

SONATRACH PETROLEUM CORPORATION

Consolidated Financial Statements
For the year ended December 31, 2002
and Independent Auditors' Report

États financiers consolidés
de l'exercice clos le 31 décembre 2002
et Rapport des vérificateurs indépendants

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& Touche**

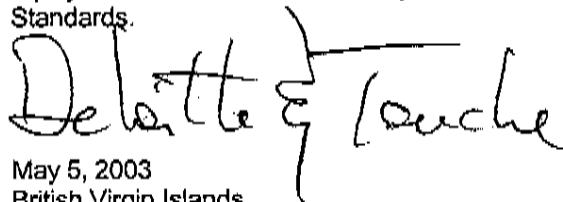
INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors of
Sonatrach Petroleum Corporation

We have audited the accompanying consolidated balance sheet of Sonatrach Petroleum Corporation and its subsidiaries (the "Group") as at December 31, 2002, and the related consolidated statements of income, changes in shareholder's equity and cash flows for the year then ended (all expressed in United States dollars). These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2002, and the results of its operations, changes in shareholder's equity and cash flows for the year then ended in accordance with International Financial Reporting Standards.



May 5, 2003
British Virgin Islands

SONATRACH PETROLEUM CORPORATION

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2002

(Expressed in United States dollars)

	2002	2001
ASSETS		
CURRENT ASSETS		
Cash	3,794,090	2,270,904
Time deposits (Note 3)	211,320,310	218,806,173
Accounts receivable (Note 4)	138,620,586	107,448,182
Due from related parties (Note 5)	23,350,303	10,585,985
Deferred income taxes (Note 6)	10,648,489	-
Inventory	3,529,333	253,982
Investments (Note 8)	4,277,086	3,777,140
	<hr/>	<hr/>
	395,540,197	343,142,366
LONG-TERM ASSETS		
Fixed assets (Note 7)	258,479,667	157,401,407
Investments in securities (Note 8)	320,024,670	638,278,418
Interest in joint ventures (Note 9)	39,942,225	53,302,750
Long-term investments (Note 10)	84	84
	<hr/>	<hr/>
	\$ 1,013,986,843	\$ 1,192,125,025
LIABILITIES		
CURRENT LIABILITIES		
Bank overdraft	-	66,937
Accounts payable (Note 11)	166,401,684	110,489,079
Due to parent company (Note 15)	162,025,313	-
Due to related parties (Note 15)	4,648,875	-
Deferred income (Note 12)	3,139,519	-
Income taxes payable (Note 13)	149,039	389,046
Provisions and charges (Note 14)	1,061,124	102,594,996
Current portion of long-term debt (Note 16)	16,194,548	8,200,000
	<hr/>	<hr/>
	353,620,102	221,740,058
LONG-TERM LIABILITIES		
Accounts payable (Note 11)	9,184,912	-
Due to parent company (Note 15)	-	162,025,313
Due to related parties (Note 15)	-	4,648,875
Long-term debt (Note 16)	126,282,155	85,600,000
Loan from minority interest (Note 23)	40,171	37,135
	<hr/>	<hr/>
	135,507,238	252,311,323
MINORITY INTEREST		
MINORITY INTEREST (Note 23)	371,132	581,972
SHAREHOLDER'S EQUITY		
SHARE CAPITAL (Note 17)	-	-
SHARE PREMIUM (Note 17)	15,000,000	15,000,000
FOREIGN EXCHANGE RESERVE	7,292,962	7,643,078
REVALUATION RESERVE	148,521,140	358,352,747
GENERAL RESERVE	301,378,561	276,905,507
RETAINED EARNINGS	52,295,708	59,590,340
	<hr/>	<hr/>
	524,488,371	717,491,672
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	\$ 1,013,986,843	\$ 1,192,125,025

APPROVED BY THE BOARD OF DIRECTORS:

See notes to consolidated financial statements

Director - treasurer

[Signature]

SONATRACH PETROLEUM CORPORATION
CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2002
(Expressed in United States dollars)

	2002	2001
SALES		
Hydrocarbon products (Note 19)	1,485,307,032	2,238,894,798
Freight, demurrage and other (Note 19)	61,591,922	54,370,803
	1,546,898,954	2,293,265,601
COST OF SALES		
Hydrocarbon products (Note 19)	1,382,250,644	2,115,751,362
Other operating costs	116,811,573	127,465,984
	1,499,062,217	2,243,217,346
GROSS PROFIT	47,836,737	50,048,255
ADMINISTRATIVE EXPENSES	14,849,844	11,834,237
	32,986,893	38,214,018
OPERATING INCOME		
	(6,196,377)	(5,243,889)
FINANCIAL EXPENSES		
OTHER INCOME	2,022,669	3,984,931
FINANCIAL INCOME	23,101,888	26,133,535
	51,915,073	63,088,595
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST		
INCOME TAXES	390,116	(3,485,489)
	52,305,189	59,603,106
NET INCOME BEFORE MINORITY INTEREST		
MINORITY INTEREST (Note 23)	9,481	12,766
NET INCOME	\$ 52,295,708	\$ 59,590,340

See notes to consolidated financial statements

SONATRACH PETROLEUM CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

YEAR ENDED DECEMBER 31, 2002
(Expressed in United States dollars)

	Share capital	Share premium	Foreign exchange reserve	Revaluation reserve	General reserve	Retained earnings	Total shareholder's equity
	\$	\$	\$	\$	\$	\$	\$
SHAREHOLDER'S EQUITY							
BALANCE JANUARY 1, 2001	-	15,000,000	7,643,545	395,158,356	256,868,837	47,036,670	721,707,408
Net income	-	-	-	-	-	59,590,340	59,590,340
Revaluation of long-term investment	-	-	-	(36,805,609)	-	-	(36,805,609)
Revaluation of foreign exchange reserve	-	-	(467)	-	-	-	(467)
Dividends	-	-	-	-	(27,000,000)	-	(27,000,000)
Transfers	-	-	-	-	47,036,670	(47,036,670)	-
SHAREHOLDER'S EQUITY							
BALANCE DECEMBER 31, 2001	-	15,000,000	7,643,078	358,352,747	276,905,507	59,590,340	717,491,672
Net income	-	-	-	-	-	52,295,708	52,295,708
Revaluation of long-term investment	-	-	-	(209,831,607)	-	-	(209,831,607)
Revaluation of foreign exchange reserve	-	-	(350,116)	-	-	-	(350,116)
Integration of subsidiary	-	-	-	-	(2,117,286)	-	(2,117,286)
Dividends	-	-	-	-	(33,000,000)	-	(33,000,000)
Transfers	-	-	-	-	59,590,340	(59,590,340)	-
SHAREHOLDER'S EQUITY							
BALANCE DECEMBER 31, 2002	\$ -	\$ 15,000,000	\$ 7,292,962	\$ 148,521,140	\$ 301,378,561	\$ 52,295,708	\$ 524,488,371

See notes to consolidated financial statements

SONATRACH PETROLEUM CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2002

(Expressed in United States dollars)

	2002	2001
CASH FLOW PROVIDED BY/(USED IN):		
OPERATING ACTIVITIES		
Net income	52,295,708	59,590,340
Adjustments for items not involving the movement of cash:		
Depreciation	12,453,725	11,990,256
Loss on disposal of fixed assets	17,309	1,076
Decrease in revaluation reserve	(209,831,607)	(36,805,609)
Decrease in foreign exchange reserve	(350,116)	(467)
Changes in non-cash operating working capital:		
Accounts receivable	(31,172,404)	39,899,257
Due from related parties	(12,764,318)	(905,985)
Deferred income	(10,648,489)	-
Inventory	(3,275,351)	(120,142)
Accounts payable	65,097,517	(155,462,559)
Deferred income	3,139,519	-
Income taxes payable	(240,007)	(1,170,226)
Provisions and charges	(101,533,872)	102,594,996
	(236,812,386)	19,610,937
INVESTING ACTIVITIES		
Purchase of fixed assets	(16,887,809)	(610,928)
Proceeds from sale of fixed assets	4,440	-
Integration of subsidiary - fixed assets	(96,665,925)	-
Integration of subsidiary	(2,117,286)	-
Minority interest	(207,804)	(17,069)
Investment in equities	317,753,802	97,332,640
Interest in joint ventures	13,360,525	(51,916,500)
	215,239,943	44,788,143
FINANCING ACTIVITIES		
Repayment of long-term debt	(8,200,000)	(8,200,000)
Proceeds from long-term debt	56,676,703	-
Dividends paid	(33,000,000)	(27,000,000)
	15,476,703	(35,200,000)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(6,095,740)	29,199,080
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	221,010,140	191,811,060
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 214,914,400	\$ 221,010,140
REPRESENTED BY		
Cash	3,794,090	2,270,904
Time deposits	211,320,310	218,806,173
Bank overdraft	-	(66,937)
	\$ 215,114,400	\$ 221,010,140
SUPPLEMENTAL DISCLOSURE		
Dividends received	\$ 19,030,957	\$ 19,068,688
Interest received	\$ 3,043,233	\$ 7,840,535
Interest paid	\$ 6,161,412	\$ 4,831,788
Dividends paid	\$ 33,000,000	\$ 27,000,000

See notes to consolidated financial statements

SONATRACH PETROLEUM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002

(Expressed in United States dollars)

1. INCORPORATION AND ACTIVITY

Sonatrach Petroleum Corporation (the "Company") was incorporated in the British Virgin Islands on May 3, 1989 in accordance with the International Business Companies Ordinance of 1984. The Group, as listed in Note 18, trades in oil and gas products (LPG), time charters vessels and holds investments. During the year ended December 31, 2001, the ownership of the Company was transferred from L'Entreprise Nationale Sonatrach to Sonatrach International Holding Corporation, a company incorporated in the British Virgin Islands. This change occurred following a reorganisation of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and the significant accounting policies are as follows:

Basis of consolidation

The consolidated financial statements incorporate the results of the Company and its subsidiaries as listed in Note 18. An interest of 0.1% in Sonatrach Petroleum Investment Corporation B.V. ("SPIC B.V."), is held by la Banque Algérienne du Commerce Extérieur S.A. ("BACE"). This interest has been presented under minority interest. Joint ventures are recorded using the proportionate consolidation method from the date they commence operations. Prior to commencing operation, they are recorded at cost subject to impairment.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual amounts could differ from those estimates.

Financial instruments

Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents - The Group considers cash, bank overdrafts and short-term deposits with maturities of three months or less to be cash and cash equivalents.

Trade receivables - Trade receivables are stated at their nominal value, as reduced by appropriate allowances for estimated irrecoverable amounts.

Investments in securities, corporate bonds and notes - Investments in securities are recognised on a trade date basis and are initially measured at cost. At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold for trading or to hold as available-for-sale are measured at subsequent reporting date at fair value, based on quoted market prices at the balance sheet date. Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For available-for-sale investments, unrealised gains and losses are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Trade payables - Trade payables are stated at their nominal value.

Long-term debt - Long-term debt is stated at original recorded amounts less principal repayments.

SONATRACH PETROLEUM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002

(Expressed in United States dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets

Fixed assets are recorded at cost. Annual depreciation, which is based on the cost of the asset, is computed using the straight-line method over the following periods except for the computer equipment, which accelerated depreciation, is used. Costs included in assets in progress are not depreciated until the assets are made available for use.

Vessel – Reggane	20 years
Vessel - Djanet	20 years
Vessel – Jemila	15 years
Vessel – Nejma	12 years
Outfit – Reggane	5 years
Outfit – Djanet	5 years
Office equipment	3 - 10 years
Production equipment	12 years
Vehicles	4 - 6 years

Borrowing costs

Borrowing costs including interest and commitment fees directly related to the construction of the qualifying asset, the LPG vessels, are capitalised as part of the cost of the asset. The amount of costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period of construction less any investment income on the temporary investment of those borrowings.

Inventory

Inventory stored on the LPG vessels comprises of lube-oil, which is valued at actual cost. The inventory of raw material is valued at weighted average cost. The inventory of new spare parts is valued at historic cost and used spare parts is valued at replacement cost less a percentage based on its condition.

Long-term investment

Long-term investment in a group company is recorded at cost.

Interest in joint venture

A joint venture is a contractual arrangement whereby the Group and another party undertake an economic activity that is subject to joint control.

Joint venture arrangements which involve the establishment of separate entities in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interest in jointly controlled entities using proportionate consolidation – the Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture, except where unrealised losses provide evidence of an impairment of the asset involved.

Government grants

Government grants towards fixed asset investments are recognised as deferred income in the consolidated balance sheet. The release of government grants to the consolidated statement of income is recorded as other income over the same period as the depreciation on the related asset.

SONATRACH PETROLEUM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002

(Expressed in United States dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Sales of products are recognised when products are shipped and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Freight revenue is recognised on a monthly basis based on a fixed annual amount, less a prorated amount for any time the vessel is not available for use.

Foreign exchange

Translation differences are dealt with through the consolidated statement of income. Monetary assets and liabilities denominated in currencies other than United States dollars are converted at the year-end rate. Non-monetary assets and liabilities denominated in currencies other than United States dollars are converted using the rate at the date of the transaction. Transactions in currencies other than United States dollars are accounted for using the average exchange rate during the year.

On consolidation, the assets and liabilities of Sonatrach Petroleum Corporation (Netherlands Antilles) N.V. (SPC (N.A.) N.V.) are translated at exchange rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are classified as equity under foreign exchange reserve.

Income taxes

The Group is not liable to income taxes in the British Virgin Islands, as group companies, located in BVI, have been incorporated as International Business Companies.

The United Kingdom operation is liable to United Kingdom Corporation Tax with its taxable income being determined using a cost plus method based on a tax ruling by the Inland Revenue.

The Group accounts for this taxation using the liability method.

The Singaporean operation, Sonatrach Petroleum (Asia) Pte Ltd. ("SP Asia"), is liable to corporate taxes on all activities defined by the tax authorities, using the liability method. Income subject to tax is calculated based on the cost increased by 5% as remuneration as defined by the tax authorities.

The Netherlands operation, SPC (N.A.) N.V., is liable to corporate taxes under Netherlands tax laws, using the deferral method.

The Algerian operation is subject to Algerian taxation laws.

3. TIME DEPOSITS

Included in time deposits are amounts totalling \$11,850,000 (2001 - \$11,850,000) that relate to guarantees in respect of the bank loan at Note 16. These funds are restricted from use until September 30, 2010.

Also included in time deposits are amounts totalling \$10,202,800 (2001 - \$Nil) that relate to a guarantee in respect of the Group's participation in Transportadora Gas del Peru S.A. The guarantee represents the Group's participation (11.09%) in the total amount of \$92,000,000.

SONATRACH PETROLEUM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002

(Expressed in United States dollars)

4. ACCOUNTS RECEIVABLE

	2002	2001
Trade	133,832,567	105,261,238
Other	4,788,019	2,186,944
	\$ 138,620,586	\$ 107,448,182

5. DUE FROM RELATED PARTIES

	2002	2001
Sotal Energy Limited	24,320	24,320
Sonatrach Division Exploration - Affaires Internationales	181,244	179,402
L'Entreprise Nationale Sonatrach (Division Générale)	14,016	1,000
Sonatrach International Holding Corporation	8,442,519	8,234,997
SPIC NV	710	-
L'Entreprise Nationale Sonatrach (Commercial branch)	14,687,494	2,146,266
	\$ 23,350,303	\$ 10,585,985

All amounts except for the amount due from SIHC are unsecured, interest free, and have no fixed repayment terms.

The amount due from SIHC relates to an advance made by the Company on behalf of SIHC to SPIC B.V., which was ultimately advanced to BPSA. The amount includes accrued interest. This advance is to be repaid on June 6, 2016 at the latest. The advance bears interest at 0.6% above the three months EURIBOR rate. Rights and obligations on this advance will be transferred to another company of the Group in 2003.

Included in the amount due from L'Entreprise Nationale Sonatrach (Commercial branch) is \$13,961,671 (2001 - \$1,537,525) for trade sales made on normal commercial terms. A further amount of \$725,823 (2001 - \$608,741) relates to an agreement signed between Sonatrading and L'Entreprise Nationale Sonatrach, whereby L'Entreprise Nationale Sonatrach was engaged to cover all foreign exchange differences realised between January 1, 1998 and June 30, 1998.

6. DEFERRED INCOME TAXES

Deferred tax includes \$6,517,000 (2001 - \$Nil) relating to the revaluation to fair value of the investments and \$4,131,489 (2001 - \$Nil) relating to the reported deficit in a joint venture.

SONATRACH PETROLEUM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002

(Expressed in United States dollars)

7. FIXED ASSETS

	Total	Vessel - Jemila	Vessel - Nejma	Vessel - Reggane	Vessel - Djanet	Outfit - Reggane	Outfit - Djanet	Office equipment	Production equipment	Vehicles	Assets in progress
COST											
January 1, 2002	198,945,472	10,000,000	38,700,000	72,360,500	72,360,500	1,978,182	1,848,866	1,086,940	-	140,462	470,022
Additions	16,887,809	-	-	-	-	-	-	184,288	10,159,858	-	6,543,663
Subsidiary acquisition	96,691,492	-	-	-	-	-	-	3,184	806,857	-	95,881,451
Transfer	-	-	-	-	-	-	-	-	93,433,137	-	(93,433,137)
Disposals	(177,257)	-	-	-	-	-	-	(70,289)	-	(106,968)	-
December 31, 2002	312,347,516	10,000,000	38,700,000	72,360,500	72,360,500	1,978,182	1,848,866	1,204,123	104,399,852	33,494	9,461,999
DEPRECIATION											
January 1, 2002	41,544,065	5,888,889	21,231,250	7,638,052	4,522,531	824,240	462,217	851,886	-	125,000	-
Provision	12,453,725	666,667	3,225,000	3,618,025	3,618,025	395,635	369,774	100,966	459,633	-	-
Subsidiary acquisition	25,567	-	-	-	-	-	-	-	25,567	-	-
Disposals	(155,508)	-	-	-	-	-	-	(64,002)	-	(91,506)	-
December 31, 2002	53,867,849	6,555,556	24,456,250	11,256,077	8,140,556	1,219,875	831,991	888,850	485,200	33,494	-
NET BOOK VALUE											
December 31, 2002	\$ 258,479,667	\$ 3,444,444	\$ 14,243,750	\$ 61,104,423	\$ 64,219,944	\$ 758,307	\$ 1,016,875	\$ 315,273	\$ 103,914,652	\$ -	\$ 9,461,999
December 31, 2001	\$ 157,401,407	\$ 4,111,111	\$ 17,468,750	\$ 64,722,448	\$ 67,837,969	\$ 1,153,942	\$ 1,386,649	\$ 235,054	\$ -	\$ 15,462	\$ 470,022

Assets in progress comprise of a new integrated software for an amount of \$1,105,785, the licenses for the production system for a amount of \$3,789,779 and the construction of the dehydrogenation plant for an amount of \$4,566,435. The software has been officially used from January 1, 2003 and will be depreciated over a four year period. The licenses for the production system and the dehydrogenation plant will start to be depreciated when they are made available for use.

SONATRACH PETROLEUM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002

(Expressed in United States dollars)

8. INVESTMENTS IN SECURITIES

	2002		2001	
	Cost	Fair value	Cost	Fair value
HELD FOR TRADING				
<u>Short-term</u>				
Equities	\$ 6,731,656	\$ 4,277,086	\$ 5,389,455	\$ 3,777,140
Percentage of cost		63.5%		70.1%
AVAILABLE-FOR-SALE				
<u>Long-term</u>				
Equities	\$ 203,924,070	\$ 320,024,670	\$ 203,924,070	\$ 638,278,418
Percentage of cost		156.9%		313.0%

Long-term investments include two investments in equities.

- Investment in Duke Energy Corporation comprises 16,083,760 shares for a total amount of \$314,276,670 (2001 – 16,083,760 shares for a total amount of \$631,456,418).
- Investment in Anadarko Petroleum Corporation comprises 120,000 shares for a total of \$5,748,000 (2001 – 120,000 shares for a total amount of \$6,822,000).

9. INTERESTS IN JOINT VENTURES

The Group had the following significant interests in joint ventures:

- 1) 11.09% in the equity shareholding with equivalent voting power, in Transportadora Gas del Peru S.A. ("TGP"), a joint venture established in Peru.
- 2) 49% in the equity shareholding with equivalent voting power, in BASF Sonatrach PropanChem S.A. ("BSPSA"), a joint venture established in Spain.
- 3) 10% in the equity shareholding with equivalent voting power, in Regasificadora del Noroeste S.A. ("REGANOSA"), established in Spain.

	2002		2001	
	\$	% Holding	\$	% Holding
TGP	38,225,022	11.09%	8,808,787	11.09%
BSPSA	-	49.00%	43,678,110	49.00%
REGANOSA	1,717,203	10.00%	815,853	10.00%
	<u>\$ 39,942,225</u>		<u>\$ 53,302,750</u>	

SONATRACH PETROLEUM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002

(Expressed in United States dollars)

9. INTERESTS IN JOINT VENTURES (continued)

In 2002, BSPSA started its commercial activity and has been recorded using the proportionate consolidation method. TGP and REGANOSA had not commenced their commercial activities at December 31, 2002. The carrying amounts represent the investment made by the Group.

The following amounts are included in the Group's financial statements as a result of the proportionate consolidation of BSPSA.

	<u>2002</u>	<u>2001</u>
Current assets	5,804,990	-
Long-term assets	116,506,230	-
Current liabilities	19,677,921	-
Long-term liabilities	66,054,851	-
Income	8,216,478	-
Expenses	12,844,493	-

10. LONG-TERM INVESTMENTS

	<u>2002</u>		<u>2001</u>	
	\$	%	\$	%
		Holding		Holding
Sotal Energy Limited 50 Shares of £1 each	<u>\$ 84</u>	<u>50%</u>	<u>\$ 84</u>	<u>50%</u>

11. ACCOUNTS PAYABLE

	<u>2002</u>	<u>2001</u>
Trade	13,211,524	12,622,355
Accrued expenses	1,206,203	7,155,918
Due to parent company	16,479,080	8,235,081
Due to related parties	131,179,101	82,475,725
Other payables	13,510,688	-
	<u>175,586,596</u>	<u>110,489,079</u>
Less: long-term payable	(9,184,912)	-
	<u>\$ 166,401,684</u>	<u>\$ 110,489,079</u>

SONATRACH PETROLEUM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002

(Expressed in United States dollars)

11. ACCOUNTS PAYABLE (continued)

The amount due to parent company of \$16,479,080 (2001 - \$8,235,081) represents an advance including interest from Sonatrach International Holding Corporation ("SIHC") to SPIC B.V. to cover the obligations of the joint venture with BSPSA. Repayments should be completed in the first half of 2003.

The amounts due to related parties were for purchases of products made on normal commercial terms with L'Entreprise Nationale Sonatrach (Commercial Branch).

Long-term payables of \$9,184,912 (2001 - \$Nil) comprise an amount of \$8,320,498 (2001 - \$Nil), which is with BASF a related party. The amount is unsecured, interest free and has no fixed repayment terms.

12. DEFERRED INCOME

An amount of \$3,139,519 (2001 - \$Nil) was received from the Spanish government as a subvention. This amount will be amortised at the same rate as the fixed assets, which for it is been granted. At December 31, 2002, the assets were still included in assets in progress.

13. INCOME TAXES PAYABLE

	2002	2001
Provision for taxation on net income for the year		
- U.K.	149,039	235,027
- Singapore	-	2,500
- Netherlands	-	151,519
Income taxes payable	\$ 149,039	\$ 389,046

The Algerian tax liability for the year for SPC Alger is as yet undetermined. However, it is not expected to be a significant amount.

14. PROVISIONS AND CHARGES

	2002	2001
Tax provisions	-	101,686,000
Exploitation risk provisions	-	908,996
Litigation provision	1,061,124	-
Total	\$ 1,061,124	\$ 102,594,996

The litigation provision relates to a complaint, which was received from the construction company Lurgi Espanola S.A. against BSPSA for supplemental costs on the construction of a propylene unit. The provision has been estimated by an arbitration procedure.

At December 31, 2001, the tax provision represented the income tax payable on the revaluation of the long-term investment. At December 31, 2002, the deferred tax is included in current assets.

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14. PROVISIONS AND CHARGES (continued)

At December 31, 2001, the exploitation risk provisions represents a possible adjustment on the sale pricing to one of Sonatrading's clients for the winter of 1998/1999 and 1999/2000. In 2002, the provision was reversed as the parties resolved the sale pricing issue. However, the final price determination is still being negotiated.

15. DUE TO PARENT COMPANY AND RELATED PARTIES

Due to parent company consists of \$162,025,313 (2001 - \$162,025,313) and due to related parties consists of \$4,648,875 (2001 - \$4,648,875) which is for investments transferred to SPC (N.A.) N.V. The amounts are unsecured, interest free and will be repaid within 12 months.

16. LONG-TERM DEBT

	2002	2001
Bank loan, bearing interest at 0.75% above LIBOR. The loan is to be repaid in 20 semi-annual installments of \$4,100,000 principal plus interest, with a final installement of \$20,000,000. Repayments started on March 29, 2001 with the final repayment to be made on September 30, 2010 at the latest. The loan is secured by a first preferred Liberian mortgage, a charter party assignment, a general assignment over the vessels Reggane and Djanet, and a guarantee provided by the Company	85,600,000	93,800,000
Bank loan, bearing interest at EURIBOR plus 0.6%. The Group has a swap contract with La Caixa through which 70% of the loan has been fixed at an interest rate of 5.986%. This contract has been formalised at identical payment terms and at the proportional amounts previously stated, its objective being to protect against possible future increases in interest rates. Repayments started on 2002 with final repayment to be made on March 21, 2012.	56,876,703	-
	142,476,703	93,800,000
Less: Current portion	(16,194,548)	(8,200,000)
	\$ 126,282,155	\$ 85,600,000

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17. SHARE CAPITAL

	2002	2001
Authorised		
100 Ordinary shares with no par value	\$ -	\$ -
Issued		
100 Ordinary shares with no par value	-	-
Share premium	15,000,000	15,000,000
	\$ 15,000,000	\$ 15,000,000

Share rights

All shares shall :

- have one vote each;
- be subject to redemption, purchase or acquisition by the Company for fair value and,
- have the same rights with regard to dividends and distributions upon liquidation of the Company.

18. INFORMATION ON SUBSIDIARIES

NAME	PLACE OF INCORPORATION	DATE OF INCORPORATION	PORTION OF ORDINARY SHARES HELD
<u>Subsidiaries of Sonatrach Petroleum Corporation</u>			
Sotal Energy Limited	Jersey, Channel Islands	June 17, 1992	50% of the ordinary voting shares
Sonatrach Petroleum Marine Corporation	British Virgin Islands	December 24, 1992	100% of the ordinary voting shares
Sonatrach Petroleum (Asia) Pte. Ltd.	British Virgin Islands	September 2, 1994	100% of the ordinary voting shares
Sonatrach Gas Transportation Corporation	British Virgin Islands	March, 24 1995	100% of the ordinary voting shares
Sonatrach Gas Carrier Corporation	British Virgin Islands	September 4, 1997	100% of the ordinary voting shares
Sonatrach Petroleum Overseas Transportation Corporation	British Virgin Islands	September 4, 1997	100% of the ordinary voting shares
Sonatrach Petroleum Corporation (Netherlands Antilles) N.V.	Curacao Netherlands Antilles	December 03, 1992	100% of the ordinary voting shares

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18. INFORMATION ON SUBSIDIARIES (continued)

NAME	PLACE OF INCORPORATION	DATE OF INCORPORATION	PORTION OF ORDINARY SHARES HELD
<u>Subsidiaries and joint venture of SPC (N.A.) N.V.</u>			
Sonatrach Petroleum Corporation (SOPEC)	Delaware, USA	April 7, 1997	100% of the ordinary voting shares
Sonatrach Petroleum Investment Company B.V.	Netherlands	April 28, 1992	99.9% of the ordinary voting shares
Sonatrading	Netherlands	April 27, 1987	100% of the ordinary voting shares
BASF Sonatrach PropanChem S.A.	Barcelona, Spain	January 20, 2000	49% of the ordinary voting shares

19. RELATED PARTY TRANSACTIONS

Purchases and sales of hydrocarbon products

During the year, purchases of \$800,700,428 (2001 - \$1,139,416,528) for liquefied petroleum gas ("LPG") products and \$612,244,637 (2001 - \$687,944,343) for oil products ("Liquids") were made from L'Entreprise Nationale Sonatrach and other related companies. These purchases were based on negotiated contracts between the parties at market rates. Also during the year, sales of \$19,002,327 (2001 - \$31,901,488) for fuel oil were made to L'Entreprise Nationale Sonatrach. These sales were based on negotiated contracts between the parties at market rates.

Freight revenue

The Group time charters its vessels, Nejma, Jemila, Reggane and Djanet to L'Entreprise Nationale Sonatrach. Freight revenues from these transactions in the amount of \$39,600,000 (2001 - \$38,504,843) have been included in the financial statements under "Freight, demurrage and other".

During the year, the Company hired the Djanet from L'Entreprise Nationale Sonatrach for two voyages (2001 - none) and the Reganne for three voyages (2001 - none). The cost of hiring the Djanet was \$1,439,392 (2001 - \$Nil) and the cost of hiring the Reggane was \$1,720,275 (2001 - \$Nil). This was based on market rates and such costs have been included in the financial statements under "Other operating costs".

Financial expenses

During the year, the parent company charged interest to the Group totalling \$595,971 (2001 - \$1,824,578) in relation to the outstanding loan balance (Refer Note 11).

20. LEASE COMMITMENTS

The Group leases its United Kingdom branch offices under two different operating leases. The leases expire in November 2011 and March 2013. The annual amount paid is \$438,170. Future lease payments will total \$2,190,850 (2001 - \$2,190,850) over the next five years.

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21. COMMITMENTS

The Group is committed to the time chartering of several vessels. Future payments will total \$16,830,000 and will be paid in 2003.

The Group signed a contract for the three (3) new LPG vessels with the shipbuilder Kawasaki on October 2, 2002. The Group has agreed to finance all costs incurred in the construction of these vessels until they are ready for use, which is expected to be August 2004, October 2004 and February 2005. At completion, a consortium of banks will finance 70% of the total cost, which is expected to be \$150,000,000. The remaining 30% will be financed directly by the Group.

The Group is participating in a venture in Peru (refer Note 9) and is committed to financing 11.09% share of the total authorised capital of \$50,000,000 of TGP. This percentage does not give the Group control. The joint venture is for the construction of a pipeline in the Andes.

The Group is participating in a venture in Spain (BSPSA) and is committed to financing 49% of all expenses of the joint venture.

The Group is participating in a joint venture in Spain (REGANOSA) and is committed to financing 10% of all expenses of the joint venture.

As per an agreement signed on May 31, 2001, the Group will participate in 50% of the capital of a commercialisation company GNL, MD LBG & Gas Ltd., whose the head office will be located in Jersey. The participation of the Group will be \$15,000. Also, the Group will advance an amount of \$350,000 repayable with interest. At December 31, 2002, no amounts had been paid, as the capital had not been called.

On September 10, 2002, the Group signed an agreement to participate in a proportion of 30% in two companies located in Spain, which are owed by CEPSA. One of the companies is involved in gas commercialisation and the other one in electric cogeneration. The total participation will be EUR10,752,586. To finance this participation, the support of the parent company has been solicited.

22. CONTINGENT LIABILITIES

The Group has entered into an agreement with a consortium of banks and its two wholly owned subsidiaries Sonatrach Gas Carrier Corporation ("SGCC") and Sonatrach Petroleum Overseas Transportation Corporation ("SPOTC"), with BNP Paribas (Suisse) S.A. acting as agent and security trustee. The Company acts as guarantor of loans issued to SGCC and SPOTC in the total amount of \$102,000,000 (2001 - \$102,000,000). The loans have been issued for the purpose of financing 70% of the cost of one new vessel each for SGCC and SPOTC. The loans were issued when the construction of the vessels was completed and delivered by the shipbuilder. SGCC received its vessel Reggane on November 30, 1999 and SPOTC received its vessel Djanet on October 4, 2000.

SPIC B.V. a subsidiary of SPC (N.A.) N.V. has given a guarantee for a credit line facility of EUR 63.2 million plus interest and all fees for its share (49%) of the obligations due and not paid from the joint venture in BSPSA, to a consortium of banks in Spain. L'Entreprise Nationale Sonatrach, has guaranteed SPIC B.V. obligations for this guarantee until the end of the construction period for the propylene factory located at Tarragone (Spain).

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23. MINORITY INTEREST

A share of 0.1% in SPIC B.V. is owned by BACE, and is presented as minority interest.

24. ULTIMATE HOLDING COMPANY

Immediate control of the Group is held by its parent company, Sonatrach International Holding Corporation, a company incorporated in the British Virgin Islands, which is ultimately owned by L'Entreprise Nationale Sonatrach, a wholly owned Algerian state company.

25. SUBSEQUENT EVENTS

From January 2003 to March 2003, the Group has invested an additional \$14 million in its long-term investment in TGP.

On January 1, 2003 the Group transferred its subsidiary SPC (N.A.) N.V. to the immediate parent company.

On February 5, 2003, the Group made the first payment of 10% (\$15,000,000) on the total cost per contract for the construction of three new vessels (refer Note 21).

In November 30, 2002 the Group entered into an agreement with Société Nationale du Transport Maritimes des Hydrocarbures et des Produits Chimiques ("SNTM-HYPROC") relating to the rental of the LPG vessel Jemila. The terms of the rent are defined under a 5 years agreement effective from January 11, 2003, which specifies monthly revenue of \$130,000.

26. COMPARATIVE FIGURES

Certain of the prior year figures have been reclassified to conform to the current year's financial statements presentation.