") with DBS with the utilization on 8 February 2013 amounting to US\$60,000,000.

The purpose of the loan is to repay Bridge Loan Facility A and any fees, stamp and expenses in connection with the Facility or Finance documents. The New Loan will be repaid on quarterly basis with the initial repayment date in May 2013 and the latest repayment date will be in February 2018. Interest is charged at 4.5% plus LIBOR.

The New Loan is guaranteed by the following related parties:

- Novus UK (Indonesian Holdings) Limited (Original Guarantor)
- Novus Petroleum Canada (Indonesian Holdings) Limited (Original Guarantor)
- Star Energy Kakap Holdings Limited (Original Guarantor)
- Star Energy (Kakap) Ltd. (Original Guarantor)
- Natuna UK (Kakap 2) Limited (Original Guarantor)
- Novus UK (Kakap) Limited (Original Guarantor)
- Novus Petroleum Canada (Kakap) Ltd. (Original Guarantor)
- Novus Nominees Pty. Ltd. (Original Guarantor)
- Kakap Holdings Pte. Ltd. (Original Guarantor)

In 2014, the Borrowers made a total principal payment of US\$19,090,000 including voluntary repayment of US\$10,000,000 on 12 February 2014. After the voluntary repayment, the last repayment date of the New Loan will be in August 2017.

###### **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 the Financial Statements**

**For the Year Ended 31 December 2014**

**21) Immediate and Ultimate Parent Undertakings**

The immediate and ultimate holding companies are Novus UK (Indonesian Holdings) Limited, a company incorporated in United Kingdom and Star Energy Oil and Gas Pte. Ltd., a company incorporated in Singapore.

Star Energy Oil and Gas Pte. Ltd. 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.

**22) Events since the Balance Sheet Date**

On 2 September 2015, the Company received tax assessment letters from the Tax Office related to the underpayment of the Branch Profit Tax ("BPT") for fiscal year 2010, 2011, 2012 and 2013 resulting from the difference between the tax rate and treaty rate, including the tax penalty, amounting to US\$7,417,000. The payment is due on 1 October 2015.