

**DOMINION ENERGY PLC**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
30 June 2002**

**REGISTERED NUMBER 03986182**

# DOMINION ENERGY PLC

HEAD OFFICE  
77 South Audley Street  
London  
W1K 1JG

	<b>Pages</b>
Company information	1
Directors Report	2
Statement of Directors' responsibilities	3
Auditors report	5
Group profit and loss account	6
Group balance sheet	7
Company balance sheet	8
Notes to the financial statements	9 -17

## **DOMINION ENERGY PLC**

### **COMPANY INFORMATION**

---

#### **Directors**

Mr M Alikhani (*Executive Director*)  
Mr H Jelsma (*Chief Executive*)  
Mr R Stubbs (*Executive Director*)  
Mr G Verspyck (*Non-executive Director*)  
Mr K Sodha (*Finance Director*)

#### **Company Secretary**

Mr K Sodha

#### **Registered Office**

77 South Audley Street  
London  
W1K 1JG

#### **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 2002.

### 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 year under review was affected by lower oil and gas production and prices. For the next financial year we expect a stable revenue based on better oil and gas prices and a higher production as a result of work done on some of the oil and gas wells. Directors' remuneration accrued and not paid included in the accounts at 30 June 2002 amounts to £79,462. Directors have agreed to draw this accrued remuneration either only from future surplus working capital or accept shares in the Company or its parent company subject to appropriate approval.

### 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 R Stubbs  
Mr G Verspyck  
Mr K Sodha

(appointed 01 February 2002)

In accordance with the Articles of Association, Mr. G. Verspyck 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 2002 in the share capital of Dominion Energy PLC are shown below.

	Ordinary shares of 1p	
	30 June 02	30 June 01
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 2002 will be shown in the accounts of the holding company, Tecteon PLC.

## **DOMINION ENERGY PLC**

### **DIRECTORS REPORT**

#### **Shares, share options and share warrants**

During the year, 3,333,333 ordinary shares were issued at a price of 3p to provide additional working capital. 3,333,333 warrants were issued to the subscribers of the above shares, and 500,000 warrants were issued to the advisers.

Directors' options over ordinary shares outstanding at 30 June 2002 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 applied them 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  
77 South Audley Street  
London W1K 1JG

8 July 2002

## **DOMINION ENERGY PLC**

### **REPORT OF THE AUDITORS**

**to the members of Dominion Energy PLC.**

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

#### **Respective responsibilities of directors and auditors**

As described on page 3, the Company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

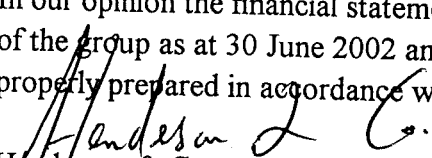
#### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relating 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 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 financial statements 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 financial statements.

#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 30 June 2002 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Henderson & Co.

Chartered Accountants & Registered Auditors

87 Devonshire Road

London

N13 4QU

8 July 2002

**DOMINION ENERGY PLC**  
**GROUP PROFIT AND LOSS ACCOUNT**  
for the year ended 30 June 2002

		<b>30.06.02</b>	<b>30.06.01</b>
	<i>Notes</i>	<b>£</b>	<b>£</b>
TURNOVER	2	184,205	205,551
Depreciation and amortisation		47,614	40,612
Goodwill on consolidation written back		<u>(24,000)</u>	<u>(24,000)</u>
Other cost of sales		(155,497)	(144,875)
<b>GROSS PROFIT</b>		<u>5,094</u>	<u>44,064</u>
Administrative expenses		(131,028)	(142,414)
<b>OPERATING LOSS</b>	3	<u>(125,934)</u>	<u>(98,350)</u>
Interest receivable and similar income	4	-	42
Interest payable and similar charges	4	(9)	-
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>(125,943)</u>	<u>(98,308)</u>
Tax on loss on ordinary activities	5	-	-
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>(125,943)</u>	<u>(98,308)</u>
Loss per share	6	0.156p	0.126p
<b>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES</b>			
<b>for the year ended to 30 June 2002</b>			
Loss for the financial year		(125,943)	(98,308)
Exchange differences on translation into sterling of net assets of subsidiary undertaking		(61,475)	(1,354)
<b>Total gains and losses recognised in the financial year</b>	15	<u>(187,418)</u>	<u>(99,662)</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 2002

	Notes	30.06.02 £	30.06.01 £
<b>FIXED ASSETS</b>			
Intangible assets	8	(111,299)	(135,299)
Tangible assets	9	699,411	807,225
		<u>588,112</u>	<u>671,926</u>
<b>CURRENT ASSETS</b>			
Debtors	11	121,646	81,970
Cash at bank and in hand		58,052	9,598
		<u>179,698</u>	<u>91,568</u>
<b>CREDITORS</b>			
Amounts falling due within one year	12	(104,721)	(12,987)
<b>NET CURRENT ASSETS</b>		74,977	78,581
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>663,089</u>	<u>750,507</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	816,065	782,732
Share premium account	14	134,104	67,437
Exchange reserve	14	(62,829)	(1,354)
Profit and loss account	14	(224,251)	(98,308)
<b>SHAREHOLDERS' FUNDS</b>	15	<u>663,089</u>	<u>750,507</u>

These financial statements were approved by the Board of Directors on 8 July 2002 and signed on behalf of the Board of Directors.

  
M. Alikhani

**DOMINION ENERGY PLC**

**COMPANY BALANCE SHEET**

as at 30 June 2002

	Notes	30.06.02 £	30.06.01 £
<b>FIXED ASSETS</b>			
Investment in subsidiary undertaking	10	<u>736,513</u>	<u>736,513</u>
		<u>736,513</u>	<u>736,513</u>
<b>CURRENT ASSETS</b>			
Debtors	11	75,011	46,606
Cash at bank and in hand		<u>56,745</u>	<u>1,662</u>
		131,756	48,268
<b>CREDITORS</b>			
Amounts falling due within one year	12	<u>( 70,663)</u>	<u>( 9,140)</u>
<b>NET CURRENT ASSETS</b>			
		61,093	39,128
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>797,606</u>	<u>775,641</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	816,065	782,732
Share premium account	14	134,104	67,437
Profit and loss account	14	<u>( 152,563)</u>	<u>( 74,528)</u>
<b>SHAREHOLDERS' FUNDS</b>			
		<u>797,606</u>	<u>775,641</u>

These financial statements were approved by the Board of Directors on 8 July 2002 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 2002

### 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 the 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 2002 (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 FRS 11, 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 2002 (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	
	30.06.02	30.06.01	30.06.02	30.06.01
	£		£	
US activities	(71,908)	(47,780)	711,988	838,742
UK Head office	(54,026)	(50,570)	(106,951)	(97,833)
Loss on ordinary activities	<u>(125,934)</u>	<u>(98,350)</u>	<u>605,037</u>	<u>740,909</u>
US net interest expense	0	0		
UK net interest expense/income	(9)	42		
Loss on ordinary activities before taxation	<u>(125,943)</u>	<u>(98,308)</u>		
Total operating assets			<u>605,037</u>	<u>740,909</u>
Cash			58,052	9,598
Total net assets			<u>663,089</u>	<u>750,507</u>

**3 OPERATING LOSS**

	30.06.02	30.06.01
	£	£
Operating loss is stated after charging:		
In cost of sales:		
Depreciation	47,614	40,612
Goodwill written back	(24,000)	(24,000)
In administrative expenses:		
Auditors' remuneration - audit services	3,000	3,000
- non audit services	1,000	3,000

**4 INTEREST**

	30.06.02	30.06.01
	£	£
Interest receivable	-	42
Interest payable	(9)	-
	<u>(9)</u>	<u>42</u>

# DOMINION ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS

for the year to 30 June 2002 (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 0.156 pence (2001:loss 0.126 pence) has been calculated on the loss of £125,943 (2001:loss £98,308) and on 80,775,450 (2001: 78,273,167) ordinary shares, being the weighted average number of ordinary shares issued during the year ended 30 June 2002.

### 7 DIRECTORS AND STAFF

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

	30.06.02	30.06.01
	£	£
Highest paid director	41,958	53,640
Staff costs including directors		
Wages and salaries	82,958	53,640
	<u>82,958</u>	<u>53,640</u>

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

	30.06.02	30.06.01
Management	2	1

### 8 INTANGIBLE ASSETS - GOODWILL

<i>Group</i>	30.06.02	30.06.01
<i>Cost</i>	£	£
<i>At 1 July 2001</i>	(159,299)	-
Additions during the year	-	(159,299)
Released to profit and loss account	48,000	24,000
As at 31 June 2002	<u>(111,299)</u>	<u>(135,299)</u>

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 2002 (continued)

### 9 TANGIBLE ASSETS

<i>Group</i>	Producing fields £
<i>Cost:</i>	
At 1 July 2001	5,814,812
Foreign exchange	(456,064)
At 30 June 2002	<u>5,358,748</u>
<i>Depreciation and amortisation:</i>	
At 1 July 2001	5,007,587
Charge for the period	47,614
Foreign exchange	(395,864)
at 30 June 2002	<u>4,659,337</u>
<i>Net book value:</i>	
At 30 June 2002	<u>699,411</u>
At 30 June 2001	<u>807,225</u>

### 10 INVESTMENTS

#### *Company*

<i>Cost:</i>	
At 1 July 2001 and 30 June 2002	<u>736,513</u>

#### *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 2002 (continued)

**11 DEBTORS**

	Group		Company	
	30.06.02	30.06.01	30.06.02	30.06.01
	£	£	£	£
Amount due from parent undertaking	108,086	81,522	72,020	46,156
Other debtors	13,560	448	2,991	450
	<u>121,646</u>	<u>81,970</u>	<u>75,011</u>	<u>46,606</u>

**12 CREDITORS**

- amounts falling due within one year

	Group		Company	
	30.06.02	30.06.01	30.06.02	30.06.01
	£	£	£	£
Other creditors	12,290	7,504	14,180	3,657
Accruals	92,431	5,483	56,483	5,483
	<u>104,721</u>	<u>12,987</u>	<u>70,663</u>	<u>9,140</u>

**13 SHARE CAPITAL**

	Group		Company	
	30.06.02	30.06.02	30.06.01	30.06.01
	No.	£	No.	£
Authorised:				
Ordinary shares of 1p each	300,000,000	3,000,000	200,000,000	2,000,000
	<u>300,000,000</u>	<u>3,000,000</u>	<u>200,000,000</u>	<u>2,000,000</u>
Issued and fully paid:				
Ordinary shares of 1p each	81,606,500	816,065	78,273,167	782,732
	<u>81,606,500</u>	<u>816,065</u>	<u>78,273,167</u>	<u>782,732</u>

The authorised share capital was increased to 300,000,000 ordinary shares of 1p each on 12 December 2001. 3,333,333 ordinary shares of 1p each were issued during the year at a price of 3p.



# DOMINION ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS for the year to 30 June 2002 (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 2001 and at 30 June 2002
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	<u>882,354</u>
	<u><u>7,500,000</u></u>

The following share warrants were granted during the year to 30 June 2002:

Others	<u><u>3,833,333</u></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 2002 (continued)

14 RESERVES

*Group*

	Share premium £	Exchange reserve £	Profit and loss account £
At 30 June 2001	67,437	(1,354)	(98,308)
Foreign currency translation differences	-	(61,475)	-
Retained loss for the year	-	-	(125,943)
Issue of shares	66,667	-	-
At 30 June 2002	<u>134,104</u>	<u>(62,829)</u>	<u>(224,251)</u>

*Company*

	Share premium £	Profit and loss account £
At 30 June 2001	67,437	(74,528)
Retained loss for the year	-	(78,035)
Issue of shares	66,667	-
At 30 June 2002	<u>134,104</u>	<u>(152,563)</u>

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	30.06.02 £	30.06.01 £
At 30 June 2001	750,507	-
Total recognised gains and losses	(187,418)	(99,662)
Issue of shares	100,000	2
Conversion of loan to shares	-	850,167
At 30 June 2002	<u>663,089</u>	<u>750,507</u>

## DOMINION ENERGY PLC

### NOTES TO THE FINANCIAL STATEMENTS for the year to 30 June 2002 (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 although movements in the year have not been material.

#### 17 RELATED PARTY TRANSACTIONS

Mr. Henk Jelsma, the director, has loaned US\$7,500 (£4902) to the subsidiary (Dominion Oil USA) and was repaid US\$2,500 (£1,634) during the year.

#### 18 Parent undertaking and controller

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