GTL RESOURCES Plc

Annual Report and Consolidated Financial Statements

for the year ended 31 March, 2004

Contents

General information

Company secretary	Phillip Leatham
Registered office	133 High Street Yarm, TS15 9BB Tel: 01642 794000 Fax: 01642 794001 Registered number: 2811366
Auditors	KPMG Audit Plc Quayside House 110 Quayside Newcastle upon Tyne, NE1 3DX
Bankers	Yorkshire Bank Plc Tees Valley Area Business Centre Newport House Teesdale South Stockton on Tees, TS17 6SE
Registrars	Computershare Services Plc PO Box 82 The Pavilions Bridgwater Road Bristol, BS99 7NH
Solicitors	Norton Rose Kempson House Camomile Street London, EC3A 7AN
Nominated Advisors and Brokers	Durlacher Limited Moorgate Hall 155 Moorgate London EC2M 6XB
Website address	www.gtlresources.com

Directors

Executive Directors

Peter Middleton CHAIRMAN

Peter Middleton, aged 64, is the former Chief Executive of Lloyds of London, Thomas Cook and Salomon Brothers. More recently, Peter has acted as chief advisor to the Nomura group. Peter Middleton is primarily responsible for GTL's investment strategy. Peter was appointed Chairman of the GTL Group in September 2002.

Michael Fox CHIEF EXECUTIVE OFFICER

Michael Fox, aged 42, has over 20 years experience in the oil and gas industry. He has gained experience of offshore supply and operations and maintenance contracts for major oil companies. Since joining GTL in 1997, Michael has been responsible for sourcing feedstock supplies and contracts for GTL's subsidiaries and has been involved in identifying feedstock conversion opportunities and projects, which fit GTL's strategy.

Stephen Padgett CHIEF OPERATING OFFICER AND FINANCE DIRECTOR

Stephen Padgett, aged 34, qualified as a Chartered Accountant 1995 having joined the accountancy practice of Walkers in 1992. Stephen specialised in Corporate Finance for a portfolio of clients and has been involved with GTL's projects as an advisor since 1996. GTL recruited Stephen as Finance Manager in 2000, and he was subsequently appointed as Executive Director in March 2001 with particular responsibility for the negotiation of the financial and commercial structure of project contracts, project appraisal and corporate finance.

Roger Harris MANAGING DIRECTOR

Roger Harris, aged 60, is a mining engineer with over 30 years experience in the resource industry. Before joining GTL he was Vice President with the Elf group of companies and managed mining and chemical facilities in the United States. Roger was appointed Managing Director of BKG (GTL's predecessor) in July 1996.

Non-Executive Directors

David Quint

David Quint is a co-founder and Chief Executive Officer of RP&C International, an investment banking firm in London and New York. He was previously a Managing Director of the United Kingdom subsidiary of Belden and Blake Corporation, a US oil company, and an attorney with Arter & Hadden. Mr Quint is a graduate of the University of Notre Dame where he received a degree in modern languages and a Juris Doctorate.

Graham Wickham

Graham Wickham, aged 61, has twenty-eight years experience in the London Financial Markets having specialised in investment analysis and corporate finance.

Chairman's statement

Since the last Annual Report and Financial Statements GTL has focused on continuing the development of the Australian methanol project and progressing discussions to develop a similar project in the Middle East.

Australia

The Company has received considerable support from its project partners over the last 12 months and Vitol and Lurgi have committed to subscribe for equity in the Australian methanol project for US$12 million and US$15 million, respectively.

The Australian Government also pledged A$35.4 million of support to the project via common user infrastructure. There remains one major contract to finalise in the complex contractual structure for the project and the Company will continue to work towards a resolution of the outstanding issues and, as a contingency, is actively pursuing options for an alternative counterparty for this aspect of the project.

Middle East

Having developed the "project template" for a methanol project in Australia, the Company has been in extensive discussions with potential feedstock suppliers in the Middle East. The other aspects of the template i.e. offtake, engineering, procurement and construction, infrastructure, shipping, environmental approvals and debt finance are all able to be replicated in the Middle East (subject to local site conditions etc.). Each of the counterparties covering these disciplines with regard to the Australian project has committed to working with GTL in the Middle East to facilitate a methanol project in the region.

The value created by the "project template" and the commercial relationships and credibility formed with substantial organisations such as Vitol, Mitsui OSK and Société Générale should not be underestimated.

Methanol and the Methanol Market

The demand for methanol as a "building block" for other products and as a fuel source continues to rise and in 2003 reached 32.3 million metric tonnes per annum ("mmtpa") (2002 : 31.5 mmtpa). Independent experts predict growth at approximately 3.5% p.a on a global basis and around 6% p.a in Asia, over the next 10 years. The average reported price of methanol in Singapore and Japan for 2003 was US$ 242 and US$ 234 per metric tonne respectively. The average reported price of methanol in the past 10 years for delivery into Singapore and Japan was US$189 and US$193 per metric tonne respectively. Methanol is currently trading at US$ 240 to US$ 272 per metric tonne dependant upon location.

GTL has focused on developing its commercial and contractual template of methanol projects with a projected cash breakeven cost of US$100 or less per metric tonne. This cash breakeven cost is calculated as the cost of gas, operations and maintenance, shipping and logistics, scheduled senior debt principle and interest. The long term nature of the agreements effectively "locks in" the cost structure over the life of the projects and if methanol trades at historic levels in the future it should generate significant levels of cash flow.

Funding – Post Balance Sheet Event

As detailed in Notes 18 and 26 to the financial statements, the Company issued further share capital on 30 June, 2004 raising £2,500,000. This is intended to ensure that the existing obligations and provisions for legal and due diligence costs for Australia, the Middle East and ongoing working capital requirements, are covered.

Management Team

The Company has strengthened the Management Team over the past twelve months and I am delighted that Catie Burdett has joined the GTL team as General Counsel. Catie was heavily involved in the creation of the legal structure of the methanol project in Australia, whilst working for Blake Dawson and Waldron as an advisor to GTL. She comes with a wealth of experience in the legal aspects of project finance structuring and acquisitions in a number of industries.

Chairman's statement

Continued

In addition, Mr. Daniel de Lange, formerly Managing Director of JP Morgan Chase, Asia - Structured and Project Finance, has joined the team. Daniel brings considerable experience in financing major projects and acquisitions from a wide range of businesses.

I firmly believe that the Company is set up with the right management structure and has the commercial counterparties to deliver our first methanol project and more. The "project template" can be implemented for other products and locations, which would secure significant growth opportunities and value for shareholders.

Peter Middleton

Peter Middleton
14 September, 2004

Directors' report

The directors present their annual report together with the audited financial statements for the year ended 31 March, 2004.

Principal activities and business review

The activities of the Group continue to be focused upon monetising stranded gas and associated products.

Post balance sheet events

Since the year end, the Company has issued 50,000,000 shares at 5 pence to raise working capital of £2,500,000 ($4,565,000).

Results and proposed dividend

The loss for the year after taxation amounted to $4,546,000 (2003: $5,098,000).

The directors do not recommend a payment of a final dividend (2003: nil per share).

Directors

The following have served as directors during the financial year:

P Middleton
M Fox
S Padgett
R Harris
G Wickham
D Quint

Mr. Stephen Padgett retires by rotation, in accordance with the Articles of Association and, being eligible, offers himself for re-election.

Directors' interests

The directors who held office at the end of the financial year, have the following interests in the ordinary shares of the company, according to the Register of Directors' interests.

Directors	31 March, 2004	1 April, 2003
M Fox	18,223,385	20,223,385
S Padgett	20,000	20,000

All the directors interests are beneficial.

There has been no change in the directors' interests in shares since the balance sheet date to the date of this report.

Directors' report

Continued

The following options have been granted to the directors under the rules of the Company's No. 2 Unapproved Executive Share Option Scheme.

Ordinary shares of 1p each

	Number of options at 31 March, 2003 and 2004	Exercise price	Date from which exercisable	Expiry date
R Harris	1,000,000	4.50p	28/09/1999	28/09/2008
S Padgett	500,000	24.00p	20/06/2000	01/04/2010
S Padgett	250,000	20.25p	01/03/2001	01/03/2011
Total	1,750,000			

Directors' share options held under the No.2 Unapproved share option scheme require that for all of the options to become exercisable, the share options must be held for a total of three years. One third of the options may be exercised on the anniversary of the grant of the options and each subsequent anniversary.

The mid market price of the ordinary shares of 1 pence each at 31 March, 2004 was 8.25 pence.

The mid market price of the ordinary shares of 1 pence each during the year ranged between 5.50 pence and 15.25 pence.

Directors' interest in transactions

As required to be disclosed under FRS 8, related party transactions are detailed in Note 25 to the financial statements.

Major shareholdings

At 31 March, 2004 the following interests of shareholders holding of 3% or more of the ordinary share capital, other than directors, had been notified to the Company:

	Ordinary share holding	%
Morstan Nominees Limited	43,409,524	15.2
SP Angel (Nominees) Limited	37,394,998	13.1
Capita Trust Company Limited	18,000,000	6.3
W B Nominees Limited	17,370,929	6.1
Cater Allen International Limited	10,259,878	3.6

At 31 March, 2004 the directors were not aware of any other interests of 3 per cent or more in the share capital of the Company.

Directors' report

Continued

Policy and practice on payment of creditors

It is the Group's policy in respect of its suppliers, where reasonably practical, to settle the terms of payment with those suppliers when agreeing the terms of each transaction, to ensure that those suppliers are made aware of the terms of payment and to abide by the terms of payment. Due to the nature of the Group's activities and consequently the nature of its trade creditors during the year under review, it is not meaningful to express the creditor payment period as a number of days.

Policy on financial instruments

Other than from the proceeds from the issue of ordinary shares, the Group's activities are financed by cash at bank. The Group has not established a formal policy on the use of financial instruments but assesses opportunities on a case-by-case basis as they arise.

Political and charitable contributions

The Group made no political contributions, nor charitable donations during the year.

Going Concern

After making enquiries and based upon the Groups' cash resources, the directors have formed a judgement, at the time of approving the financial statements that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for approximately 14 months without the need for further funding in addition to that detailed in note 26. For these reasons, the directors continue to adopt the going concern basis in preparing the financial statements. Accordingly the Financial Statements do not include any adjustments, particularly in respect of fixed assets and investments, which would result from the Group ceasing to operate as a going concern. (See Note 1 on Accounting policies).

Internal Control

The board has overall responsibility for the Group's system of internal control. However, such a system is designed to manage rather than eliminate risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement.

A review has been carried out during the year by the directors of the effectiveness of internal control procedures, in accordance with the recommendations of the Combined Code.

The directors are satisfied that given the size and current activities of the Group, the internal control procedures adopted and in place adequately meet its needs and requirements.

Corporate Governance

The director's support the recommendations set out in Section 1 of the Combined Code prepared by the Committee on Corporate Governance. However the Company does not need to comply with the Code as it is not fully listed. Furthermore the Directors' consider that it is not practical to comply fully with the Combined Code's recommendations due to the size and nature of the Group and the close involvement of all the directors in the day-to-day activities of the business.

An Audit Committee comprising Mr Graham Wickham, Mr David Quint and Mr Roger Harris has been established.

The Audit Committee overviews the monitoring of the adequacy of the Groups internal financial procedures, accounting policies and financial reporting. It has considered the major business and financial risks, the control environment and information on and arising from the procedures detailed above.

Directors' report

Continued

Remuneration Committee

As an AIM listed group, the Directors' Remuneration Report Regulations 2002 do not apply to the group, and as such, a report on directors' remuneration has not been prepared. However, a remuneration committee has been established, comprising Mr Graham Wickham and Mr David Quint.

The committee determines the overall remuneration policy for executive directors and has delegated responsibility from the Board for setting the remuneration packages of individual executive directors and the senior executive group management.

The committee is authorised by the Board to obtain any outside professional advice about remuneration matters. During the year the Remuneration Committee commissioned a report carried out by Mercers on existing remuneration packages and appropriate levels of remuneration following the financial completion of the first methanol project.

The committee's policy is to ensure that the remuneration packages offered are competitive with companies of a comparable size and designed to attract, retain and motivate executives of a high calibre. The policy aims to ensure that individual rewards and incentives are aligned both with the performance of the group and the interest of the shareholders and also reflect the contributions of the individuals concerned.

The remuneration of the non-executive directors is set by the executive directors. They are not eligible for performance related bonuses or awards under long term incentive plans and no pension contributions are made on their behalf.

Further details of directors' remuneration are detailed in Note 8 to the financial statements.

Annual General Meeting

The Annual General Meeting of the Company is to be held on or around 17 November, 2004. A separate notice of the meeting which details the various resolutions to be proposed and if thought fit, adopted by the shareholders, will be issued in due course.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Roger Harris

Roger Harris
Managing Director

14 September, 2004

Statement of 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 and group and of the profit or loss for that period. In preparing those financial statements, 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 financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditors report to the members of GTL Resources Plc

We have audited the financial statements on pages 13 to 32.

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 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 are responsible for preparing the Directors' Report and, as described on page 11, the financial statements in accordance with applicable United Kingdom Law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 Group is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Audit 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 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 the Group as at 31 March, 2004 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

14 September, 2004

Newcastle upon Tyne

Consolidated profit and loss account

for the year ended 31 March, 2004

	Note	2004 $000	2003 $000
Administrative expenses		**(4,749)**	(4,252)
Group operating loss	*3*	**(4,749)**	(4,252)
Loss on sale of current asset investments		**-**	(273)
Interest receivable	*4*	**49**	17
Amounts written off current asset investments	*15*	**-**	(615)
Interest payable	*5*	**(13)**	(5)
Loss on ordinary activities before taxation	*3-5*	**(4,713)**	(5,128)
Tax on loss on ordinary activities	*6*	**119**	-
Loss on ordinary activities after taxation		**(4,594)**	(5,128)
Equity minority interests	*22*	**48**	30
Retained loss for the financial year	*19*	**(4,546)**	(5,098)
Basic loss per ordinary share (US dollars)	*7*	**(0.02)**	(0.03)

There were no recognised gains or losses during the current and previous year other than those dealt with above.

The Group's results for both the current and preceding financial year derive from continuing operations.

Consolidated balance sheet

at 31 March, 2004

	Note	2004 $000	2003 $000
Fixed assets			
Intangible assets	*10*	**8,508**	8,508
Tangible assets	*12*	**3,384**	2,531
		11,892	11,039
Current assets			
Debtors	*14*	**4,965**	2,343
Investments	*15*	-	172
Cash at bank and in hand		**1,759**	428
		6,724	2,943
Creditors: amounts falling due within one year	*16*	**(1,898)**	(1,433)
Net current assets		**4,826**	1,510
Total assets less current liabilities		**16,718**	12,549
Minority interests	*22*	**289**	241
Net assets		**17,007**	12,790
Capital and reserves			
Called up share capital	*18*	**4,676**	3,504
Share premium account	*19*	**23,418**	15,827
Merger reserve	*19*	**5,141**	5,141
Special reserve	*19*	**3,508**	3,508
Profit and loss account	*19*	**(19,736)**	(15,190)
Equity shareholders' funds	*20*	**17,007**	12,790

These financial statements were approved by the Board of Directors on 14 September, 2004 and were signed on its behalf by:

R Harris
Managing Director

Roger Harris

Company balance sheet

at 31 March, 2004

	Note	2004 $000	2003 $000
Fixed assets			
Intangible assets	*11*	**90**	90
Tangible assets	*12*	**3,135**	2,377
Investments	*13,24*	**7,954**	7,954
		11,179	10,421
Current assets			
Debtors	*14*	**6,719**	3,559
Investments	*15*	**-**	172
Cash at bank and in hand		**1,759**	423
		8,478	4,154
Creditors: amounts falling due within one year	*16*	**(1,869)**	(1,321)
Net current assets		**6,609**	2,833
Net assets		**17,788**	13,254
Capital and reserves			
Called up share capital	*18*	**4,676**	3,504
Share premium account	*19*	**23,418**	15,827
Merger reserve	*19*	**5,141**	5,141
Special reserve	*19*	**3,508**	3,508
Profit and loss account	*19*	**(18,955)**	(14,726)
Equity shareholders' funds		**17,788**	13,254

These financial statements were approved by the Board of Directors on 14 September, 2004 and were signed on its behalf by:

R Harris
Managing Director

Roger Harris

Consolidated cash flow statement

for the year ended 31 March, 2004

	Note	2004 $000	2003 $000
Reconciliation of operating loss to operating cash flows			
Operating loss		(4,749)	(4,252)
Depreciation and amortisation charges		50	67
Increase in debtors		(3,146)	(1,864)
Increase in creditors		705	917
Net cash outflow from operating activities		(7,140)	(5,132)

CASH FLOW STATEMENT

	Note	2004 $000	2003 $000
Net cash outflow from operating activities		(7,140)	(5,132)
Returns on investments and servicing of finance	*21*	36	12
Taxation		119	-
Capital expenditure	*21*	(903)	(1,154)
Cash outflow before management of liquid resources and financing		(7,888)	(6,274)
Management of liquid resources	*21*	172	1,314
Financing	*21*	8,763	4,509
Increase/(Decrease) in cash in year		1,047	(451)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2004 $000	2003 $000
Increase/(Decrease) in cash in year	1,047	(451)
Change in net funds resulting from cash flows	1,047	(451)
Translation differences	284	(85)
Movement in net funds in the year	1,331	(536)
Net funds at 1 April, 2003	428	964
Net funds at 31 March, 2004	1,759	428

During the year ended 31 March, 2004 and 2003 net funds was equivalent to cash.

Notes to the financial statements

For the year ended 31 March, 2004

1 Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

a) Basis of preparation and consolidation

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

As discussed in the Chairman's statement on page 5 the Group has one material contract to finalise in respect of the Australian project and the debt funding arrangements necessary to enable construction of the methanol plant are already in place, although discussions continue regarding equity funding for the balance of the expected costs. The directors are confident that these or alternative arrangements can be finalised.

However, there can be no certainty of this and they have therefore prepared projected cash flow information for the period ending 18 months from the date of their approval of these financial statements on the basis that construction does not proceed, reflecting the Group's existing financial obligations which exclude any significant capital obligations regarding the plant. As detailed in Note 26 and referred to in the Chairman's statement, the Group has secured facilities to more than finance the remaining legal and other professional costs in the run up to completion of the Australian project. On the basis of this information, the directors consider that the Group will be able to continue to operate within its existing commitments at least until October 2005.

Since the arrangements for the plant are close to completion, and on the basis of the additional opportunities discussed in the Chairman's Statement, the directors believe that it continues to be appropriate to adopt the going concern basis of preparation. However, were this basis to cease to be appropriate, the directors believe that the balance sheet would be materially different. The consolidated net assets of $17,007,000 as at 31 March, 2004 would be reduced by at least $8,268,000, being the goodwill arising on consolidation from the acquisition of Conpor Inc. on 28 September, 1998.

The Group financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March, 2004. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985, the Company is exempt from the requirement to present its own profit and loss account.

The closing rate used for consolidating the balance sheet of the Group is US$1.8262: £sterling.

The average rate for consolidating the profit and loss account of the Group is US$1.6932: £sterling.

b) Currency translation

The financial statements are presented in United States dollars using the temporal method, whereby transactions in non-United States dollars are recorded using the rate of exchange ruling at the date of the transaction. Gains and losses resulting from the revaluation of non-United States dollar monetary assets and liabilities, using the rate of exchange ruling at the balance sheet date, are included in the profit and loss account.

c) Goodwill

Purchased goodwill arising on consolidation in respect of acquisitions before 1 April, 1998, when FRS10 *Goodwill and intangible assets* was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill (representing the excess of the fair value of the consideration given and associated costs over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 April, 1998 is capitalised.

The Group has adopted the policy as set out in the Statement of Recommended Practice (SORP) as issued by the Oil Industry Accounting Committee with regard to amortisation; whereby amortisation will normally apply with the commencement of production from such operating activities.

On the subsequent disposal or termination of a business acquired since 1 April, 1998, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

In the Company's financial statements, investment in subsidiary undertakings is stated at cost less amounts written off for any impairment.

d) Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal installments over their estimated useful economic lives as follows:

Leasehold property	- 3 years (33% per annum)
Plant and equipment	- 4 years (25% per annum)
Computer equipment	- 2-4 years (25% to 50% per annum)

Assets in the course of construction, which currently comprises legal and due diligence costs in respect of the methanol project, will not be depreciated until completion of the Engineering, Procurement and Construction contract.

e) Research and development expenditure

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred.

f) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

g) Investments (held as current assets)

Current asset investments are carried at the lower of cost and net realisable value.

Notes to the financial statements

For the year ended 31 March, 2004 - Continued

h) Operating leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease. Premiums on leases are included in prepayments and are charged to the profit and loss account over the term of the lease.

i) Pension contributions

The company operates a group personal pension plan. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

j) Employee share schemes

The cost of awards to employees that take the form of shares or rights to shares are recognised when the employee becomes unconditionally entitled to shares. No cost is recognised in respect of SAYE schemes that are offered on similar terms to all or substantially all employees.

k) Cash and liquid resources

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

2 Segmental reporting

A full analysis of segmental reporting by geographical market has not been reported as, in the opinion of the directors, this would be seriously prejudicial to the interests of the company.

3 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated:

			2004	2003
After charging			**$000**	$000
Auditors' remuneration:	Group and Company	audit	**39**	30
		other services	**61**	23
Depreciation and amortisation			**50**	67
Loss on sale of fixed assets			**6**	-
Research and development			**423**	1,015
Hire of other assets - operating leases			**136**	95
After crediting				
Exchange gains			**485**	82

Notes to the financial statements

For the year ended 31 March, 2004 - Continued

4 Interest receivable

	2004 $000	2003 $000
Interest receivable on short term deposits	49	17

5 Interest payable

	2004 $000	2003 $000
On bank overdraft	13	5

6 Taxation

Analysis of credit in period

	2004 $000	2003 $000
Current tax on income for the period	-	-
Adjustments in respect of prior periods	(119)	-
Tax on loss on ordinary activities	(119)	-

Tax losses amounting to approximately $19,000,000 (2003: $14,400,000) are available to relieve the future profits of the group.

Factors affecting the tax credit for the current period

The current tax credit for the period is lower (2003 : lower) than the standard rate of corporation tax in the UK 30% (2003 : 30 %). The differences are explained below.

	2004 $000	2003 $000
Current tax reconciliation		
Loss on ordinary activities before tax	4,713	5,128
Current tax at 30% (2003: 30%)	1,413	1,538
Effects of:		
Unutilised tax losses	(1,413)	(1,538)
Adjustments to tax charge in respect of prior periods	(119)	-
Total current tax credit (see above)	(119)	-

Notes to the financial statements

For the year ended 31 March, 2004 - Continued

Factors that may affect future tax charges

Future profits will primarily be generated overseas. The directors believe that it would be imprudent to recognize a deferred tax asset in these financial statements. This position will be reviewed in future periods.

7 Loss per ordinary share

The calculation of basic loss per ordinary share is based on the loss for the year of $4,546,000 (2003: $5,098,000) and the weighted average number of equity voting shares in issue of 256,551,035 (2003: 192,193,514).

8 Remuneration of directors

	2004				2003			
		Compensation for				Compensation for		
	Remuneration	**loss of office**	**Benefits**	**Total**	Remuneration	loss of office	Benefits	Total
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Executive directors	**560**	**-**	**70**	**630**	566	183	64	813
Non-executive directors	**31**	**-**	**-**	**31**	25	-	-	25

Note: Directors' remuneration is disclosed in sterling and not United States dollars, as all the directors are paid in sterling.

The remuneration of the highest paid director was £146,000 (2003: £336,000, including compensation for loss of office).

None of the directors exercised share options during the year (2003: Nil).The directors exercised no further options up to the date these financial statements were approved.

The Company has a Group personal pension plan in place, whereby the Company contributes a percentage of annual salary on behalf of full time executive directors of the Group into personal pension schemes.

Contributions totalling £30,000 (2003: £33,000) were made into personal pension schemes held by the directors who served during the year. The number of directors for which such payments were made during the year are as follows:

	2004	2003
	No.	No.
Directors	**3**	4

Notes to the financial statements

For the year ended 31 March, 2004 - Continued

9 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	2004 No.	2003 No.
Administration	**13**	15

The aggregate payroll costs of these persons were as follows:

	2004 $000	2003 $000
Wages and salaries	**1,744**	1,826
Social security costs	**207**	200
	1,951	2,026

The Company have a Group personal pension plan during the year, whereby the Company contributes a percentage of annual salary on behalf of full time employees of the Group into personal pension schemes.

Contributions totaling US$73,000 (£43,000) (2003: US$57,000 (£37,000)) were made into personal pension schemes held by employees during the year.

10 Intangible fixed assets

Group	Finance Costs $000	Goodwill $000	Operating Licence $000	**Total $000**
Cost				
1 April, 2003 and 31 March, 2004	90	8,268	150	8,508
Net Book Value				
1 April, 2003 and 31 March, 2004	**90**	**8,268**	**150**	**8,508**

The goodwill represents the amount arising on consolidation from the acquisition of Conpor on 28 September, 1998.

A gas extraction licence was granted to GCS Vietnam Inc, a subsidiary company, on 29 January, 1999 and is operational for 25 years.

As stated in the goodwill accounting policy, both intangible assets will be amortised over their remaining useful economic lives once production commences.

Finance costs relate to an initial feasability study carried out for a methanol project to service the Asian market.

Notes to the financial statements

For the year ended 31 March, 2004 - Continued

11 Intangible fixed assets

	Finance costs
Company	
	$000
Cost	
1 April, 2003 and 31 March, 2004	90
Net book value	
1 April, 2003 and 31 March, 2004	**90**

12 Tangible fixed assets

	Group			Company		
	Plant and Equipment	Assets in the course of construction	Total	Plant and Equipment	Assets in the course of construction	Total
	$000	$000	$000	$000	$000	$000
Cost						
1 April, 2003	225	2,474	2,699	225	2,320	2,545
Additions	18	891	909	18	796	814
Disposals	(74)	-	(74)	(74)	-	(74)
31 March, 2004	169	3,365	3,534	169	3,116	3,285
Depreciation						
1 April, 2003	168	-	168	168	-	168
Charge for year	50	-	50	50	-	50
Disposals	(68)	-	(68)	(68)	-	(68)
31 March, 2004	150	-	150	150	-	150
Net Book Value						
31 March, 2004	**19**	**3,365**	**3,384**	**19**	**3,116**	**3,135**
31 March, 2003	57	2,474	2,531	57	2,320	2,377

Notes to the financial statements

For the year ended 31 March, 2004 - Continued

13 Fixed asset investments

Company	Shares in group undertakings
	$000
Cost	
1 April, 2003 and 31 March, 2004	7,954
Net book value	
1 April, 2003 and 31 March, 2004	7,954

Fixed asset investments relate to Group companies as set out in Note 24.

14 Debtors

	Group		Company	
	2004	2003	2004	2003
	$000	$000	$000	$000
Other debtors	35	45	32	43
Prepayments and accrued income	4,930	2,298	4,930	2,298
Amounts owed by group undertakings	-	-	1,757	1,218
	4,965	2,343	6,719	3,559

15 Current asset investments

	Group		Company	
	2004	2003	2004	2003
	$000	$000	$000	$000
Listed investments	-	172	-	172

These investments were acquired as part of the fundraising activities of the Company during 2003 in the form of share for share transactions. The loss on the sale of investments of $273,000 was due to the difference in acquisition cost and net realisable value. The amount written off current assets of $615,000 was in accordance with the accounting policy set out in Note 1(g).

Notes to the financial statements

For the year ended 31 March, 2004 - Continued

16 Creditors: amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	$000	$000	$000	$000
Trade creditors	148	231	148	231
Other creditors	7	10	8	11
Taxation and social security	99	101	99	101
Accruals	1,644	1,091	1,614	978
	1,898	1,433	1,869	1,321

17 Financial assets and liabilities

The Group's activities are financed by cash at bank and short term investments which comprise cash placed on deposit.

The Group's Treasury policy has as its principal objective the achievement of the maximum rate of return on cash balances whilst maintaining an acceptable level of risk. Other than mentioned above there are no financial instruments, derivatives or commodity contracts used.

The Group has foreign currency risk arising from the annual translation of transactions. The potential exposure arising from this is not considered material.

For the purposes of the following disclosures, short term debtors and creditors have been excluded, as permitted by FRS13.

The Group's financial assets comprise cash at bank and short term investments. At 31 March, 2004 the average interest rate earned on the temporary closing balances was 3.5% (2003: 3.5%)

In aggregate, the fair value of the Group's financial assets and liabilities was not materially different from their book values, in either this or the preceeding year.

Notes to the financial statements

For the year ended 31 March, 2004 - Continued

18 Called up share capital

	Number	£'000	$000
Authorised :			
Equity : Ordinary shares of £0.01 each	650,000,000	6,500	-
Equity : Deferred shares of £0.09 each	40,154,664	3,614	-
	690,154,664	10,114	-
Allotted, called up and fully paid :			
31 March, 2003			
Equity : £0.01 new ordinary shares	213,511,810	2,135	3,504
Equity : £0.09 deferred shares	-	-	-
	213,511,810	2,135	3,504
31 March, 2004			
Equity : £0.01 new ordinary shares	285,274,516	2,853	4,676
Equity : £0.09 deferred shares	-	-	-
	285,274,516	**2,853**	**4,676**

During the year the Company issued ordinary 1 pence shares as follows:

Date	Number	Price per share	Gross proceeds
17 April, 2003	12,076,000	11.50p	£1,388,740
4 June, 2003	3,207,655	10.016p	£321,279
5 August, 2003	8,227,660	10.128p	£833,330
12 September, 2003	8,876,391	9.388p	£833,330
18 September, 2003	5,000,000	9.00p	£450,000
15 October, 2003	9,375,000	8.00p	£750,000
15 October, 2003	25,000,000	5.00p	£1,250,000
	71,762,706		

18 Share capital (continued)

Share Options

The Company has three Executive Share Option Schemes.

The Approved Executive Share Option Scheme, which was adopted by the Company on 15 July, 1993. Options under this scheme are granted to eligible employees at the discretion of a committee of the Board of Directors of the Company.

The Unapproved Executive Share Option Scheme, which was adopted by the Company on 15 July, 1993, has Rules substantially the same as for the Approved Executive Share Option Scheme, except that in addition, options may be granted to companies who provide the services of an employee or director to the Company or it's subsidiaries.

There are no options outstanding under either of the above two Executive Share Option Schemes

The No. 2 Unapproved Executive Share Option Scheme, was adopted by the Company on 11 October, 1996. The Scheme Rules are substantially the same as that of the Unapproved Executive Share Option Scheme other than specific restrictions as to the exercising of the Options.

The Directors' options existing under the No. 2 Unapproved Executive Share Option Scheme at the financial year end are stated in the Directors' Report.

Notes to the financial statements

For the year ended 31 March, 2004 – Continued

18 Share capital (continued)

	No. of warrants	Exercise price	Date from which exercisable	Expiry date
During the year the Company issued the following options and warrants to third parties:				
RP&C International	1,207,600	11.50p	02/05/2003	01/05/2008
Merrill Lynch International	1,603,828	13.75p	11/06/2003	04/06/2004
Merrill Lynch International	2,663,137	13.75p	05/08/2003	04/06/2004
Merrill Lynch International	3,030,303	13.75p	12/09/2003	04/06/2004
RP&C International	500,000	9.00p	15/09/2003	15/09/2008
Morstan Nominees Limited	24,000,000	10.00p	17/10/2003	16/10/2006
W P S Richards	1,000,000	10.00p	17/10/2003	16/10/2006
Fisk Nominees Limited	250,000	10.00p	17/10/2003	16/10/2006
Halewood International Futures Limited	1,250,000	10.00p	17/10/2003	16/10/2006
Pershing Keen Nominees Limited	312,500	10.00p	17/10/2003	16/10/2006
A D Morgan	3,437,500	8.00p	17/10/2003	16/10/2006
Pershing Keen Nominees Limited	1,312,500	10.00p	17/10/2003	16/10/2006
Barclays Capital Nominees No. 3 Limited	1,250,000	10.00p	17/10/2003	16/10/2006
S Phillips	375,000	10.00p	17/10/2003	16/10/2006
W B Nominees Limited	4,625,000	10.00p	17/10/2003	16/10/2006
The Company previously issued the following options and warrants to third parties:				
Worley Engineering	500,000	23.00p	21/06/2001	01/04/2010
Societe General	5,000,000	40.00p	30/10/2000	01/04/2010
RP&C International (re priced 23/12/03)	418,569	12.00p	23/12/2003	30/12/2004
RP&C International (re priced 23/12/03)	330,000	12.00p	23/12/2003	07/02/2005
RP&C International (re priced 23/12/03)	318,568	12.00p	23/12/2003	30/12/2004
RP&C International	950,000	13.00p	10/03/2003	09/03/2008

On successful completion of the project financing of the first methanol project, it is contemplated that further warrants to purchase 5,000,000 shares in the Company at 20 pence each will be granted to Societe Generale.

The Company issued further new ordinary shares since the end of the financial year to cover due diligence and working capital costs in relation to the methanol projects in Australia and the Middle East.

Date	No. of shares	Price per share	Gross Proceeds
30 June, 2004	50,000,000	5.00p	£2,500,000

Notes to the financial statements

For the year ended 31 March, 2004 - Continued

19 Reserves : Group

	Special reserve $000	Merger reserve $000	Share premium account $000	Profit and loss account $000	Total $000
1 April, 2003	3,508	5,141	15,827	(15,190)	**9,286**
Premium on shares issued, less expenses	-	-	7,591	-	**7,591**
Retained loss for the year	-	-	-	(4,546)	**(4,546)**
31 March, 2004	**3,508**	**5,141**	**23,418**	**(19,736)**	**12,331**

Reserves : Company

	Special reserve $000	Merger reserve $000	Share premium account $000	Profit and loss account $000	Total $000
1 April, 2003	3,508	5,141	15,827	(14,726)	**9,750**
Premium on shares issued, less expenses	-	-	7,591	-	**7,591**
Retained loss for the year	-	-	-	(4,229)	**(4,229)**
31 March, 2004	**3,508**	**5,141**	**23,418**	**(18,955)**	**13,112**

20 Reconciliation of movements in equity shareholders' funds

Group	**2004 $000**	2003 $000
Loss for the financial year	**(4,546)**	(5,098)
New share capital subscribed (net of issue costs)	**8,763**	6,886
Net movement in shareholders' funds	**4,217**	1,788
Shareholders' funds 1 April, 2003	**12,790**	11,002
Shareholders' funds 31 March, 2004	**17,007**	12,790

Notes to the financial statements

For the year ended 31 March, 2004 - Continued

21 Analysis of cash flows

	2004	2003
	$000	$000
Returns on investments and servicing of finance		
Interest received	49	17
Interest paid	(13)	(5)
	36	12
Capital expenditure		
Purchase of tangible fixed assets	(12)	(9)
Purchase of assets in the course of construction	(891)	(1,145)
	(903)	(1,154)
Management of liquid resources		
Proceeds on sale of current asset investments	172	1,314
Financing		
Issue of ordinary share capital	8,763	4,509

22 Minority interests

	Group	
	2004	2003
	$000	$000
At beginning of year	241	211
Share of loss for the year	48	30
At end of year	289	241

The figures above represent an equity minority interest in each year.

Notes to the financial statements

For the year ended 31 March, 2004 - Continued

23 Commitments

a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	Group and Company	
	2004	2003
	$000	$000
Contracted	-	1,096

b) Annual commitments under non-cancelable operating leases are as follows:

	Group and Company	
	2004	2003
	$000	$000
Land and buildings		
Operating leases which expire:		
within one year	9	95
within two to five years	21	18

24 Subsidiary undertakings

The undertakings in which the Group's interest at the year end is more than 20% are as follows:

Company name	*Percentage beneficial ownership by Group (ordinary shares)*	*Country of incorporation / registration*	*Principal activity*
GCS Holdings Inc.	67.50%	British Virgin Islands	Project Holding Company
GCS Vietnam Inc.	59.00%	Cayman Islands	Floating Methanol Plant
GTL Resources (Australia) Pty Limited	100.00%	Australia	Project Management
GTL Australian Holdings Pty Ltd	100.00%	Australia	Australian Methanol Project Holding Company
Liquigaz Holdings Pty Ltd	100.00%	Australia	Mezzanine funding vehicle
Liquigaz Pty Ltd	100.00%	Australia	Onshore Methanol Plant

All the companies listed above have been included in the consolidated financial statements.

Conpor Inc was dissolved on 30 December, 2003.

Notes to the financial statements

For the year ended 31 March, 2004 – Continued

25 Related party transactions

RP&C International

Mr David Quint was appointed director of GTL Resources on 4 March, 2003. Mr Quint is also a director of RP&C International, which during the year the Company has transactions amounting to £234,916 (2003: £87,310) in respect of fund raising costs. The liability to RP&C International at 31 March 2004 was £6,594 (2003: £ nil). RP&C also holds warrants as detailed in note 18.

26 Post balance sheet events

Equity Raising

As detailed in Note 18, the Company issued 50,000,000 ordinary shares at 5 pence each on 30 June, 2004, raising £2,500,000 (US$ 4,518,000).