

NOVUS UK (MALACCA STRAIT) LIMITED
(FORMERLY ORYX U.K. (MALACCA STRAIT) LIMITED)

DIRECTORS' AND AUDITORS' REPORTS AND ACCOUNTS

31 DECEMBER 1995

Registered Number 509336



NOVUS UK (MALACCA STRAIT) LIMITED

Directors' Report

The directors present their annual report and the audited accounts for the year ended 31 December 1995.

Business Review

The Company was acquired by the Novus Group of Companies on May 18, 1995 (effective January 1, 1995) pursuant to a Sale & Purchase Agreement dated February 17, 1995 with Oryx Energy Company. The Company changed its name to Novus UK (Malacca Strait) Limited on June 30, 1995.

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

Production in the Malacca Strait PSC has been steadily declining during 1995, from 22,000 bpd in January to 19,000 bpd at year-end.

No exploration or development activity occurred in the PSC area in 1995.

Novus has been working to create a new joint venture grouping, now in place, ready to invest and arrest the production decline in the area, and to increase the profitability of the PSC.

A large number of prospects and leads have been identified. Potential volumes are small, mostly around 5 mmbbl on an unrisks basis, but risks are low, and under-utilized infrastructure is readily to hand. There are also some small, proven but undeveloped oil pools. The plan for 1996 is to drill on two of these proven pools and three new exploration prospects. If these wells encounter commercial flow rates, a further five development wells may be drilled in 1996 in order to generate the earliest possible revenue.

In parallel with the drilling activity, the new Operator will be undertaking enhanced recovery experiments, operational cost reductions and negotiations with the Indonesian authorities relating to the renewal of the contract term beyond its current expiry due in August 2000.

Results

The results for the year are summarized below:

	1995 US\$'000	1994 US\$'000
Operating Revenue	20,374	22,161
Profit / (Loss) on ordinary activities before taxation	1,895	(2,918)
Tax on profit / (loss) on ordinary activities	(1,270)	(666)
Profit / (Loss) for the year	625	(3,584)

NOVUS UK (MALACCA STRAIT) LIMITED

Directors' Report (continued)

Dividends

The directors declared/paid an interim dividend for the year ending 31 December 1995 of US\$ 2,367.193 per share (\$ 11,835,967.38) on the ordinary shares of £1 each payable/paid on 7 February 1995 to shareholders registered at the close of business on 6 February 1995.

The directors declared a further interim dividend for the year ending 31 December 1995 of AUD\$ 320 per share (AUD\$ 1,600,000/US\$ 1,184,640) to be paid no later than 31 January 1997 to the holders of the ordinary shares in the Company.

Fixed Assets

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

Directors and their Interests

The directors who served during the year were:

Jerry W. Box	resigned	May 18, 1995	
Robert L. Keiser	resigned	May 18, 1995	
William P. Stokes, Jr.	resigned	May 18, 1995	
Jim T. Hornabrook	appointed	May 18, 1995	
Keith J. Goodwin	appointed	August 3, 1995	
Robert C. Williams	appointed	May 18, 1995	
Phillip A. Vingoe	appointed	May 18, 1995	resigned August 3, 1995

None of the directors had any interest in the share capital of the Company at 31 December 1995 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 13 August 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 1995 pursuant to Sections 366A and 252 of the Companies Act 1985 (as amended) respectively and having satisfied the provisions of Section 250 of the Companies Act (as amended) a resolution to exempt the Company from the obligation to appoint auditors as otherwise required by Section 384 of the Act was also passed on that date.

By order of the Board



K. J. Goodwin
Secretary
34 South Molton Street
LONDON W1Y 2BP

October 24, 1996

NOVUS UK (MALACCA STRAIT) LIMITED

Statement of Directors' Responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- 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 Company will continue in business.

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

NOVUS UK (MALACCA STRAIT) LIMITED

Profit and Loss Account

Year Ended 31 December 1995

	NOTES	1995 US\$'000	1994 US\$'000
Operating Revenue	3	20,374	22,161
Cost of sales	4	<u>(18,521)</u>	<u>(19,472)</u>
Gross Profit / (Loss)		1,853	2,689
Dry hole costs		0	(1,012)
Exceptional write-off	19	<u>0</u>	<u>(4,611)</u>
Operating Profit / (Loss)		1,853	(2,934)
Interest received		<u>42</u>	<u>16</u>
Profit / (Loss) on ordinary activities before taxation	7	1,895	(2,918)
Tax (expense) / benefit on profit / loss on ordinary activities	8	<u>(1,270)</u>	<u>(666)</u>
Profit / (Loss) for the year		<u><u>625</u></u>	<u><u>(3,584)</u></u>

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

The Company has not recognized gains and losses other than the profit above and therefore no separate statement of total recognized 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 6 to 11 are an integral part of this profit and loss account.

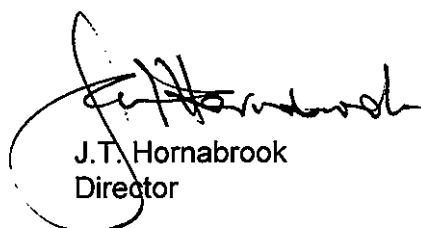
NOVUS UK (MALACCA STRAIT) LIMITED

Balance Sheet

31 December 1995

	NOTES	1995 US\$'000	1994 US\$'000
Fixed Assets			
Tangible assets	9	<u>3,065</u>	<u>3,709</u>
Current Assets			
Debtors	10	<u>5,867</u>	<u>16,497</u>
Current Liabilities			
Creditors - amounts falling due within one year	11	(818)	(1,808)
Provisions	12	<u>(1,185)</u>	<u>0</u>
Net Current Assets		<u>3,864</u>	<u>14,689</u>
Total Assets Less Current Liabilities		6,929	18,398
Provisions for liabilities and charges	13	<u>(927)</u>	<u>(0)</u>
		<u>6,002</u>	<u>18,398</u>
Capital and Reserves			
Called up share capital	14	8	8
Profit and loss account	17	<u>5,994</u>	<u>18,390</u>
		<u>6,002</u>	<u>18,398</u>

Approved by the Board of Directors
on October 24, 1996 and signed on its behalf by


J.T. Hornabrook
Director

The notes on pages 6 to 11 are an integral part of this Balance Sheet

NOVUS UK (MALACCA STRAIT) LIMITED

Notes to the Accounts

1) Principal Accounting Policies

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

(a) Basis of preparation of accounts

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

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 holding company.

(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 recognized 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.

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.

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

Depreciation, Depletion and Amortization - The acquisition costs of proved properties are depleted by the unit-of-production method based on proved reserves. Other capitalized 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 Kakap 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.

NOVUS UK (MALACCA STRAIT) LIMITED

Notes to the Accounts (continued)

(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.

2) Related Party Transactions

A Novus Group Company maintains a cash account for the benefit of the Company and other subsidiaries of the Ultimate Holding Company. All costs related to and interest earned from this cash account have been transferred to the subsidiaries of the Holding Company.

3) Operating Revenue

Sales of crude oil are recorded on the entitlement method. Differences between actual production and entitlements result in a receivable when underproduction occurs and a payable when overproduction occurs.

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

4) Cost of Sales

Cost of sales consisted of the following:

	1995 US\$'000	1994 US\$'000
Operating Costs	6,387	7,953
Royalty Expense	11,262	10,300
Depreciation, depletion and amortization	694	1,207
Other	178	12
	<u>18,521</u>	<u>19,472</u>

5) Employee Information

The Company had no employees, other than directors, during 1995 and 1994. Certain services were provided by the Novus Group of Companies on behalf of Novus UK (Malacca Strait) Limited. A service charge of \$ 134,317 has been included in the accounts to reflect the services provided by the parent company (1994 Nil).

NOVUS UK (MALACCA STRAIT) LIMITED

Notes to the Accounts (continued)

6) Directors Remuneration

The directors who served during the year ended 31 December 1995 received no fees or remuneration from the Company and were either senior executives of Oryx Energy Company to the Novus Group of Companies.

7) Profit on Ordinary Activities Before Taxation is Stated After Charging

	1995 US\$'000	1994 US\$'000
Auditors' remuneration	0	10

The audit fees of the Company have been included with those of the Parent Entity.

8) Taxation

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

	1995 US\$'000	1994 US\$'000
United Kingdom		
Current	10	5
Indonesia		
Current	333	2,202
Deferred	927	(1,541)
	<u>1,270</u>	<u>666</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 1995 and 1994 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 33 percent (33 percent in 1994) and in prior years the benefit of the provisions of branch profit distribution tax relief under the U.K./Indonesian tax treaty.

NOVUS UK (MALACCA STRAIT) LIMITED

Notes to the Accounts (continued)

9) Fixed Assets - Tangible Assets

	1995 US\$'000	1994 US\$'000
Properties, plant and equipment		
At 1 January	90,520	92,009
Additions	50	(477)
Dry hole costs	0	(1,012)
At 31 December	<u>90,570</u>	<u>90,520</u>
Accumulated depreciation, depletion and amortization		
At 1 January	86,811	85,604
Charged during the year	694	1,207
At 31 December	<u>87,505</u>	<u>86,811</u>
Net Book Value at 31 December	<u>3,065</u>	<u>3,709</u>

10) Debtors - Amounts Falling Due Within One Year

	1995 US\$'000	1994 US\$'000
Related party	4,364	11,836
Trade debtors	915	3,190
Taxation	377	-
Other	211	1,471
	<u>5,867</u>	<u>16,497</u>

11) Creditors - Amounts Falling Due Within One Year

	1995 US\$'000	1994 US\$'000
Taxation	10	721
Other	808	1,087
	<u>818</u>	<u>1,808</u>

12) Provisions

	1995 US\$'000	1994 US\$'000
Dividend	<u>1,185</u>	<u>0</u>

NOVUS UK (MALACCA STRAIT) LIMITED

Notes to the Accounts (continued)

13) Provisions for Liabilities and Charges

	Deferred Taxation (see below)	
	1995 US\$'000	1994 US\$'000
At 1 January	0	1,541
Transferred (to) from profit and loss account	927	(1,541)
At 31 December	927	0

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

	1995 US\$'000	1994 US\$'000
Tax effect of timing differences because of: excess of tax allowances over related expenses for financial reporting purposes	673	0
Deferred Branch Profit Tax Liability	254	0

14) Called Up Share Capital

	1995 US\$'000	1994 US\$'000
Authorized allotted and fully paid 5000 ordinary shares of £1 translated at the 31 December 1982 rate of exchange of US\$1.62/£1	8	8

15) Ultimate Holding Company

The directors regard Novus Petroleum Limited of Sydney, Australia, a company incorporated in Australia, as the ultimate parent undertaking as of 31 December 1995 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 UK (Indonesian Holdings) Limited, a company incorporated in England and Wales.

16) Commitments

The Company conducts substantially all of its operations through memberships of a number of joint venture 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 (MALACCA STRAIT) LIMITED

Notes to the Accounts (continued)

17) Profit and Loss Account

	1995	1994
	US\$'000	US\$'000
Retained profits at the beginning of the year	18,390	21,974
Retained profit (loss) for the year	625	(3,584)
Dividends paid	(11,836)	0
Dividends provided	(1,185)	0
Retained profits at the end of the year	<u>5,994</u>	<u>18,390</u>

18) Reconciliation of Movements in Shareholder's Funds

	1995	1994
	US\$'000	US\$'000
Opening shareholder's funds	18,398	21,982
Profit/(Loss) for the year	625	(3,584)
Dividends paid	(11,836)	0
Dividends provided	(1,185)	0
Closing shareholder's funds	<u>6,002</u>	<u>18,398</u>

19) Exceptional Write-Off

In 1993, the Company recorded \$4,611 thousand as due from a related entity. In 1994, the \$4,611 thousand was written off.

REPORT OF THE AUDITORS

to the members of Novus UK (Malacca Strait) Limited

We have audited the accounts on page 4 to 11, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 6 to 7.

Respective responsibilities of directors and auditors

As described on page 3 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.

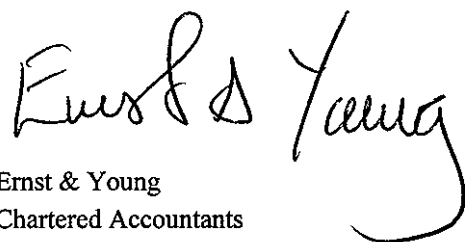
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an 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 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditors
London

24 October 1996