

DOMINION ENERGY PLC

REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 June 2004**

REGISTERED NUMBER 03986182

DOMINION ENERGY PLC

HEAD OFFICE

2nd Floor, 19/20 Grosvenor Street

London

W1K 4QH

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DOMINION ENERGY PLC

COMPANY INFORMATION

Directors

Mr H Jelsma (*Chief Executive*)

Mr M Alikhani (*Executive Director*)

Mr G Burgess (*Non-executive Director*)

Mr K Sodha (*Finance Director*)

Mr R Stubbs (*Executive Director*)

Mr G Verspyck (*Non-executive 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 2004.

PRINCIPAL ACTIVITY

The Company is engaged in the 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 2004 show a loss of £104,481 compared with the loss of £83,959 for last year. During February 2004, Dominion Oil (USA) started applying a new optimisation technology known as Radial Drilling, which resulted in an increase in production in the declining well stock.

The Bright lease, a steady gas producer is now in need of reperforation. This well has been shut-in and will be perforated at a higher level. The well is expected to return to its original output.

Well Bauman #3-5 was drilled with this technology. The well produced 1.5 bopd with some associated gas prior to the application. Once completed, there was an initial flow of 17 bopd, settling at 7.5 bopd after 30 days of operations and this level is being sustained.

With this encouraging result Dominion Oil has now started the same application to the Thacher wells and subsequently will complete 2 wells on the Shumway structure and another 2 wells on the Freymiller lease.

The cost of the application of the technology during the period was £ 29,871 which has been included in cost of sales

The lower overall production during the year was offset by the higher prices received.

The Company formed a new mining company, Dominion Mining PLC which acquired a 51% interest in a South African diamond company. To secure this business, Dominion Mining PLC raised £1.15m via a private placement following which the Company's shareholding in Dominion Mining PLC is 4.17%.

Administrative expenses include £77,215 (2003: £73,768) for undrawn remuneration payable to directors.

We continue to review opportunities to expand the company's operations.

RESULTS AND DIVIDENDS

The results for the year are set out in the group profit and loss account on page 7. 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 H Jelsma

Mr M Alikhani

Mr G Burgess

Mr K Sodha

Mr R Stubbs

Mr G Verspyck

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

DOMINION ENERGY PLC DIRECTORS REPORT

The interests (as defined in the Companies Act 1985) of the directors holding office at 30 June 2004 in the share capital of Dominion Energy PLC are shown below.

	Ordinary shares of 1p	
	30 June 04	30 June 03
Henk Jelsma	1,382,200	1,382,200
Masoud Alikhani	573,000	573,000
Kishor Sodha	833,333	833,333
Robert Stubbs	416,667	416,667

The interests of the directors in the share options of the company are shown on page 17. The interests (as defined in the Companies Act 1985) of the directors in the holding company at 30 June 2004 will be shown in the accounts of the holding company, Tecteon PLC.

Shares, share options and share warrants

During the year, no ordinary shares were issued.

Directors' options over ordinary shares outstanding at 30 June 2004 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

25 November 2004

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF DOMINION ENERGY PLC

We have audited the financial statements on pages 7 to 19 which have been prepared under the historical cost convention in accordance with the accounting policies as set out in pages 11 and 12

This report is made solely to the company's members, as 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 auditor's 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

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, on page 3.

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

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, 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 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.

**INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF
DOMINION ENERGY PLC**

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 2004 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

26 November 2004

DOMINION ENERGY PLC
GROUP PROFIT AND LOSS ACCOUNT
for the year ended 30 June 2004

		30.06.04	30.06.03
	<i>Notes</i>	£	£
TURNOVER	2	170,882	192,676
Depreciation and amortisation	28,914	43,953	
Goodwill on consolidation written back	<u>(34,000)</u>	5,086	<u>(34,000)</u> (9,953)
Other cost of sales		<u>(153,276)</u>	<u>(138,574)</u>
GROSS PROFIT		22,692	44,149
Administrative expenses		(127,173)	(128,094)
OPERATING LOSS	3	<u>(104,481)</u>	<u>(83,945)</u>
Interest payable and similar charges	4	0	(14)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(104,481)</u>	<u>(83,959)</u>
Tax on loss on ordinary activities	5	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u><u>(104,481)</u></u>	<u><u>(83,959)</u></u>
Loss per share	6	0.128 p	0.103 p
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES			
for the year ended to 30 June 2004			
Loss for the financial year		(104,481)	(83,959)
Exchange differences on translation into sterling of net assets of subsidiary undertaking		(53,370)	(52,211)
Total gains and losses recognised in the financial year	15	<u><u>(157,851)</u></u>	<u><u>(136,170)</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 2004

	Notes	30.06.04 £	30.06.03 £
FIXED ASSETS			
Intangible assets	8	(43,299)	(77,299)
Tangible assets	9	525,650	606,183
		<u>482,351</u>	<u>528,884</u>
CURRENT ASSETS			
Debtors	11	143,450	125,202
Cash at bank and in hand		25,492	60,950
		<u>168,942</u>	<u>186,152</u>
CREDITORS			
Amounts falling due within one year	12	(282,225)	(188,117)
NET CURRENT ASSETS		(113,283)	(1,965)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>369,068</u>	<u>526,919</u>
CAPITAL AND RESERVES			
Called up share capital	13	816,065	816,065
Share premium account	14	134,104	134,104
Exchange reserve	14	(168,410)	(115,040)
Profit and loss account	14	(412,691)	(308,210)
SHAREHOLDERS' FUNDS	15	<u>369,068</u>	<u>526,919</u>

These financial statements were approved by the Board of Directors on 25 November 2004 and signed on behalf of the Board of Directors.

M. Alikhani

DOMINION ENERGY PLC

COMPANY BALANCE SHEET as at 30 June 2004

	Notes	30.06.04 £	30.06.03 £
FIXED ASSETS			
Investment in subsidiary undertakings	10	<u>749,013</u>	<u>736,513</u>
		<u>749,013</u>	<u>736,513</u>
CURRENT ASSETS			
Debtors	11	87,333	76,255
Cash at bank and in hand		<u>15,736</u>	<u>25,498</u>
		103,069	101,753
CREDITORS			
Amounts falling due within one year	12	<u>(183,370)</u>	<u>(115,996)</u>
NET CURRENT LIABILITIES		(80,301)	(14,243)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>668,712</u>	<u>722,270</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	<u>(281,457)</u>	<u>(227,899)</u>
SHAREHOLDERS' FUNDS		<u>668,712</u>	<u>722,270</u>

These financial statements were approved by the Board of Directors on 25 November 2004 and signed on behalf of the Board of Directors.

M. Alikhani

DOMINION ENERGY PLC
GROUP CASH FLOW STATEMENT
for the year ended 30 June 2004

		<i>2004</i>	<i>2003</i>
		<i>£</i>	<i>£</i>
	<i>Notes</i>		
Net cash outflow from operating activities	16	<u>(35,458)</u>	<u>2,912</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid	4	<u>-</u>	<u>(14)</u>
NET CASH (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>0</u>	<u>(14)</u>
CASH OUTFLOW BEFORE FINANCING		<u>(35,458)</u>	<u>2,898</u>
(DECREASE)/INCREASE IN CASH	17	<u>(35,458)</u>	<u>2,898</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (note 17)

	<i>£</i>	<i>£</i>
(DECREASE)/INCREASE IN CASH	<u>(35,458)</u>	<u>2,898</u>
Movement in net funds during the year	<u>(35,458)</u>	<u>2,898</u>
Net funds at 1 July 2003	<u>60,950</u>	<u>58,052</u>
NET FUNDS AT 30 JUNE 2004	<u>25,492</u>	<u>60,950</u>

DOMINION ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS for the year to 30 June 2004

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 2004 (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 of 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 2004 (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	
	30.06.04	30.06.03	30.06.04	30.06.03
	£	£	£	£
US activities	(88,616)	(42,624)	415,646	526,506
UK Head office	(15,865)	(41,321)	(72,070)	(60,537)
Loss on ordinary activities	<u>(104,481)</u>	<u>(83,945)</u>	<u>343,576</u>	<u>465,969</u>
UK net interest expense/income	-	(14)		
Loss on ordinary activities before taxation	<u>(104,481)</u>	<u>(83,959)</u>		
Total operating assets			<u>343,576</u>	<u>465,969</u>
Cash			<u>25,492</u>	<u>60,950</u>
Total net assets			<u>369,068</u>	<u>526,919</u>

3 OPERATING LOSS

30.06.04	30.06.03
£	£

Operating loss is stated after charging:

In cost of sales:

Depreciation	28,914	43,953
Goodwill written back	(34,000)	(34,000)

In administrative expenses:

Auditors' remuneration	- audit services	3,000	3,000
	- non audit services	1,000	1,000

4 INTEREST

30.06.04	30.06.03
£	£

Interest payable	-	(14)
	<u>-</u>	<u>(14)</u>

DOMINION ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS for the year to 30 June 2004 (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 0.128 pence (2003:loss 0.103 pence) has been calculated on the loss of £104,481 (2003:loss £83,959) and on 81,606,500 (2002: 81,606,500) ordinary shares, being the weighted average number of ordinary shares issued during the year ended 30 June 2004.

7 DIRECTORS AND STAFF

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

	30.06.04	30.06.03
	£	£
Highest paid director	35,438	40,980
Staff costs including directors		
Wages and salaries	78,180	81,980
	78,180	81,980

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

	30.06.04	30.06.03
Management	2	2

8 INTANGIBLE ASSETS - GOODWILL

<i>Group</i>	30.06.04	30.06.03
<i>Cost</i>	£	£
At 1 July 2003	(77,299)	(111,299)
Released to profit and loss account	34,000	34,000
As at 30 June 2004	(43,299)	(77,299)

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 2004 (continued)

9 TANGIBLE ASSETS

<i>Group</i>	<i>Producing fields</i>
<i>Cost:</i>	<i>£</i>
At 1 July 2003	4,968,118
Foreign exchange	<u>(431,831)</u>
At 30 June 2004	<u>4,536,287</u>
<i>Depreciation and amortisation:</i>	
At 1 July 2003	4,361,935
Charge for the period	28,914
Foreign exchange	<u>(380,212)</u>
at 30 June 2004	<u>4,010,637</u>
<i>Net book value:</i>	
At 30 June 2004	<u><u>525,650</u></u>
At 30 June 2003	<u><u>606,183</u></u>

10 INVESTMENTS

Company

<i>Cost:</i>	
At 1 July 2003	736,513
Addition	<u>12,500</u>
At 30 June 2004	<u><u>749,013</u></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 development and production of oil and gas in the United States of America.

The investment represents loans to the subsidiary company.

The Company formed a new wholly owned UK mining company, Dominion Mining PLC. At 30 June 2004, Dominion Mining PLC was a 100% dormant subsidiary of the company. Dominion Mining PLC acquired a 51% interest in a South African diamond company. To secure this business, Dominion Mining PLC raised £1.15m via a private placement following which the Company's shareholding in Dominion Mining PLC is 4.17 %.

DOMINION ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS for the year to 30 June 2004 (continued)

11 DEBTORS

	Group		Company	
	30.06.04	30.06.03	30.06.04	30.06.03
	£	£	£	£
Amount due from parent undertaking	117,864	109,692	87,333	76,255
Other debtors	25,586	15,510	-	-
	<u>143,450</u>	<u>125,202</u>	<u>87,333</u>	<u>76,255</u>

12 CREDITORS

- amounts falling due within one year	Group		Company	
	30.06.04	30.06.03	30.06.04	30.06.03
	£	£	£	£
Other creditors	37,952	19,285	34,991	15,830
Accruals	244,274	168,832	148,379	100,166
	<u>282,225</u>	<u>188,117</u>	<u>183,370</u>	<u>115,996</u>

13 SHARE CAPITAL

	30.06.04	30.06.04	30.06.03	30.06.03
	No.	£	No.	£
Authorised:				
Ordinary shares of 1p each	300,000,000	3,000,000	300,000,000	3,000,000
	<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	81,606,500	816,065	81,606,500	816,065
	<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 2004(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 2003 and at 30 June 2004
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 2006	3p
50%	6th July 2007	5p

No options or warrants were exercised during the year.

DOMINION ENERGY PLC
NOTES TO THE FINANCIAL STATEMENTS
for the year to 30 June 2004 (continued)

14 RESERVES

<i>Group</i>	Share premium	Exchange reserve	Profit and loss account
	£	£	£
At 30 June 2003	134,104	(115,040)	(308,210)
Foreign currency translation differences	-	(53,370)	-
Retained loss for the year	-	-	(104,481)
At 30 June 2004	<u>134,104</u>	<u>(168,410)</u>	<u>(412,691)</u>
<i>Company</i>		Share premium	Profit and loss account
		£	£
At 30 June 2003		134,104	(227,899)
Retained loss for the year		-	(53,558)
At 30 June 2004		<u>134,104</u>	<u>(281,457)</u>

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	30.06.04	30.06.03
	£	£
At 30 June 2003	526,919	663,089
Total recognised gains and losses	(157,851)	(136,170)
At 30 June 2004	<u>369,068</u>	<u>526,919</u>

16 RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2004	2003
	£	£
Operating loss	(104,481)	(83,945)
Depreciation -ordinary	28,914	43,953
- goodwill amortisation	(34,000)	(34,000)
(Increase) in debtors	(18,248)	(3,556)
Increase in creditors	94,108	83,396
Foreign currency translation differences	(1,751)	(2,936)
Net cash inflow/(outflow) from operating activities	<u>(35,458)</u>	<u>2,912</u>

17 ANALYSIS OF CHANGE IN NET FUNDS

	1 July 2003	Cash flow	30 June 2004
	£	£	£
Cash at bank	60,950	(35,458)	25,492
Net funds	<u>60,950</u>	<u>(35,458)</u>	<u>25,492</u>

DOMINION ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS for the year to 30 June 2004 (continued)

18 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.

Liquidity risk

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank borrowings. In addition the group maintains undrawn committed borrowing facilities, after taking into account anticipated expenditure on acquisitions, in order to provide flexibility in the management of the group's liquidity. Short term flexibility is achieved by the use of bank overdrafts.

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.

19 RELATED PARTY TRANSACTIONS

During the year Mr. Henk Jelsma, the director, was repaid US\$1,620 (£931) from the subsidiary (Dominion Oil USA) against his loan.

20 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.