

BP AMOCO EXPLORATION (IN AMENAS) LIMITED

(Registered No. S.135813)

ANNUAL REPORT AND ACCOUNTS 2002

Board of Directors: I D W Jones
D C Nagel
S D Urban

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2002.

Principal activity

The company is engaged in the exploration and exploitation of oil and gas in Algeria and in the production of gas from the Hyde field on the UK Continental Shelf. Production from the company's interest in the Hyde field during the year totalled 198,000 bbls of oil equivalent (234,000 bbls in 2001).

It is the intention of the directors that the above business of the company will continue for the foreseeable future.

Review of the business

On 14 October 2002 BP and its partner Sonatrach signed an Avenant (Amendment) to the In Amenas Production Sharing Agreement, increasing the capacity of, and resetting the date for the commencement of, the development of the treatment plant. The Avenant was Gazetted and became binding under Algerian law on 07 April 2003 after receiving Algerian State approval. On 14 October 2002 BP and Sonatrach awarded the EPC contract for the development of the project in the In Amenas region. Also, last year saw the completion of another 6 wells, which further defined the reservoir and potential flow rates.

Results

The loss for the year after taxation of \$11,259,000 when added to the retained deficit brought forward at 1 January 2002 of \$12,464,000, together with exchange adjustments taken directly to reserves of \$2,353,000 gives a total retained deficit carried forward at 31 December 2002 of \$26,076,000. The directors do not propose the payment of a final dividend.

Directors

The present directors are listed above. The present directors served as directors throughout the financial year. Changes since 1 January 2002 are as follows:

	Appointed	Resigned
M R Bly		3 February 2003



BP AMOCO EXPLORATION (IN AMENAS) LIMITED

REPORT OF THE DIRECTORS

Directors' interests

The interests of the directors holding office at 31 December 2002, and their families, in the US \$0.25 ordinary shares of BP p.l.c. ,were as set out below:

	<u>31 December 2002</u>	<u>1 January 2002</u>
D C Nagel	74,778*	74,778*
M R Bly	Nil	Nil
I D W Jones	3,431	2,537
S D Urban	17,472*	17,472*

In addition, rights to subscribe for US \$0.25 ordinary shares in BP p.l.c. were granted to, or exercised by, those directors between 1 January and 31 December 2002 as follows:

	<u>Granted</u>	<u>Exercised</u>
D C Nagel	53,220	86,640
M R Bly	39,960*	Nil
I D W Jones	11,000	2,154
S D Urban	119,010*	93,684*

*The holdings above include shares held in the form of ADR's (American Depository Receipts).

No director had any interest in the shares or debentures of subsidiary undertakings of BP p.l.c. at 31 December 2002.

Policy and practice with respect to payment of suppliers

It is the company's policy to follow the CBI's prompt payment code of practice for all suppliers to the company. A copy of the code of practice may be obtained from the CBI. The company had no trade creditors at the year-end.

Post Balance Sheet Events

On 23 June 2003 BP announced that it had reached an agreement to sell 50 per cent of its share in the In Amenas Contract of Association to Statoil North Africa Gas AS. The sale is expected to complete by the end of 2003 and is subject to Sonatrach consent, as well as other approvals and ultimately Algerian regulatory approval.

BP AMOCO EXPLORATION (IN AMENAS) LIMITED

REPORT OF THE DIRECTORS

Auditors

Ernst & Young LLP will continue in office as the Company's auditor in accordance with the elective resolution passed by the Company under section 386 Companies Act 1985.

By order of the Board


Secretary

26 November 2003

Registered Office:
Burnside Road
Farburn Industrial Estate
Dyce
Aberdeen, AB21 7PB

BP AMOCO EXPLORATION (IN AMENAS) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 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; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors confirm that they have complied with these requirements and having a reasonable expectation that the company has, or has access within the BP Group to, adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts.

BP AMOCO EXPLORATION (IN AMENAS) LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF
BP AMOCO EXPLORATION (IN AMENAS) LIMITED

We have audited the accounts for the year ended 31 December 2002, which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 18. These accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

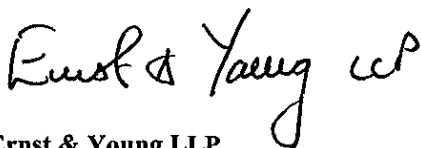
Basis of audit opinion

We conducted our audit in accordance with 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 2002 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
London.

26 November 2003

BP AMOCO EXPLORATION (IN AMENAS) LIMITED

ACCOUNTING POLICIES

Accounting Standards

These accounts are prepared in accordance with applicable UK accounting standards. In preparing the financial statements for the current year, the company has adopted Financial Reporting Standard No. 19 'Deferred Tax' (FRS 19). The adoption of FRS 19 has not resulted in a change in accounting policy for deferred taxation. See note 4, Taxation.

In addition to the requirements of accounting standards, the accounting for exploration and production activities is governed by the Statement of Recommended Practice ('SORP') 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities' issued by the UK Oil Industry Accounting Committee on 7 June 2001. These accounts have been prepared in accordance with the SORP's provisions.

Accounting convention

The accounts are prepared under the historical cost convention. Accounts prepared on this basis show the profits available to shareholders and are the most appropriate basis for presentation of the company's balance sheet. As the ultimate parent undertaking has published a group cash flow statement in compliance with Financial Reporting Standard No. 1 (Revised), a cash flow statement is not presented in these accounts.

Revenue Recognition

Revenues associated with the sale of oil, natural gas liquids, liquefied natural gas, petroleum and chemical products and all other items are recognised when the title passes to the customer. Generally, revenues from the production of natural gas and oil properties in which the company has an interest with other producers are recognised on the basis of the company's working interest in those properties (the entitlement method). Differences between the production sold and the group's share of production are not significant.

Foreign currencies

Assets and liabilities of foreign currency branches (other than United States dollars) are translated to dollars at closing rates of exchange. All exchange gains or losses on settlement or translation at closing rates of exchange of monetary assets and liabilities are included in the determination of the loss for the year. Transactions in currencies other than United States Dollars are recorded at the rate ruling at the date of the transaction.

Exploration expenditure

Exploration expenditure is accounted in accordance with the successful efforts method. Exploration and appraisal drilling expenditure is initially capitalised as an intangible fixed asset. When proved reserves of oil and gas are determined and development is sanctioned, the relevant expenditure is transferred to tangible production assets. All exploration expenditure determined as unsuccessful is charged against income. Exploration licence acquisition costs are amortised over the estimated period of exploration. Geological and geophysical exploration costs are charged against income as incurred.

Depreciation

Oil and gas production assets are depreciated using a unit-of-production method based upon estimated proved reserves. Other tangible assets are depreciated on the straight line method over their estimated useful lives.

BP AMOCO EXPLORATION (IN AMENAS) LIMITED

ACCOUNTING POLICIES

Inventory

Inventory is valued at cost to the company, using the first-in first-out method or at net realisable value, whichever is the lower.

Interest

Interest is capitalised gross during the period of construction where it relates either to the financing of major projects with long periods of development or to dedicated financing of other projects. All other interest is charged against income.

Deferred taxation

Where required deferred taxation is calculated using the liability method in respect of timing differences arising primarily from the different accounting and tax treatment of both depreciation and corporation tax. Provision is made or recovery anticipated where timing differences are expected to reverse in the foreseeable future.

Provisions for liabilities and charges

Provision for decommissioning is recognised in full at the commencement of oil and natural gas production. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding tangible fixed asset of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the capital costs of the production and transportation facilities. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and fixed asset.

Discounting

The unwinding of the discount on provisions is included within interest expense. Any change in the amount recognised for environmental and other provisions arising through changes in discount rates is included within interest expense.

BP AMOCO EXPLORATION (IN AMENAS) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	<u>Note</u>	<u>2002</u> \$000s	<u>2001</u> \$000s
Turnover	1	3,255	4,576
Cost of sales		(4,008)	(1,540)
Gross (loss)/profit		<u>(753)</u>	<u>3,036</u>
Administration expenses		(1,125)	(990)
Foreign exchange loss		(8,167)	(108)
(Loss)/profit on ordinary activities before interest and tax	2	<u>(10,045)</u>	<u>1,938</u>
Interest payable and similar charges	3	(1,214)	(1,600)
(Loss)/profit before taxation		<u>(11,259)</u>	<u>338</u>
Taxation	4	-	-
Retained (loss)/profit for the year		<u><u>(11,259)</u></u>	<u><u>338</u></u>

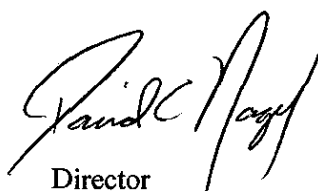
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2002

	<u>2002</u> \$ 000	<u>2001</u> \$ 000
(Loss)/profit for the financial year	(11,259)	338
Foreign exchange gains on re-translation of reserves	(2,353)	877
Total recognised gains and losses	<u><u>(13,612)</u></u>	<u><u>1,215</u></u>

BP AMOCO EXPLORATION (IN AMENAS) LIMITED

BALANCE SHEET AT 31 DECEMBER 2002

	<u>Note</u>	<u>2002</u> \$000s	<u>2001</u> \$000s
Fixed assets			
Tangible assets	6	238,351	170,606
Investments	7	8,500	-
		<u>246,851</u>	<u>170,606</u>
Current assets			
Debtors	8	11,972	17,004
Cash at bank and in hand		23,340	16,939
		<u>35,312</u>	<u>33,943</u>
Creditors - amounts falling due within one year			
Other creditors	9	(305,834)	(215,078)
Net current liabilities		<u>(270,522)</u>	<u>(181,135)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(23,671)</u>	<u>(10,529)</u>
Provisions for liabilities and charges	10	<u>(2,405)</u>	<u>(1,935)</u>
SHAREHOLDERS' INTEREST		<u>(26,076)</u>	<u>(12,464)</u>
Represented by			
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account	12	(26,076)	(12,464)
SHAREHOLDERS' FUNDS - EQUITY INTERESTS		<u>(26,076)</u>	<u>(12,464)</u>


Director

26 November 2003

BP AMOCO EXPLORATION (IN AMENAS) LIMITED

NOTES TO THE ACCOUNTS

1. Turnover

Turnover, which is stated net of value added tax, comprises amounts invoiced to third parties, all of which falls within the UK geographic area. Turnover is attributable to one continuing activity, the production and selling of petroleum products.

2. (Loss)/profit on ordinary activities before interest and tax

This is stated after charging:

	<u>2002</u> \$000s	<u>2001</u> \$000s
Depreciation of owned fixed assets (including amortisation of intangibles)	4,279	833

Auditors' remuneration is dealt with in the accounts of the parent undertaking. No fees were paid to the auditors for other services.

3. Interest payable and similar charges

	<u>2002</u> \$000s	<u>2001</u> \$000s
Bank loans and overdrafts	6,700	5,840
Capitalised during the year	(5,522)	(4,303)
Unwinding of discount on provisions	<u>36</u> 1,214	<u>63</u> 1,600
	<u>1,214</u>	<u>1,600</u>

4. Taxation

The Company is a member of a group for the purposes of relief under Section 402 of the Income & Corporation Taxes Act 1988.

No corporation tax has been provided in respect of the company's oil extraction activity in the UK and UK Continental Shelf because another group company, BP Exploration Operating Company Limited, has undertaken to provide for any current or deferred tax that arises.

In respect of the company's other activities, no corporation tax has been provided because another group company, BP International Limited, has undertaken to procure the claim or surrender of free group relief to the extent it is required and to provide for any current or deferred tax that arises.

BP AMOCO EXPLORATION (IN AMENAS) LIMITED

NOTES TO THE ACCOUNTS

	<u>2002</u>	<u>2001</u>
	\$000	\$000
(Loss)/profit before taxation	(11,259)	338
Current tax	0	0
Effective tax rate	0	0
	%	%
	UK	UK
Tax at expected rate	30	30
Timing differences	93	(2,260)
Permanent differences	0	84
IRF Tax provided in BPEOC	6	(313)
Group relief	(129)	2,459
Effective tax rate	<u>0</u>	<u>0</u>

5. Directors and employees

None of the directors received any fees or remuneration for services as a director of the company during the financial year (2001 \$ Nil).

6. Tangible assets

	\$000s
Cost	
Brought forward 1 January 2002	187,749
Additions	73,174
Exchange difference	(1,608)
At 31 December 2002	<u>259,315</u>
Depreciation	
Brought forward 1 January 2002	17,143
Charge for the year	4,279
Exchange difference	(458)
At 31 December 2002	<u>20,964</u>
Net book amount	
At 31 December 2002	<u>238,351</u>
At 31 December 2001	<u>170,606</u>

Included above is capitalised interest:

	Cost	Accumulated Depreciation	Net Book Value
	\$ 000	\$ 000	\$ 000
31 December 2002	9,825	-	9,825
31 December 2001	4,303	-	4,303

BP AMOCO EXPLORATION (IN AMENAS) LIMITED

NOTES TO THE ACCOUNTS

7. Fixed assets - Investments

	Other loans Loans	Total
	\$000's	\$000's
Cost		
At 1 January 2002	-	-
Additions	8,500	8,500
At 31 December 2002	<u>8,500</u>	<u>8,500</u>
Amounts provided		
At 1 January 2002	-	-
Provided in the year	-	-
At 31 December 2002	<u>-</u>	<u>-</u>
Net book amount		
At 31 December 2002	8,500	8,500

8. Debtors

	<u>2002</u> <u>Within</u> <u>1 year</u> \$000s	<u>2001</u> <u>Within</u> <u>1 year</u> \$000s
Parent and fellow subsidiary undertakings	2,915	14,530
Prepayments and accrued income	9,043	-
Other	14	2,474
	<u>11,972</u>	<u>17,004</u>

9. Creditors

	<u>Within</u> <u>1 year</u> \$000s	<u>Within</u> <u>1 year</u> \$000s
Parent and fellow subsidiary undertakings	(278,932)	(200,834)
Accruals and Deferred income	(25,691)	(14,240)
Other	(1,211)	(4)
	<u>(305,834)</u>	<u>(215,078)</u>

BP AMOCO EXPLORATION (IN AMENAS) LIMITED

NOTES TO THE ACCOUNTS

10. Provisions for liabilities and charges

The balance relates to the decommissioning of the Hyde field.

	<u>2002</u> \$000s	<u>2001</u> \$000s
Decommissioning		
At 1 January	(1,935)	(1,785)
Change in estimate	(141)	-
Effect of change in discount rate	(68)	(65)
Exchange adjustments	(225)	(22)
Unwinding of discount or provision	(36)	(63)
At 31 December	<u>(2,405)</u>	<u>(1,935)</u>

11. Called up share capital

	2002 £	2001 £
Authorised share capital: 100 ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>
	\$	\$
Allotted, called up and fully paid: 2 ordinary shares of £1 each (translated at the 31 December 1991 exchange rate of \$1.87/£1)	4	4
	<u> </u>	<u> </u>

12. Reconciliation of shareholders' funds and movements on reserves

	<u>Equity</u> <u>share</u> <u>capital</u>	<u>Profit &</u> <u>loss</u> <u>account</u>	<u>Total</u>
	\$000s	\$000s	\$000s
At 1 January 2001	-	(13,679)	(13,679)
Profit for the financial year		338	338
Currency translation differences	-	877	877
	<u> </u>	<u> </u>	<u> </u>
At 1 January 2002	-	(12,464)	(12,464)
Loss for the financial year	-	(11,259)	(11,259)
Currency translation differences	-	(2,353)	(2,353)
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2002	-	(26,076)	(26,076)
	<u> </u>	<u> </u>	<u> </u>

BP AMOCO EXPLORATION (IN AMENAS) LIMITED

NOTES TO THE ACCOUNTS

13. Capital commitments

Authorised and contracted future capital expenditure is estimated at \$80,000,000 (2001 \$2,000,000).

14. Contingent liabilities

There were contingent liabilities at 31 December 2002 in respect of guarantees and indemnities entered into as part of, and claims arising from, the ordinary course of the company's business, upon which no material losses are likely to arise.

15. Related party transactions

The company has taken advantage of the exemption contained within Financial Reporting Standard No 8 "Related Party Disclosures", and has not disclosed transactions with group companies.

16. Pensions

The company does not directly employ any staff and therefore does not directly bear any pension charge.

17. Post Balance Sheet Events

On 23 June 2003 BP announced that it had reached an agreement to sell 50 per cent of its share in the In Amenas Contract of Association to Statoil North Africa Gas AS. The sale is expected to complete by the end of 2003 and is subject to Sonatrach consent, as well as other approvals and ultimately Algerian regulatory approval.

18. Ultimate parent undertaking

The ultimate parent undertaking of the group of undertakings for which group accounts are drawn up, and of which the company is a member, is BP p.l.c a company registered in England and Wales. Copies of BP p.l.c.'s accounts can be obtained from 1 St James's Square, London, SW1Y 4PD.