

**NOVUS UK (INDONESIAN HOLDINGS) LIMITED**

**DIRECTORS' AND AUDITORS' REPORTS AND ACCOUNTS**

**31 DECEMBER 1997**

**Registered Number 212729**



# NOVUS UK (INDONESIAN HOLDINGS) LIMITED

## Directors' Report

The Directors present their report and the audited group consolidated accounts for the year ended 31 December 1997.

### **Business Review**

Novus UK (Indonesian Holdings) Limited (Company) is the parent company of Novus UK (Kakap) Limited, Novus UK (Kakap 2) Limited, Novus UK (Malacca Strait) Limited, and Novus UK (South East Sumatra) Limited. These wholly owned subsidiaries own interests in certain Indonesian production sharing contracts under which they are entitled to participate in oil and gas exploration and production projects.

### **KAKAP PSC**

#### **Production**

The Kakap PSC, in the West Natuna Sea, has continued to deliver as a true core asset. New investment has partially offset the natural decline in the four initial producing fields (KH, KF, KG and KRA). Three, single-well subsea fields (KR, KRN and KG-5AX) have been commissioned together with a successful exploration well, Nelayan, drilled from the KG platform and therefore able to be tied in immediately. An infill well in KG was also successful. Average net production in 1997 was 6,143 bopd, compared to 7,812 bopd in 1996.

Already the Kakap JV has acquired another 3D seismic survey in the block which is targeted on deeper, possibly gas bearing horizons around and beneath currently producing fields. This survey should also enable us to identify infill locations in the current fields and satellite oil prospects. An encouraging start was made to the exploration programme when Nelayan-1, a complex, deviated exploration well, was drilled from the KG platform and encountered stacked oil reservoirs. This was followed up with a successful appraisal, Ketam-1, of the KRA-2X discovery made in 1992. This field has been renamed KRA-South and we are currently working on its development plan as a subsea tie-back to the KRA platform.

A multi-well drilling campaign commenced in November using a floating rig and success was delivered with the first well, Lokan-1. The campaign will run well into 1998 targeting oil prospects similar to those brought on stream this year, as well as deeper gas.

#### **Development**

1997 saw increased activity that set the foundations for solid future growth in the PSC. Perhaps the most significant event of the year was the Memorandum of Understanding (MOU) between Pertamina, the Indonesian state oil company that administers all PSCs, and gas customers in Singapore. The MOU stipulates the main conditions for sales from three PSCs located in the Natuna Sea, of which Kakap is one. This follows a major collaborative effort on the part of the three PSC operators (Gulf Indonesia, Conoco and Premier) to market the gas jointly. It will lead to the first ever international export of gas by pipeline from Indonesia. A 550km pipeline will be built to Singapore. The initial contract will be for 2.6 tcf of gas, of which Kakap will contribute 20% (520 bcf). Naturally, with the market established, the Kakap JV has a strong incentive to search for more gas and we believe that much more may be found. First delivery of the gas is scheduled for 2000 and in keeping with our expectation of future gas sales growth, the platform and export line will be designed to allow increased throughput for a low incremental investment, when required.

## **NOVUS UK (INDONESIAN HOLDINGS) LIMITED**

### **Directors' Report (continued)**

#### **MALACCA STRAIT PSC**

##### **Production**

The Indonesian government has agreed to extend the Malacca Strait PSC to 2020 with improved terms applying from 1 January 1997.

Net production in 1997 has held up well at 2,466 bopd compared to 2,728 bopd in 1996. This has been despite the JV's reluctance to invest in long term projects pending renewal of the PSC. Now that tenure over Malacca Strait PSC is assured, the JV has plans to improve production through a series of initiatives. Firstly, an extensive 3D seismic survey is planned to locate new exploration targets and identify infill drilling targets in current fields. Secondly, drilling on larger exploration structures that could not be developed prior to 2000 has commenced. Thirdly, recent testing of the Menggala, a hitherto unproduced formation, has yielded very encouraging flows. Since many of our existing fields overlie potential Menggala reservoirs, they will be cheap and quick to develop if further testing is successful. And finally, gas exploration has been rejected in the past because of a lack of market and the requirement for long term planning. With the PSC renewal, and plans for a pipeline between Sumatra and Batam Island (and possibly on to Singapore), the JV now sees future opportunities for gas exploration once market conditions become more settled.

#### **SOUTH EAST SUMATRA PSC**

##### **Production**

Net production in 1997 at 2,924 bopd was similar to the 1996 level of 2,875 bopd—a remarkable performance given that the PSC is now in its thirtieth year. Emphasis during the year was on maximising production and minimising costs. Techniques included the continued use of existing infrastructure to allow low cost tie-ins of small accumulations, further infill drilling and the use of horizontal well technology.

Six small new oil fields were brought on production during the year. These comprise Vita, Aryani and Chesy in the Widuri area; and Lita, North Wanda and SW Wanda in the central part of the PSC. The SW Wanda Fields incorporate reserves discovered by the West Wanda-1 exploration well drilled in December 1996 and continues the operator's very impressive track record of taking fields from discovery to first production in less than a year.

Exploration in the PSC was curtailed during the year to accommodate the emphasis on development drilling. In total some 34 development wells were drilled in 1997 and over a third of these were horizontal wells in the northern fields. Horizontal drilling technology enables the well bore to access substantially more of the reservoir section and leads to much higher production rates than would be possible with conventional holes. A similar work program has been planned for 1998, with three drilling rigs working continuously for almost the entire year with the emphasis on development wells.

##### **Future Developments**

Since the end of 1997, the Company has sold a subsidiary company, Novus UK (South East Sumatra) Limited, whose net assets at 31 December 1997 were \$ 6,819,745 for a consideration of \$ 11,511,784.

# NOVUS UK (INDONESIAN HOLDINGS) LIMITED

## Directors' Report (continued)

### Results

The group consolidated results for the year ended 31 December 1997 with comparatives for the six months ended 31 December 1996 are summarised below:

	December 1997 US\$'000	December 1996 US\$'000
Turnover	82,843	50,839
Profit on ordinary activities before taxation	17,470	10,689
Tax on profit on ordinary activities	(6,749)	(5,769)
Profit for the year / period	10,721	4,920

### Dividends

The following dividends declared in respect of the year ending 31 December 1996 or prior were paid during the year:

An interim dividend of AUD\$ 6,900,000 declared by the Directors in respect of the year ending 31 December 1995 was paid in January 1997.

An interim dividend of US\$ 2,000,000 declared by the Directors in respect of the year ending 31 December 1996 was paid in January 1997.

The following dividends have been declared in respect of the year ending 31 December 1997:

The Directors declared an interim dividend of US\$ 28.2752 per share amounting to US\$ 3,000,000 to be paid to Novus UK (Indonesian Holdings) Limited no later than 31 August 1997. This dividend was paid in August 1997.

The Directors have declared a further interim dividend of US\$ 65.9755 per share amounting to US\$ 7,000,000 to be paid to Novus UK (Indonesian Holdings) Limited no later than 30 April 1998. This dividend was paid in April 1998.

The Directors do not recommend payment of a final dividend in respect of 1997.

### 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 Group although the Company is continually reviewing opportunities for growth and development. In the opinion of the Directors, further information on these evaluations may prejudice the interests of the Company if included in this report.

# NOVUS UK (INDONESIAN HOLDINGS) LIMITED

## Directors' Report (continued)

### Directors and their Interests

The Directors who served during the year / period were:

Jim T. Hornabrook	appointed	18 May 1995
Keith J. Goodwin	appointed	3 August 1995
Robert C. Williams	appointed	18 May 1995

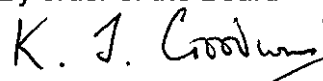
None of the Directors had any interest in the share capital of the Company at 31 December 1997 or at the date of signing this report.

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

### Elective Regime

In accordance with the resolution passed on 2 September 1996 the Company has dispensed with the requirement to hold general meetings after 1996, or to lay accounts before the Company in general meeting after 1996 pursuant to Sections 366A and 252 of the Companies Act 1985 (as amended) respectively and having satisfied the provisions of Section 386 of the Companies Act (as amended) a resolution to exempt the Company from the obligation to appoint auditors annually as otherwise required by Section 384 of the Act was also passed on that date.

By order of the Board



K. J. Goodwin  
Secretary  
40 Lime Street  
LONDON EC3M 5BS

July 27<sup>th</sup>, 1998

## **NOVUS UK (INDONESIAN HOLDINGS) LIMITED**

### **Statement of Directors' Responsibilities**

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

**NOVUS UK (INDONESIAN HOLDINGS) LIMITED****Group Consolidated Profit and Loss Account****Year Ended 31 December 1997****(Comparative : Six Month Period Ended 31 December 1996)**

	NOTES	December 1997 US\$'000	December 1996 US\$'000
<b>Turnover</b>	3	82,843	50,839
Cost of sales	4	(64,948)	(40,227)
<b>Gross Profit</b>		17,895	10,612
Dry hole costs	9	(267)	(79)
<b>Operating Profit</b>		17,628	10,533
Exchange loss		(396)	0
Net interest received from a Fellow Subsidiary		238	156
<b>Profit on ordinary activities before taxation</b>	7	17,470	10,689
Tax on profit on ordinary activities	8	(6,749)	(5,769)
<b>Profit for the year / period</b>		10,721	4,920
Retained Profit brought forward		23,384	20,464
Dividend		(10,000)	(2,000)
<b>Retained Profit carried forward</b>	19	24,105	23,384

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

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

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

The notes on pages 9 to 16 are an integral part of this profit and loss account.

**NOVUS UK (INDONESIAN HOLDINGS) LIMITED**

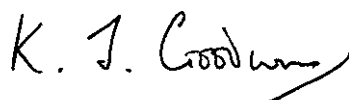
**Group Consolidated Balance Sheet**

**31 December 1997**

**(Comparative : 31 December 1996)**

	<b>NOTES</b>	<b>December 1997 US\$'000</b>	<b>December 1996 US\$'000</b>
<b>Fixed Assets</b>			
Tangible assets	9	66,349	60,833
<b>Current Assets</b>			
Debtors	10	15,379	27,641
<b>Current Liabilities</b>			
Creditors - amounts falling due within one year	11	(7,653)	(16,391)
Provisions	12	(7,000)	(7,109)
<b>Net Current Assets</b>		726	4,141
<b>Total Assets Less Current Liabilities</b>		67,075	64,974
Provisions for liabilities and charges	13	(26,502)	(25,122)
		40,573	39,852
<b>Capital and Reserves</b>			
Called up share capital	14	171	171
Paid in capital	18	16,297	16,297
Profit and loss account	19	24,105	23,384
		40,573	39,852

Approved by the Board of Directors  
on July 27<sup>th</sup>, 1998 and signed on its behalf by



K. J. Goodwin  
Director

The notes on pages 9 to 16 are an integral part of this Balance Sheet



**NOVUS UK (INDONESIAN HOLDINGS) LIMITED**

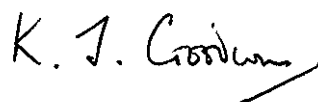
**Company Balance Sheet**

**31 December 1997**

**(Comparative : 31 December 1996)**

	<b>NOTES</b>	<b>December 1997 US\$'000</b>	<b>December 1996 US\$'000</b>
<b>Fixed Assets</b>			
Investment in Subsidiaries	16	<u>26,515</u>	<u>26,515</u>
<b>Current Assets</b>			
Debtors	10	<u>4,137</u>	<u>12,558</u>
<b>Current Liabilities</b>			
Creditors - amounts falling due within one year	11	<u>(1,987)</u>	<u>(10,915)</u>
Provisions	12	<u>(7,000)</u>	<u>(7,109)</u>
<b>Net Current Liabilities</b>		<u>(4,850)</u>	<u>(5,466)</u>
<b>Total Assets Less Current Liabilities</b>		21,665	21,049
<b>Capital and Reserves</b>			
Called up share capital	14	171	171
Paid in capital		16,297	16,297
Profit and loss account	19	<u>5,197</u>	<u>4,581</u>
		<u>21,665</u>	<u>21,049</u>

Approved by the Board of Directors  
on July 27~~th~~, 1998 and signed on its behalf by



K. J. Goodwin  
Director

The notes on pages 9 to 16 are an integral part of this Balance Sheet

## **NOVUS UK (INDONESIAN HOLDINGS) LIMITED**

### **Notes to the Group Consolidated Accounts**

#### **1) Principal Accounting Policies**

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

**(a) Basis of preparation of accounts**

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

The group consolidated accounts contain the accounts of the Company after elimination of intercompany balances. The Company's interests in its wholly owned subsidiaries are fully consolidated. The accounts of the subsidiaries are prepared on an annual basis using consistent accounting policies.

The Company has taken advantage of the exemption given in FRS 1 "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 prepared by the Ultimate Parent Undertaking.

As permitted by Section 230 of Companies Act 1985, the Company's profit and loss account has not been included in these accounts. The amount of the Company profit for the year ended 31 December 1997 and the six months ended 31 December 1996 included in the accounts of the group consolidated profit is US\$ 10,616 thousand and US\$ 6,969 thousand respectively.

**(b) Joint ventures**

The Company conducts the majority of its exploration, development and production activities in association with other companies. The accounts reflect those shares of costs which the Company has incurred under its various joint operating agreements. Revenues are recognised on a similar basis.

**(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.

**Leasehold Impairment** - Costs of unproved properties which are determined to be impaired are charged to the profit and loss account in the current period.

## **NOVUS UK (INDONESIAN HOLDINGS) LIMITED**

### **Notes to the Group Consolidated Accounts (continued)**

Depreciation, Depletion and Amortisation - The acquisition costs of proved properties are depleted by the unit-of-production method based on proved reserves. Other capitalised costs of proved properties are depreciated by the unit-of-production method based on proved developed reserves.

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

Termination - 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 is made for dismantlement, restoration, abandonment or salvage values.

#### **(d) Deferred Taxation**

Deferred tax is calculated by applying the liability method. Provisions are made when timing differences are expected to reverse in the foreseeable future.

#### **(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 are taken to the profit and loss account.

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

Novus Finance Pty Limited maintains a cash account for the benefit of the Company and other subsidiaries of the Ultimate Parent Undertaking. All costs related to and interest earned from this cash account have been transferred to the subsidiaries of the Company with the exception of interest costs associated with the financing of the acquisition of Novus UK (Kakap 2) Limited of US\$ 367,539 (six months ending 31 December 1996 US\$ 400,170).

### **3) Operating Revenue**

Sales of crude oil are recorded using the entitlement method. Differences between actual production and entitlements result in a receivable when underlifting occurs and a payable when overlifting occurs.

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

# NOVUS UK (INDONESIAN HOLDINGS) LIMITED

## Notes to the Group Consolidated Accounts (continued)

### 4) Cost of Sales

Cost of sales consisted of the following:

	Consolidated	
	December 1997 US\$'000	December 1996 US\$'000
Operating Costs	15,880	7,545
Royalty Expense	32,193	25,703
DD&A	13,782	5,445
Other	3,093	1,534
	<u>64,948</u>	<u>40,227</u>

### 5) Employee Information

The Company had no employees, other than directors, during the year ended to 31 December 1997 and the six months to 31 December 1996. Certain services were provided by Novus Management Services Pty Limited, a related company, on behalf of the Group. A service charge of US\$ 900,987 has been included in the group accounts to reflect the services provided by this Company (six months to December 1996 US\$ 751,166). Services amounting to £ 20,000 were also provided by Novus UK (Harriet) Limited, a related company, on behalf of the Group during 1997 (1996 £ 35,000).

### 6) Directors Remuneration

The directors who served during the year ended 31 December 1997 received no fees or remuneration from the Company and were Directors or senior executives of the Novus Group of Companies.

### 7) Profit on Ordinary Activities Before Taxation is Stated After Charging (none for Company)

	December 1997 US\$'000	December 1996 US\$'000
Auditors' remuneration	<u>0</u>	<u>0</u>

The audit fees of the Group are borne by a related Company.

# **NOVUS UK (INDONESIAN HOLDINGS) LIMITED**

## **Notes to the Group Consolidated Accounts (continued)**

### **8) Taxation**

The components of the provision for income taxes were as follows:

	Consolidated	
	<b>December 1997</b>	<b>December 1996</b>
	<b>US\$'000</b>	<b>US\$'000</b>
United Kingdom		
Under /(over) provision prior year	35	0
Current	41	40
Indonesia		
Current	5,293	3,893
Deferred	1,380	1,836
	<u>6,749</u>	<u>5,769</u>

Deferred taxation is calculated on temporary timing differences arising principally from differences between tax and accounting bases of properties, plant and equipment.

The effective rates for the 1997 and 1996 provisions vary from the Indonesian statutory rate due to differences between crude sales prices recorded and prices required to be used for Indonesian tax purposes, and United Kingdom sourced income taxed at 31.5 percent (33 percent in 1996).

An Indonesian / UK Branch Profit Tax rate of 10% has been assumed for the year ending December 31, 1997 (1996 10%).

Any residual UK tax liability of the Group, after the availability of Group Relief, is shown under Creditor – Taxation.

# NOVUS UK (INDONESIAN HOLDINGS) LIMITED

## Notes to the Group Consolidated Accounts (continued)

### 9) Fixed Assets - Tangible Assets (none for Company)

	<b>December 1997 US\$'000</b>	<b>December 1996 US\$'000</b>
Properties, plant and equipment		
At 1 January (Comparative 1 July)	217,164	210,676
Additions	19,565	6,567
Dry hole costs	(267)	(79)
At 31 December	<u>236,462</u>	<u>217,164</u>
Accumulated depreciation, depletion and amortisation		
At 1 January (Comparative 1 July)	156,331	150,886
Charged during the year (six month period)	13,782	5,445
At 31 December	<u>170,113</u>	<u>156,331</u>
Net Book Value at 31 December	<u>66,349</u>	<u>60,833</u>

### 10) Debtors - Amounts Falling Due Within One Year

	Company		Group	
	<b>December 1997 US\$'000</b>	<b>December 1996 US\$'000</b>	<b>December 1997 US\$'000</b>	<b>December 1996 US\$'000</b>
Fellow subsidiary	0	0	10,235	23,189
Subsidiary	4,137	12,558	0	0
Trade debtors	0	0	3,504	4,000
Other	0	0	1,640	452
	<u>4,137</u>	<u>12,558</u>	<u>15,379</u>	<u>27,641</u>

### 11) Creditors - Amounts Falling Due Within One Year

	Company		Group	
	<b>December 1997 US\$'000</b>	<b>December 1996 US\$'000</b>	<b>December 1997 US\$'000</b>	<b>December 1996 US\$'000</b>
Fellow subsidiaries	1,632	10,915	1,632	10,915
Taxation	0	0	377	1,746
Other	355	0	5,644	3,730
	<u>1,987</u>	<u>10,915</u>	<u>7,653</u>	<u>16,391</u>

# NOVUS UK (INDONESIAN HOLDINGS) LIMITED

## Notes to the Group Consolidated Accounts (continued)

### 12) Provisions

	Company		Group	
	December 1997 US\$'000	December 1996 US\$'000	December 1997 US\$'000	December 1996 US\$'000
Dividend	<u>7,000</u>	<u>7,109</u>	<u>7,000</u>	<u>7,109</u>

### 13) Provisions for Liabilities and Charges (none for Company)

	Deferred Taxation (see below)	
	December 1997 US\$'000	December 1996 US\$'000
At 1 January (Comparative 1 July)	25,122	23,286
Transferred (to) from profit and loss account	<u>1,380</u>	<u>1,836</u>
At 31 December	<u>26,502</u>	<u>25,122</u>

Deferred taxation, all of which has been provided in the financial statements, is as follows:

	December 1997 US\$'000	December 1996 US\$'000
Tax effect of timing differences because of:		
Excess of tax allowances over related expenses for financial reporting purposes	23,641	22,905
Deferred branch profit tax liability	<u>2,861</u>	<u>2,217</u>
	<u>26,502</u>	<u>25,122</u>

### 14) Share Capital

	December 1997 US\$'000	December 1996 US\$'000
Authorised, allotted, called up and fully paid 106,100 ordinary shares of £1 translated at the 3 January 1990 rate of exchange of US\$1.6105/£1	<u>171</u>	<u>171</u>

## NOVUS UK (INDONESIAN HOLDINGS) LIMITED

### Notes to the Consolidated Accounts (continued)

#### 15) Ultimate Parent Undertaking

The directors regard Novus Petroleum Limited of Sydney, Australia, a company incorporated in Australia, as the ultimate parent undertaking as of 31 December 1997 and whose principal place of business is at 321 Kent Street Sydney 2000, Australia. The consolidated accounts of the Group are available to the public and may be obtained from that address.

The company into which these results are first consolidated is Novus Australia Holdings Pty Limited, a company incorporated in Australia.

#### 16) Investment in Subsidiaries

	December 1997 US\$'000	December 1996 US\$'000
Investment in Subsidiaries		
At 1 January (Comparative 1 July)	26,515	26,515
Acquisitions	0	0
At 31 December	26,515	26,515

The subsidiaries of Novus U.K. (Indonesian Holdings) Limited at 31 December 1997 and the percentage ownership of each are as follows:

	Country of Incorporation	Country of Operation	Type of Shares	% Held
Novus UK (Kakap) Limited	England and Wales	Indonesia	Ordinary shares of £1	100
Novus UK (Kakap 2) Limited	England and Wales	Indonesia	Ordinary shares of US\$1	100
Novus UK (Malacca Strait) Limited	England and Wales	Indonesia	Ordinary shares of £1	100
Novus UK (South East Sumatra) Limited	England and Wales	Indonesia	Ordinary shares of £1	100

In the opinion of the directors, the value of the shares in the subsidiaries is not less than the amount at which they are shown in the balance sheet.



# NOVUS UK (INDONESIAN HOLDINGS) LIMITED

## Notes to the Consolidated Accounts (continued)

### 17) Commitments

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

### 18) Paid in Capital

Net amounts payable to British Petroleum Company p.l.c. (BP) and its affiliates of US\$16,297 thousand (1996 US\$16,297 thousand) were waived immediately prior to the acquisition by Oryx from BP on 1 January 1990. Such amounts have been treated as paid in capital.

### 19) Profit and Loss Account

	Company		Group	
	December 1997 US\$'000	December 1996 US\$'000	December 1997 US\$'000	Decemb 1996 US\$'00
Retained profits/(loss) at the beginning of the year / period	4,581	(388)	23,384	20,464
Retained profit for the year / period	10,616	6,969	10,721	4,920
Dividends paid	(3,000)	0	(3,000)	0
Dividends provided	(7,000)	(2,000)	(7,000)	(2,000)
Retained profits at the end of the year / period	5,197	4,581	24,105	23,384

### 20) Reconciliation of Movements in Shareholder's Funds

	December 1997 US\$'000	December 1996 US\$'000
Opening shareholder's funds	39,852	36,932
Profit for the year / period	10,721	4,920
Dividends paid	(3,000)	0
Dividends provided	(7,000)	(2,000)
Closing shareholder's funds	40,573	39,852

### 21) Segment Results

During the financial year / period the Group operated only in Indonesia and in one industry which consisted of exploration, development and production of crude oil, natural gas and associated liquids.

## REPORT OF THE AUDITORS

to the members of Novus UK (Indonesian Holdings) Limited

We have audited the accounts on page 6 to 16, which have been prepared under the historical cost convention and the accounting policies set out on pages 9 to 10.

### Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

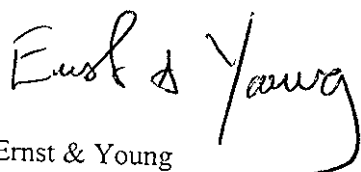
### Basis of opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 accounts.

### Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young  
Chartered Accountants  
Registered Auditor  
London

27 July 1998