

DOMINION ENERGY PLC

REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2003**

REGISTERED NUMBER 03986182



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DOMINION ENERGY PLC

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DOMINION ENERGY PLC

COMPANY INFORMATION

Directors

Mr M Alikhani (*Executive Director*)

Mr H Jelsma (*Chief Executive*)

Mr G Burgess (*Executive Director*)

Mr R Stubbs (*Executive Director*)

Mr G Verspyck (*Non-executive Director*)

Mr K Sodha (*Finance Director*)

Company Secretary

Mr K Sodha

Registered Office

2nd Floor, 19/20 Grosvenor Street

London

W1K 4QH

Auditors

Henderson & Co.

87 Devonshire Road

Palmers Green

London

N13 4QU

Advisers

Hichens Harrison & Co plc

Bell Court House

11 Blomfield Street

London

EC2M 1LB

DOMINION ENERGY PLC

DIRECTORS REPORT

The Directors present their report and financial statements of the Company for the year ended 30 June 2003.

PRINCIPAL ACTIVITY

The Company is engaged in the acquisition, development and production of reserves of oil and natural gas in the United States of America.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The group results for the year ended 30 June 2003 show a loss of £83,959 compared with the loss of £125,943 for the last year. The remedial work on a number of leases was continued during the year and resulted in a positive effect with oil production stabilising. Gas production was down but the remedial work on the wells will produce additional production this year and with prices at the current level we are carrying out work on two other gas wells. The lower overall production was offset by the higher prices received.

Administrative expenses include £73,768 (2002: £79,462) for undrawn remuneration payable to directors.

RESULTS AND DIVIDENDS

The results for the year are set out in the group profit and loss account on page 6. The directors do not recommend the payment of a dividend on the ordinary shares.

DIRECTORS AND THEIR INTERESTS

The Directors in office during the year were as follows:

Mr M Alikhani
Mr H Jelsma
Mr G Burgess (appointed 18 August 2003)
Mr R Stubbs
Mr G Verspyck
Mr K Sodha

In accordance with the Articles of Association, Mr. R Stubbs retires and, being eligible, offers himself for re-election. None of the directors standing for re-election has a service contract with the Company.

The interests (as defined in the Companies Act 1985) of the directors holding office at 30 June 2003 in the share capital of Dominion Energy PLC are shown below.

	Ordinary shares of 1p	
	30 June 03	30 June 02
Henk Jelsma	1,382,200	1,382,200
Masoud Alikhani	573,000	573,000
Robert Stubbs	416,667	416,667
Kishor Sodha	833,333	833,333

The interests of the directors in the share options of the company are shown on page 15. The interests (as defined in the Companies Act 1985) of the directors in the holding company at 30 June 2003 will be shown in the account of the holding company, Tecton PLC.

DOMINION ENERGY PLC

DIRECTORS REPORT

Shares, share options and share warrants

During the year, no ordinary shares were issued.

Directors' options over ordinary shares outstanding at 30 June 2003 are disclosed in note 13 to the financial statements.

ENVIRONMENTAL MATTERS

The group undertakes a review of the environmental matters prior to deciding to proceed with an investment in a new operation. Once an investment is made the environmental implications are monitored on a regular basis and where necessary improvements are proposed.

CREDITOR PAYMENT POLICY

The Company does not follow any formal payment code but agrees terms with suppliers when opening an account, to ensure the supplier is made aware of these terms and to comply with payment terms agreed.

DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit and loss of the Company for that period. In preparing those financial statements, the Directors confirm:

- suitable accounting policies have been selected and are applied consistently;
- judgements and estimates made are reasonable and prudent;
- applicable accounting standards have been followed,
- the financial statements have been prepared on a going concern basis

The Directors are also responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and of the group to enable them to ensure that the financial statements comply with the stated accounting policies. They are also responsible for safeguarding the assets of the Company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DOMINION ENERGY PLC

DIRECTORS REPORT

AUDITORS

A resolution proposing the re-appointment of Henderson & Co. as auditors will be put to the shareholders at the Annual General Meeting.

Approved by the Board of Directors and signed on its behalf by

M. Alikhani

Director

2nd Floor, 19/20 Grosvenor Street

London

W1K 4QH



28 November 2003

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF DOMINION ENERGY PLC

We have audited the financial statements on pages 6 to 17 which have been prepared under the historical cost convention. These financial statements have been prepared under the historic cost convention and the accounting policies as set out in pages 9 and 10.

Respective responsibilities of directors and auditors

The directors' responsibility for preparing the financial statements in accordance with applicable laws, and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements 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.

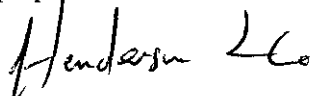
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 June 2003 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Henderson & Co

Chartered Accountants and Registered Auditor

87 Devonshire Road

London

N13 4 QU

28 November 2003

DOMINION ENERGY PLC
GROUP PROFIT AND LOSS ACCOUNT
for the year ended 30 June 2003

		30.06.03	30.06.02
	<i>Notes</i>	£	£
TURNOVER	2	192,676	184,205
Depreciation and amortisation	43,953		47,614
Goodwill on consolidation written back	<u>(34,000)</u>	<u>(9,953)</u>	<u>(24,000)</u> (23,614)
Other cost of sales		<u>(138,574)</u>	<u>(155,497)</u>
GROSS PROFIT		44,149	5,094
Administrative expenses		(128,094)	(131,028)
OPERATING LOSS	3	<u>(83,945)</u>	<u>(125,934)</u>
Interest payable and similar charges	4	(14)	(9)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(83,959)</u>	<u>(125,943)</u>
Tax on loss on ordinary activities	5	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u><u>(83,959)</u></u>	<u><u>(125,943)</u></u>
Loss per share	6	0.103 p	0.156p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended to 30 June 2003

Loss for the financial year		(83,959)	(125,943)
Exchange differences on translation into sterling of net assets of subsidiary undertaking		(52,211)	(61,475)
Total gains and losses recognised in the financial ye	15	<u><u>(136,170)</u></u>	<u><u>(187,418)</u></u>

None of the Company's activities were acquired or discontinued during the year.

All activities of the Company are continuing.

DOMINION ENERGY PLC

GROUP BALANCE SHEET

as at 30 June 2003

	Notes	30.06.03 £	30.06.02 £
FIXED ASSETS			
Intangible assets	8	(77,299)	(111,299)
Tangible assets	9	606,183	699,411
		<u>528,884</u>	<u>588,112</u>
CURRENT ASSETS			
Debtors	11	125,202	121,646
Cash at bank and in hand		60,950	58,052
		<u>186,152</u>	<u>179,698</u>
CREDITORS			
Amounts falling due within one year	12	(188,117)	(104,721)
NET CURRENT (LIABILITIES) ASSETS		(1,965)	74,977
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>526,919</u>	<u>663,089</u>
CAPITAL AND RESERVES			
Called up share capital	13	816,065	816,065
Share premium account	14	134,104	134,104
Exchange reserve	14	(115,040)	(62,829)
Profit and loss account	14	(308,210)	(224,251)
SHAREHOLDERS' FUNDS	15	<u>526,919</u>	<u>663,089</u>

These financial statements were approved by the Board of Directors on 28 November 2003 and signed on behalf of the Board of Directors.


M. Alikhani

DOMINION ENERGY PLC

COMPANY BALANCE SHEET

as at 30 June 2003

	Notes	30.06.03 £	30.06.02 £
FIXED ASSETS			
Investment in subsidiary undertaking	10	736,513	736,513
		<u>736,513</u>	<u>736,513</u>
CURRENT ASSETS			
Debtors	11	76,255	75,011
Cash at bank and in hand		25,498	56,745
		<u>101,753</u>	<u>131,756</u>
CREDITORS			
Amounts falling due within one year	12	(115,996)	(70,663)
NET CURRENT (LIABILITIES) ASSETS		(14,243)	61,093
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>722,270</u>	<u>797,606</u>
CAPITAL AND RESERVES			
Called up share capital	13	816,065	816,065
Share premium account	14	134,104	134,104
Profit and loss account	14	(227,899)	(152,563)
SHAREHOLDERS' FUNDS		<u>722,270</u>	<u>797,606</u>

These financial statements were approved by the Board of Directors on 28 November 2003 and signed on behalf of the Board of Directors.



M. Alikhani

DOMINION ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS for the year to 30 June 2003

1 ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been drawn up under the historic cost convention, in accordance with applicable accounting standards and on a going concern basis since the directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which demonstrate that the Company will be able to continue to trade and to meet its liabilities as they fall due.

Basis of consolidation

The group financial statements consolidate the financial statements of the Company and its operating subsidiary undertaking. No profit and loss account is presented for the Company as permitted by Section 230 of the Companies Act 1985.

Foreign Exchange

Transactions of UK company denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of transaction. Any foreign exchange differences are taken to the profit and loss account. Balances at the year end denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date.

Assets and liabilities of foreign currency subsidiary undertakings are translated into sterling at closing rates of exchange; profit and loss financial statements are translated at average rates of exchange. The exchange differences resulting from the translation at closing rates of net investments in foreign currency subsidiary undertakings, together with the differences between profit and loss statements translated at average rates and at closing rates, are taken to reserves and separately identified as an Exchange Reserve.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment to their carrying values.

DOMINION ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS for the year to 30 June 2003 (continued)

(Accounting Policies - continued)

Tangible fixed asset

Costs of acquiring undeveloped acreage and of successful exploration and appraisal activity are capitalised. Unsuccessful exploration and appraisal activity and geology and geophysical costs are expensed.

Costs of acquiring developed acreage, drilling and equipping productive wells, including development dry holes, related production facilities and related pre-production interest are capitalised. All capitalised exploration and development costs are classified as tangible assets.

Depreciation and amortisation

The acquisition costs of acreage for which there are no developed plans are amortised over the lives of the related leases or such shorter periods as necessary to fully depreciate the acreage. Depreciation and amortisation of successful exploration and appraisal acreage, wells and oil and gas production equipment is determined under the unit of production method based on the estimated proven producing oil and gas reserves by field. Under the unit or production method, the effects of any changes in estimates are dealt with prospectively. Additional depreciation charges are provided for field assets where the directors consider that there has been an indicator of impairment and the test, carried out in accordance with FRS11, results in an impairment of the asset.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

DOMINION ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year to 30 June 2003 (continued)

2 TURNOVER AND SEGMENTAL INFORMATION

Turnover represents the amount of goods sold and services provided during the year stated net of any value added tax or any royalty interests to external customers. All of the group's turnover is derived from the production and sale of oil and natural gas in the United States of America.

	Profit (Loss) analysis		Asset (liability) analysis	
	30.06.03	30.06.02	30.06.03	30.06.02
	£	£	£	£
US activities	(42,624)	(71,908)	526,506	711,988
UK Head office	(41,321)	(54,026)	(60,537)	(106,951)
Loss on ordinary activities	<u>(83,945)</u>	<u>(125,934)</u>	<u>465,969</u>	<u>605,037</u>
UK net interest expense	(14)	(9)		
Loss on ordinary activities before taxation	<u>(83,959)</u>	<u>(125,943)</u>		
Total operating assets			<u>465,969</u>	<u>605,037</u>
Cash			<u>60,950</u>	<u>58,052</u>
Total net assets			<u>526,919</u>	<u>663,089</u>

3 OPERATING LOSS

	30.06.03	30.06.02
	£	£
Operating loss is stated after charging:		
In cost of sales:		
Depreciation	43,953	47,614
Goodwill written back	(34,000)	(24,000)
In administrative expenses:		
Auditors' remuneration		
- audit services	3,000	3,000
- non audit services	1,000	1,000

4 INTEREST

	30.06.03	30.06.02
	£	£
Interest payable	<u>(14)</u>	<u>(9)</u>
	<u>(14)</u>	<u>(9)</u>

DOMINION ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year to 30 June 2003 (continued)

5 TAXATION

No liability to U.K. Corporation Tax or US Federal Tax arises based on the results for the year. The group is carrying tax losses in both the UK and the US, available for relief against future taxable profits.

6 LOSS PER ORDINARY SHARE

The loss per share of 0.103 pence (2002: loss 0.156 pence) has been calculated on the loss of £83,959 (2002: loss £125,943) and on 81,606,500 (2002: 80,775,450) ordinary shares, being the weighted average number of ordinary shares issued during the year ended 30 June 2003.

7 DIRECTORS AND STAFF

The emoluments and remunerations for the year for Directors and staff is as follows:

	30.06.03	30.06.02
	£	£
Highest paid director	40,980	41,958
Staff costs including directors		
Wages and salaries	81,980	82,958
	81,980	82,958

The average monthly number of persons employed by the group during the year, including executive directors

	30.06.03	30.06.02
Management	2	2

8 INTANGIBLE ASSETS - GOODWILL

<i>Group</i>	30.06.03	30.06.02
<i>Cost</i>	£	£
At 1 July 2002	(111,299)	(159,299)
Additions during the year	-	-
Released to profit and loss account	34,000	48,000
As at 31 June 2003	(77,299)	(111,299)

The negative goodwill arises as a result of the price paid for acquiring the subsidiary being less than the aggregate fair value of the subsidiary's net total assets.

Negative goodwill arose in respect of non-monetary assets and will be released to profit and loss account on a basis consistent with the declining reserves. Reserves are considered to decline considerably within 5 years, over which period the negative goodwill will be adjusted on a straight-line basis.

DOMINION ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS for the year to 30 June 2003 (continued)

9 TANGIBLE ASSETS

<i>Group</i>	Producing fields
<i>Cost:</i>	£
At 1 July 2002	5,358,748
Foreign exchange	(390,630)
At 30 June 2003	<u>4,968,118</u>
<i>Depreciation and amortisation:</i>	
At 1 July 2002	4,659,337
Charge for the period	43,953
Foreign exchange	(341,355)
at 30 June 2003	<u>4,361,935</u>
<i>Net book value:</i>	
At 30 June 2003	<u><u>606,183</u></u>
At 30 June 2002	<u><u>699,411</u></u>

10 INVESTMENTS

Company

Cost:

At 1 July 2002 and 30 June 2003	<u><u>736,513</u></u>
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Subsidiary undertakings:

The Company owns 100 per cent of the ordinary share capital of Dominion Oil USA Corp. which is a US company incorporated in Texas, whose principal activity is the acquisition, development and production of oil and gas in the United States of America.

The investment represents loans to the subsidiary company.

DOMINION ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS for the year to 30 June 2003 (continued)

11 DEBTORS

	Group		Company	
	30.06.03	30.06.02	30.06.03	30.06.02
	£	£	£	£
Amount due from parent undertaking	109,692	108,086	76,255	72,020
Other debtors	15,510	13,560	-	2,991
	<u>125,202</u>	<u>121,646</u>	<u>76,255</u>	<u>75,011</u>

12 CREDITORS

- amounts falling due within one year	Group		Company	
	30.06.03	30.06.02	30.06.03	30.06.02
	£	£	£	£
Other creditors	19,285	12,290	15,830	14,180
Accruals	168,832	92,431	100,166	56,483
	<u>188,117</u>	<u>104,721</u>	<u>115,996</u>	<u>70,663</u>

13 SHARE CAPITAL

	30.06.03	30.06.03	30.06.02	30.06.02
	No.	£	No.	£
Authorised:				
Ordinary shares of 1p each	<u>300,000,000</u>	<u>3,000,000</u>	<u>300,000,000</u>	<u>3,000,000</u>
	<u>300,000,000</u>	<u>3,000,000</u>	<u>300,000,000</u>	<u>3,000,000</u>
Issued and fully paid:				
Ordinary shares of 1p each	<u>81,606,500</u>	<u>816,065</u>	<u>81,606,500</u>	<u>816,065</u>
	<u>81,606,500</u>	<u>816,065</u>	<u>81,606,500</u>	<u>816,065</u>

No shares were issued during the year.

DOMINION ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS **for the year to 30 June 2003(continued)**

13 SHARE CAPITAL (continued)

The share options over ordinary shares held by the Directors and others are as follows:

Name	Number of options at 1 July 2002 and at 30 June 2003
M Alikhani	1,764,706
H Jelsma	1,764,706
R Stubbs	1,323,529
K Sodha	1,323,529
G Verspyck	441,176
Others	882,354
	<u>7,500,000</u>

The above options and warrants are all exercisable as follows:

Percentage of options	Exercise date	Exercise price
50%	6th July 2003	3p
50%	6th July 2004	5p

No options or warrants were exercised during the year.

The options and warrants expire 36 months from the date of grant.

DOMINION ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS for the year to 30 June 2003 (continued)

14 RESERVES

Group

	Share premium £	Exchange reserve £	Profit and loss account £
At 30 June 2002	134,104	(62,829)	(224,251)
Foreign currency translation differences	-	(52,211)	-
Retained loss for the year	-	-	(83,959)
Issue of shares	0	-	-
At 30 June 2003	<u>134,104</u>	<u>(115,040)</u>	<u>(308,210)</u>

Company

	Share premium £	Profit and loss account £
At 30 June 2002	134,104	(152,563)
Retained loss for the year	-	(75,335)
Issue of shares	-	-
At 30 June 2003	<u>134,104</u>	<u>(227,898)</u>

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	30.06.03 £	30.06.02 £
At 30 June 2002	663,089	750,507
Total recognised gains and losses	(136,170)	(187,418)
Issue of shares	-	100,000
Conversion of loan to shares	-	-
At 30 June 2003	<u>526,919</u>	<u>663,089</u>

DOMINION ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year to 30 June 2003 (continued)

16 FINANCIAL INSTRUMENTS

In reporting financial instruments, the group has taken advantage of the exemption available under FRS13 not to provide numerical disclosures in relation to short term debtors and creditors.

The group's financial instruments comprise borrowings and cash. The main purpose of those financial instruments is to provide financing for the group's operations. The group has various other financial instruments such as trade debtors and trade creditors, that arise directly from its operations.

It is, and has been throughout the year under review, the group's policy that no dealing in financial instruments shall be undertaken, except for the purpose of hedging the group's financial risks.

The main risks arising from the group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board considers each of these risks on a regular basis and the group's policy stance towards each of these risks has remained unchanged during the year.

Interest rate risk

The group finances its operations through a mixture of equity capital, cash, bank overdraft and bank borrowings. The group has financed its acquisitions primarily through the issue of shares and share warrants. The group borrows in the desired currencies mainly at floating rates of interest, to manage the group's exposure to interest rate fluctuations.

Foreign currency risk

Although the group is based in the UK, it has significant investment in the US. As a result, the group's sterling balance sheet can be affected by movements in the US Dollar exchange rate. The movements in the year have been material.

17 RELATED PARTY TRANSACTIONS

Mr. Henk Jelsma, the director, has loaned US\$13,139 (£7,962) to the subsidiary (Dominion Oil USA) and was repaid US\$10,701 (£6,484) during the year.

18 PARENT UNDERTAKING AND CONTROLLER

Tecteon PLC, a company registered in the United Kingdom, is the Company's parent undertaking. No shareholder has overall control over Tecteon PLC.

19 DEBENTURE CHARGE

HSBC Bank PLC has a debenture charge on all monies and liabilities incurred by the group. The debenture charge was incurred on a loan account of the holding company, on which £5,633 was outstanding at 31 October 2003.