


**GTL Resources PLC**  
Annual report and financial statements 2009

2811366.

TUESDAY

  
\*AV04ODOY\*  
A31 29/09/2009 222  
COMPANIES HOUSE

---

## Contents

01 Highlights of the year
02 Chairman's statement
03 Business and financial review
05 Directors
06 Directors' report
08 Statement of Directors' responsibilities in respect of the annual report and the financial statements
09 Environmental, health and safety statement
11 Independent auditor's report to the members of GTL Resources PLC
12 Consolidated income statement
13 Consolidated statement of changes in equity
14 Company statement of changes in equity
15 Consolidated balance sheet
16 Company balance sheet
17 Consolidated statement of cash flows
18 Company statement of cash flows
19 Notes to the financial statements
47 General information
48 Shareholder notes

---

## Highlights of the year

### Operational highlights:

- Doubling of nameplate capacity of the plant up to 100 million gallons per annum (mgpa), completed under budget and ahead of schedule in December 2008.
- Ethanol plant currently running ahead of its new 100 mgpa nameplate volume, and achieving better than nameplate ethanol and energy yields.
- Ethanol volume shipped for the period of 63.8 million gallons (FY2008: 58.2 million gallons).
- Signed a three year ethanol off-take agreement with an Oil Major for 40 mgpa, securing sales volume for a majority of its capacity increase with attractive freight terms.
- Ethanol plant awarded a \$4 million grant from the State of Illinois, to partially offset construction costs.

### Financial highlights:

- Revenue of \$145.6 million (FY2008: \$135.2 million).
- Annual loss before tax of \$18.4 million (FY2008: \$8.4 million profit before tax).
- LBITDA of \$5.8 million (2008: EBITDA of \$18.7 million).
- Year over year decline in EBITDA of \$(24.5) million primarily due to:
  - \$(13.2) million decline in available market commodity margins (ethanol and dried distiller grains revenue, less corn and natural gas cost per gallon),
  - \$(4.6) million in losses on corn positions/stock held against October 2008 to December 2008 deliveries as previously reported in the September interim results,
  - \$(3.4) million in above market losses on natural gas positions for the August 2008 to March 2009 time period,
  - \$(1.5) million in close out costs on natural gas positions, and
  - \$(1.5) million in losses related to an unanticipated plant shutdown in February 2009 to address structural damage in its corn silo/receiving area.
- The Group's performance for the period was an adjusted\* EBITDA of \$5.2 million, excluding the above-mentioned corn, natural gas and silo losses.
- Cash and financial assets include \$8.6 million of deposits at the GTL Resources level (which represents around \$0.25 or £0.16 per share), and \$10.6 million of restricted cash at the Illinois River Energy, LLC level.
- All of the Group's debt remains at the Illinois River Energy, LLC level, with no recourse against GTL Resources PLC assets.

\*Adjusted for \$4.6 million corn losses, \$3.4 million natural gas losses, \$1.5 million on close outs of natural gas positions and \$1.5 million plant shutdown.

## Chairman's statement

The period to 31 March 2009 was a challenging year for the GTL Resources Group on multiple fronts, but good progress was made. GTL incurred a Loss Before Tax (LBT) of \$18.4 million, compared with a Profit Before Tax of \$8.4 million in the previous year. Basic Loss Per Share was \$0.5071 compared with earnings of \$0.2250 per share in the prior period. This decline was primarily due to lower available market commodity margins of \$(13.2) million (ethanol and dried distiller grains revenue, less corn and natural gas cost per gallon), and \$(9.5) million of above market cost positions incurred by the Group on corn and natural gas as these two commodities saw dramatic price declines during the period. The Group has now significantly reduced its amount of unmatched commodity exposure. In addition, the Group incurred \$(1.5) million in losses related to an unanticipated plant shutdown in February 2009 to address structural damage in its corn silo/receiving area. The Group's performance for the period, in terms of adjusted EBITDA, was \$5.2 million, excluding the above-mentioned corn (\$4.6 million), natural gas (\$4.9 million) and silo issues (\$1.5 million).

The Group's ethanol plant in Rochelle, Illinois (Illinois River Energy, LLC – "IRE") continued to exceed expectations in terms of operating performance vs. last year and nameplate. The plant successfully completed its recent expansion project to double capacity, ahead of time and under budget, resulting in an increase of nameplate to 100 mgpa. The expanded plant is now fully operational and producing at a rate above nameplate capacity, and is achieving better than nameplate ethanol and energy yields.

IRE's new 100 mgpa capacity, its close location to the metropolitan Chicago, Illinois ethanol market, and its consistent operating performance have enabled the plant to negotiate an ethanol off-take agreement with an Oil Major for 40 mgpa (priced at market each month).

This essentially commits sales volume for a majority of its capacity increase, with an attractive freight arrangement.

If IRE continues to produce above its 100 mgpa nameplate capacity, and with current available market margins (supplemented by IRE's favourable direct customer contracts), IRE is capable of improved performance and comfortably meeting its anticipated debt service requirements.

As previously announced, as part of our continuing focus on improved efficiency and cost reduction, GTL's UK-based finance functions have been transferred to the US. Following this transfer of activities, Mike Brennan resigned as the Company's Finance Director, and Amir Saeed has joined as GTL USA's Chief Financial Officer. The Board thanks Mike for his committed service to the Group for nearly four years, and welcomes Amir and his newly formed team in the US. Amir is a CPA, has a Masters and Bachelors Degree in Accounting, and has nearly 20 years of corporate financial experience, most recently serving as Controller of BP America Inc's Integrated Supply and Trading Division.

I would also like to note that, as announced on 8 June 2009, Martha Schlicher, previously the Vice President of Business Development and Technology for GTL and an Executive Director of the Board, has moved to a Non-Executive Director role with effect from 30 June 2009. In this new role, Martha will continue to provide policy, strategy and technology insight to the GTL Board as a Non-Executive Director. Martha has been offered a newly created management position by Monsanto Company (NYSE: MON), where she was previously employed, leading their Bioenergy Group. The Board thanks Martha for all her contributions to the Group as an Executive, and we look forward to her continued contributions as a Non-Executive. Lastly, the Board would especially like to thank the entire Illinois River Energy team for all their hard work and effort in getting the plant expanded under budget and ahead of schedule.

**Julia Henderson**  
Non-Executive Chairman

## Business and financial review

### IRE plant delivers continued strong operational performance

For the period, IRE recorded 62.6 million gallons of un-denatured ethanol produced. Adjusted for the unanticipated silo downtime, this exceeded nameplate capacity by approximately 1% (without any adjustments for the expansion ramp-up period) and was accomplished efficiently by using only 96% of the corn and 86% of the natural gas benchmark standard amounts for this ethanol output established by ICM, the ethanol industry's leading technology provider. For the year, no returns due to any quality issues were received on 13,844 shipments of ethanol and dried distiller grains with solubles (DDGS). Another year of high operational performance has been achieved.

"GTL Resources has now positioned itself to improve its performance and operate at a higher level of volume."

	Year ending 31 March 2009	Year ending 31 March 2008	% change	Nameplate
Production (mil. un-denatured gals.)	62.6	55.8	12%	62.2 <sup>A</sup>
Ethanol net price (\$/gal)	\$1.85	\$1.85	–	NA
Corn net price (\$/bushel)	\$4.29 <sup>B</sup>	\$3.51	22%	NA
DDG net price (\$/ton)	\$135	\$105	29%	NA
Ethanol yield (un-den. gals./bushel)	2.76	2.73	1%	2.66
Gas usage (btu/un-den. gal.)	29,058 <sup>C</sup>	29,783	1%	35,618

A: adjusted for expansion to 100 mgpa in December 2008.

B: adjusted for corn position losses.

C: adjusted for expansion start-up and silo outage.

### Expansion project completed

In July 2007, the Group raised debt and equity to fully fund the doubling of the nameplate capacity of IRE to 100 mgpa from 50 mgpa. Construction on the expanded plant was completed ahead of schedule and under budget in December 2008. The expanded plant is enabling the Group to leverage Corporate and IRE fixed costs over a larger revenue base, improving Group EBITDA per gallon performance otherwise available by approximately \$0.06 per gallon.

### Current trading and future prospects

The US ethanol industry has experienced an overall decline in commodity margins during the period under review. The growth in industry production capacity over the last 12 months, from the last wave of ethanol plants financed two years ago, has exceeded the pace of the Renewable Fuels Standard (RFS) mandated demand and the discretionary blending demand. In terms of overall industry supply and demand, production capacity is now estimated to be approximately 12–13 billion gallons. In terms of industry demand, gasoline fuel blenders are effectively required to blend 10.5 billion gallons of corn based ethanol into the fuel supply in calendar 2009. This suggests that margin will continue to be under pressure for ethanol producers throughout 2009, and market conditions may remain challenging for the ethanol industry into 2010.

However, the first quarter of fiscal 2010 (Apr – Jun 2009) has seen improvement in market commodity margins from the last quarter of fiscal 2009 (Jan – Mar 2009). With crude oil now trading at approximately \$70/bbl, oil companies and distributors have increased incentive for discretionary blending, availing themselves to the \$0.45/gal blender's credit. Current commodity margins available in the market allow IRE to generate cash flow to comfortably meet its operational and minimum debt service cash requirements.

Due to the RFS, minimum corn based ethanol blending levels will increase to 12 billion gallons in calendar 2010, and another 0.6 billion gallons per year thereafter through 2015. With minimal expected additional ethanol capacity coming on-line, supply and demand induced margin pressures in our industry should gradually improve over time.

### Financial review

In the period, the Group reported a Net Loss Before Tax of \$18.4 million versus a prior year profit of \$8.4 million. The incremental loss was primarily due to lower available market commodity margins of \$13.2 million, Company costs incurred above market on corn and natural gas positions of \$9.5 million, an increase in the Group's fixed cost level (primarily due to the expansion) of \$3.1 million, higher depreciation of \$1.9 million, losses related to the unanticipated plant shutdown to fix structural damage in the corn silo/receiving area of \$1.5 million, all offset by increased volume of \$3.7 million.

## Business and financial review (continued)

Turnover for the year of \$145.6 million consisted of both ethanol and DDGS sales. Ethanol sales of 63.8 million gallons were made at an average net (after freight and commission) price of \$1.85 per gallon, resulting in net revenues of \$118.0 million (gross \$121.2 million) representing 84% of net revenue. This was an increase of \$10.1 million over 2008 net revenue of \$107.9 million, primarily due to higher volume. DDGS sales of 170 thousand tons realised an average net price of \$135.4 per ton, which resulted in net revenues of \$23.0 million (gross \$24.4 million). This was up over 2008 revenues of \$16.9 million due to higher volume and rates.

Cost of sales of \$144.2 million includes total variable costs of the plant of \$135.3 million, plant fixed operating expenses of \$4.4 million, and freight and marketing fees of \$4.5 million. Corn of \$101.9 million and natural gas of \$19.2 million together represent 89.5% of the total variable costs and were the most volatile elements.

Corn expense of \$101.9 million was up \$30.2 million from the 2008 amount of \$71.7 million. Adjusted for the previously announced losses on corn positions of \$4.6 million (explained below), corn expense for the period was \$97.3 million. The increase in this adjusted corn expense was primarily due to higher market costs per bushel (\$4.29 in 2009 vs. \$3.51 in 2008) resulting in \$17.7 million, and cost increases due to higher production of \$7.9 million for the period.

Natural gas expense of \$19.2 million was \$5.1 million higher than the 2008 amount of \$14.1 million. Adjusted for losses of \$4.9 million on natural gas positions (explained below), natural gas expense was \$14.3 million. Volume cost increases due to higher production resulted in an increase of \$2.0 million, which was partially offset by a decrease of \$1.8 million due to lower rates.

Group administrative and other expenses of \$14.9 million were \$3.1 million up on last year. The Group administrative and other expense includes depreciation, plant administrative expenses, and corporate overhead costs. Plant expenses were up by \$4.8 million which consisted of depreciation up by \$1.9 million and plant administrative expenses up by \$2.8 million over 2008. The increase in depreciation and other plant related expenses was principally due to higher costs associated with the plant expansion. Increase in plant related expenses were partially offset by a substantial decrease in corporate overhead costs of \$1.6 million, primarily due to the streamlining and transition of corporate related activity to the United States.

During February 2009, the plant suffered damage to its corn silo storage and processing unit. This resulted in plant production being down for approximately three weeks. Temporary fixes were implemented to enable the plant to resume production. The root cause of the damage is currently under investigation, which will determine the

nature and extent of the permanent remedial action required. The downtime at the plant resulted in approximately \$1.5 million of losses due to the production shutdown. This amount does not include claims for business interruption, other consequential damages, or costs associated with interim and permanent repairs. IRE is currently pursuing litigation against the design build contractor (for design and construction deficiencies) and IRE's insurance provider (for business interruption). At this point, no amounts have been provided in the accounts for claims made against the aforementioned parties or for potential costs related to permanent fixes.

During the first half of Fiscal 2009, the Group incurred \$4.6 million in losses on corn positions/stock held against October to December deliveries. In addition, the Group also incurred losses on natural gas positions for August to March deliveries of approximately \$3.4 million. This loss was incurred ratably over the August to March period as positions were liquidated, on a month by month basis. Also, during the second half of Fiscal 2009, the Group closed all its natural gas future positions, at a cost of \$1.5 million, to prevent any further losses. Net of the silo, corn and natural gas losses, the Group's adjusted EBITDA was \$5.2 million.

In summary, this resulted in an \$18.4 million Group LBT, with \$16.7 million LBT reflected at the IRE level (\$0.26 per gallon).

Finance expenses of \$5.1 million were down on last year's \$5.6 million. This reduction was due to a reduced provision for the interest rate swap of \$1.8 million, partially offset by an increase in base interest expense of \$(1.3) million due to incremental expansion project borrowings. The absolute amount of \$5.1 million in 2009 includes a \$0.8 million interest rate swap mark to market provision. As part of the terms of the senior debt, IRE entered into a four year interest rate swap transaction. Falling interest rates have resulted in a potential future liability to pay swap interest at rates above the variable rates prevailing at 31 March. The resulting \$3.4 million potential liability has been fully provided for.

Because of the losses incurred there are no income tax expenses or liabilities.

The Group's loss for the year attributable to the equity holders of the Company was \$16.2 million (2008: profit of \$6.5 million), and this represented a loss of \$0.5071 per share.

The Company balance sheet as of 31 March 2009 includes \$8.2 million of cash at the GTL Resources PLC corporate level, well in excess of the \$0.3 million of liabilities. This provides significant working capital for the Group's ongoing activities as well as providing further contingency for other potential investment projects. The excess of \$8 million also represents around \$0.25 per share (approximately £0.16). All of the Group's debt remains at the Illinois River Energy, LLC ("IRE") level, with no recourse against GTL Resources PLC assets.

**Richard Ruebe**  
Group CEO

## Directors

### Executive Director

#### Richard Ruebe, Group CEO

Richard Ruebe has nearly 30 years of general business experience in the USA, most recently in the managing of multi-site manufacturing operations. Prior to taking his position with GTL Resources PLC, Richard was, between 2002 and 2006, the Chief Executive Officer and Vice President of Operations of Hollinee LLC, a fiberglass and non wovens filter manufacturing company which had nine manufacturing facilities in Europe and the US and over 750 employees. As its Chief Executive Officer, Richard successfully streamlined the manufacturing facilities, improved profitability and successfully arranged the sale of the business. Prior to this role, Richard spent seven years as Vice President of Operations and Chief Financial Officer of Interlake Material Handling Inc., a company with sales of \$300 million. In this role, Richard managed four plants and the construction of a Greenfield facility in Mexico. Previously, Richard worked for Boots Pharmaceuticals, part of the Boots UK global business, between 1992 and 1995, and Zenith Electronics Inc. between 1981 and 1992 in several financial roles. Richard has an M.B.A, B.S in Accounting, and a C.P.A.

### Non-Executive Directors

#### Julia Henderson, Non-Executive Chairman

Julia Henderson has been involved with entrepreneurial growth companies in a wide range of sectors for the past two decades. She is an independent non-executive director and corporate consultant with quoted and private mid market companies. Julia is also a non-executive director of Alkane Energy plc, another quoted company in the renewable energy sector. She was a founder shareholder and later a director of Beeson Gregory (now Evolution Securities), the mid market investment bank, and has a wealth of City experience.

#### Graham Wickham, Non-Executive Director

Graham Wickham has over 25 years' experience in the London financial markets, specialising in investment analysis and corporate finance. Graham joined what was Hoare Govett, now ABN Amro Hoare Govett, in 1970 as an investment analyst and left in 1973 to join Williams de Broe. At Williams de Broe Graham worked on floating and financing small companies on the London Stock Exchange's main market and on AIM. Graham has held a number of positions as non-executive director.

### Michael Nobbs, Non-Executive Director

Michael Nobbs has a 35 year track record in Investment Banking, with a focus on corporate and project finance. He was Managing Director and senior credit officer for Citigroup/Citibank and Group Finance Director for Tishman International Companies, a major global development and investment business. In his career, Michael has participated in many capital raisings, initial public offerings, and corporate acquisitions. He has held positions in London, New York and Los Angeles. Today, Michael acts as an Independent Company Director and Investment advisor. In addition to GTL and IRE, Michael is on the boards of Ithaca Energy, Sound Oil, Plasco Energy, Mart Resources Inc., and Leeder Financial Services. These entities are listed on AIM, the TVX or the TSX, or are still Private pending IPO. He chairs a variety of Committees, including Remuneration, Audit, Governance and Investment. He is resident in the USA, but travels extensively in the UK, Asia and Canada.

### Martha Schlicher, Non-Executive Director

Martha has over 20 years of direct agricultural industry management experience. Having leadership roles at GTL Resources, Monsanto, the National Corn-to-Ethanol Research Center (NCERC) and Renewable Agricultural Energy, Inc. Martha oversaw the commissioning and start-up of the NCERC and its conversion to an industry-serving facility for the commercial testing of renewable fuel technologies. In this role she became a key advisor to industrial, trade, governmental, and investment groups on the potential of renewable fuels and the assessment of renewable fuel technologies. Prior to this position, Martha served in leadership roles for 15 years at Monsanto Company. Her accomplishments include overseeing the agricultural business's global crop technology pipeline, and directing worldwide regulatory sciences. Martha has recently returned to Monsanto, leading their biofuels division. Martha has a B.S. degree in Chemistry from Indiana University, a Ph.D. in Organic Chemistry from the University of Illinois and an M.B.A. from the Kellogg Graduate School of Management at Northwestern University. Martha serves as a Trustee for the St. Louis Academy of Science, as an industry advisor to the International Center for Advanced Renewable Energy Research at Washington University in St. Louis, and as a Technical Advisor to the NCERC.

## Directors' report

The Directors present their annual report and financial statements for the year ended 31 March 2009.

### Principal activities and business review

The Group's activities during the year were split between the operation and optimisation of its Rochelle ethanol plant. The plant successfully completed its recent expansion project to double capacity, ahead of time and under budget, resulting in an increase of nameplate to 100 mgpa.

A review of the business during the year and comments upon the future outlook and activities are contained in the Business and Financial Review on pages 3 to 4.

### Proposed dividend

The Directors do not recommend the payment of a dividend (2008: nil per share).

### Directors

The Directors who held office during the year were as follows:

J A Henderson  
M Nobbs  
R Ruebe  
G J Wickham  
M Schlicher (appointed 31 December 2008)  
M Brennan (resigned 31 December 2008)

M Nobbs and G J Wickham retire by rotation, and, being eligible, offer themselves for re-election. In addition M Schlicher will be up for election at the Annual General Meeting.

### Significant shareholdings

At 30 June 2009 the following interests of shareholders holding 3% or more of the ordinary share capital of the Company, had been notified to the Company:

	Ordinary shareholding	%
Gartmore Investment Management	6,672,332	20.86
Tudor Capital (UK) LP	3,053,186	9.54
UBS AG (London)	2,368,066	7.40
Simon Phillips	1,965,483	6.14
Royal London Asset Management	1,900,000	5.94
Barclays Stockbrokers	1,481,432	4.63
RAB Capital	1,316,575	4.12
Majedie Investments	1,130,153	3.53
Charles Stanley	961,653	3.01

### 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.

### Financial instruments

The accounting treatment of financial instruments is set out in note 3(c) to the accounts with further disclosure provided in note 25.



#### **Political and charitable contributions**

The Company has not made any political or charitable donations or incurred any political expenditure during the year.

#### **Going concern**

The Directors have a reasonable expectation that both the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

#### **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.

#### **Corporate governance**

The Directors 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.

As an AIM listed company, the Directors' Remuneration Report Regulations 2002 are not applicable, and as such, a report on Directors' remuneration has not been prepared. Further details of Directors' remuneration are detailed in note 9 to the financial statements.

The Company operates with a remuneration committee and an audit committee. The remuneration committee comprises of Graham Wickham and Julia Henderson and is chaired by Michael Nobbs. It reviews the scale and structure of the Executive Directors remuneration and the term of their service contracts. The remuneration and terms and conditions of the Non-Executive Directors are set by the Board. No Director may participate in any meeting at which discussions or decisions regarding his/her own remuneration take place. The remuneration committee also administers the Company's share incentive schemes.

The audit committee comprises of Michael Nobbs and Julia Henderson, and is chaired by Graham Wickham. It is responsible for ensuring that the financial performance of the Group is properly reported on and monitored, and for reviewing the auditors' reports relating to the accounts.

The Board considers each of the Non-Executive Directors to be independent. Graham Wickham is the senior independent director.

#### **Annual general meeting**

The Annual general meeting of the Company is to be held on 29 September 2009. A separate notice of the meeting will be issued, which details the various resolutions to be proposed and if thought fit, adopted by the shareholders.

#### **Disclosure of information to auditors**

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### **Auditors**

In accordance with Section 489 of the Companies Act 2006, a resolution for the reappointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board.



**Julia Henderson**  
Chairman

31 July 2009

## Statement of Directors' responsibilities in respect of the annual report and the financial statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. As required by the AIM rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable laws, and have elected to prepare the Parent Company financial statements on the same basis.

The Group and Parent Company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Group and the Parent Company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Parent Company 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 they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Environmental, health and safety statement

## Environmental, health and safety vision statement

GTL Resources PLC (GTL) is committed to achieving excellence in providing a safe, healthy, and environmentally responsible place to work and visit. GTL's policy is to comply with all applicable environmental, health and safety laws and regulations and support employee awareness and participation in the Environmental, Health and Safety (EHS) Programme. GTL's goal is the prevention of all workplace injuries and illnesses, environmental incidents, property loss or damage and disruptions to public health and safety. Achieving this goal is the responsibility of every GTL employee.

## EHS programme description

GTL has developed an Environmental Management Programme (EMP) and a Safety Management Programme (SMP) to help achieve its vision. The programmes work closely together to achieve environmental, health, and safety compliance. Both programmes follow a model of identifying potential hazards, assessing significance in terms of severity and likelihood of occurrence, developing approaches to reduce risk, and follow-up verification that the risk is reduced.

The Safety Coordinator oversees health and safety initiatives at the facility and reports directly to the Chief Operating Officer. The Safety Coordinator provides regular updates to the Board of Directors and works in collaboration with the facility's management team to evaluate and update the programme.

The Safety Management Programme also provides health and safety training for contractors and consultants working at the facility. Random inspections are performed to ensure that contractors and consultants are working in a safe, healthful and environmentally responsible manner. For major contracts, and for any work in potentially hazardous locations, GTL assesses contractors' and consultants' safety records as part of the selection process.

## Health

GTL takes a personal interest in maintaining the health of its employees. All of the employees that work in the plant are required to participate in annual testing of their hearing and breathing function. In addition, GTL offers employees with an option to receive a flu vaccination each year. In the 2010 fiscal year GTL will initiate a health and wellness programme that will offer employees a reimbursement for certain health and wellness expenditures.

## Health and safety record

The Safety Management Programme maintains up-to-date records pertaining to employee health and safety. In the 2009 fiscal year GTL experienced its first work-related lost time incident and an increase in recordable incidents. The increase in incidents was primarily due to weather-related slips and falls generally associated with the temporary increase in site walking hazards as a result of construction activity. GTL has initiated work to improve the outdoor walking surfaces at the facility.

## Environmental

GTL is committed to environmental protection. The Environmental Management Programme's principal aims are to:

- prevent pollution and comply with environmental legislation and any environmental agreements with external organisations;
- consider environmental issues when making major decisions and seek to achieve sustainable environmental results within available resources; set environmental objectives and review past performance;
- provide environmental awareness training to employees;
- require that its consultants, contractors and suppliers adopt good environmental practices and comply with the provisions of GTL's environmental policies.

In the 2009 fiscal year, the responsibility for the Environmental Management Programme was transferred to GTL's Process Engineer. GTL realizes that environmental compliance is tightly integrated with plant operations. Therefore, the Process Engineer will address environmental compliance as part of all process improvement projects.

The plant expansion presented GTL with several environmental challenges during the 2009 fiscal year. Primarily, GTL renewed and expanded several environmental permits that were necessary to install new equipment and increase production. As part of the permit process, environmental testing was conducted to verify that the new equipment met environmental standards. GTL also coordinated with the Environmental Protection Agency for construction activities that affected environmental controls.

## Environmental, health and safety statement (continued)

### **Security**

GTL considers site security an important component of employee safety. In the 2009 fiscal year GTL installed site perimeter fencing and automatic entrance gates. Improvements scheduled for the 2010 fiscal year include the installation of site surveillance cameras.

### **Environmental, health and safety statement**

GTL successfully navigated new regulations with the U.S. Department of Homeland Security. By modifying the chemical inventory at the plant, GTL became exempt from the Chemical Facility Anti-Terrorism Standards.

### **Outreach**

In the 2009 fiscal year GTL was proud to assist and support the local fire fighting academy by offering the use of the facility and a tank car to conduct emergency response training. This training event brought forth community ties and promoted partnership in emergency response planning.

# Independent auditor's report to the members of GTL Resources PLC

We have audited the Group and Parent Company financial statements (the "financial statements") of GTL Resources PLC for the year ended 31 March 2009 which comprise the consolidated income statement, the consolidated and Company statements of changes in equity, the consolidated and Company balance sheets, the consolidated and Company statements of cash flows and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the statement of Directors' responsibilities on page 8.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' report is consistent with the financial statements. The information given in the Directors' report includes that information presented in the business and financial review that is cross-referenced from the business review section of the Directors' report.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and 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, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 March 2009 and of its loss for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 March 2009;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

*KPMG Audit Plc.*

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor

31 July 2009

Quayside House  
110 Quayside  
Newcastle upon Tyne NE1 3DX

## Consolidated income statement

for the year ended 31 March

	Notes	2009 \$000	2008 \$000
<b>Revenue</b>	6	<b>145,545</b>	135,232
Cost of sales		<b>(144,231)</b>	(110,169)
<b>Gross profit</b>		<b>1,314</b>	25,063
Administrative expenses		<b>(14,921)</b>	(11,840)
<b>Results from operating activities</b>		<b>(13,607)</b>	13,223
Finance income	10	<b>378</b>	746
Finance expenses	10	<b>(5,140)</b>	(5,553)
<b>(Loss)/profit before income tax</b>		<b>(18,369)</b>	8,416
Income tax expense		–	(503)
<b>(Loss)/profit for the period</b>		<b>(18,369)</b>	7,913
<b>Attributable to:</b>			
Equity holders of the Company		<b>(16,223)</b>	6,501
Minority interest		<b>(2,146)</b>	1,412
<b>(Loss)/profit for the period</b>		<b>(18,369)</b>	7,913
<b>Earnings per share</b>			
Basic (loss)/earnings per ordinary share (dollars)	21	<b>\$(0.5071)</b>	\$0.2250
Diluted (loss)/earnings per ordinary share (dollars)	21	<b>\$(0.5071)</b>	\$0.2191

All results derive from continuing operations.

# Consolidated statement of changes in equity

for the year ended 31 March

	Share capital \$000	Share premium \$000	Special reserve \$000	Translation reserve \$000	Retained earnings \$000	Total \$000	Minority interest \$000	Total equity \$000
At 1 April 2007	41,046	33,886	3,508	395	(41,988)	36,847	4,733	41,580
Total recognised income and expense	–	–	–	–	6,501	6,501	1,412	7,913
Issue of ordinary shares	19,159	7,664	–	–	–	26,823	916	27,739
Payment of transaction costs	–	(2,950)	–	–	–	(2,950)	(50)	(3,000)
Net acquisition by minority	–	–	–	–	–	–	939	939
Foreign currency translation differences for foreign operations	–	–	–	(244)	–	(244)	–	(244)
Equity-settled share-based payment transactions	–	–	–	–	104	104	–	104
At 31 March 2008	60,205	38,600	3,508	151	(35,383)	67,081	7,950	75,031
At 1 April 2008	<b>60,205</b>	<b>38,600</b>	<b>3,508</b>	<b>151</b>	<b>(35,383)</b>	<b>67,081</b>	<b>7,950</b>	<b>75,031</b>
Total recognised income and expense	–	–	–	–	(16,223)	(16,223)	(2,146)	(18,369)
Transfer	–	(38,283)	–	–	38,283	–	–	–
Cancellation of special reserve	–	–	(3,508)	–	3,508	–	–	–
Foreign currency translation differences for foreign operations	–	–	–	336	–	336	–	336
Equity-settled share-based payment transactions	–	–	–	–	(44)	(44)	–	(44)
At 31 March 2009	<b>60,205</b>	<b>317</b>	<b>–</b>	<b>487</b>	<b>(9,859)</b>	<b>51,150</b>	<b>5,804</b>	<b>56,954</b>

## Company statement of changes in equity

for the year ended 31 March

	Share capital \$000	Share premium \$000	Special reserve \$000	Translation reserve \$000	Retained earnings \$000	Total \$000
At 1 April 2007	41,046	33,886	3,508	395	(35,891)	42,944
Total recognised income and expense	–	–	–	–	1,030	1,030
Issue of ordinary shares	19,159	7,664	–	–	–	26,823
Payment of transaction costs	–	(2,950)	–	–	–	(2,950)
Foreign currency translation differences for foreign operations	–	–	–	(244)	–	(244)
Equity-settled share-based payment transactions	–	–	–	–	104	104
At 31 March 2008	60,205	38,600	3,508	151	(34,757)	67,707
At 1 April 2008	<b>60,205</b>	<b>38,600</b>	<b>3,508</b>	<b>151</b>	<b>(34,757)</b>	<b>67,707</b>
Total recognised income and expense	–	–	–	–	(1,657)	(1,657)
Transfer	–	(38,283)	–	–	38,283	–
Cancellation of special reserve	–	–	(3,508)	–	3,508	–
Foreign currency translation differences for foreign operations	–	–	–	1,708	–	1,708
Equity-settled share-based payment transactions	–	–	–	–	(44)	(44)
At 31 March 2009	<b>60,205</b>	<b>317</b>	<b>–</b>	<b>1,859</b>	<b>5,333</b>	<b>67,714</b>



# Consolidated balance sheet

at 31 March

	Note	2009 \$000	2008 \$000
<b>Assets</b>			
Property, plant and equipment	12	174,436	139,253
Intangible assets – goodwill	13	7,390	7,390
Other financial assets	15	2,705	3,510
<b>Total non current assets</b>		<b>184,531</b>	<b>150,153</b>
Inventories	17	6,011	4,063
Trade and other receivables	18	3,143	4,922
Prepayments for current assets		1,056	666
Other financial assets	15	7,964	5,858
Cash and cash equivalents	19	8,860	11,048
<b>Total current assets</b>		<b>27,034</b>	<b>26,557</b>
<b>Total assets</b>		<b>211,565</b>	<b>176,710</b>
<b>Equity</b>			
Share capital		60,205	60,205
Share premium		317	38,600
Special reserve		–	3,508
Currency translation reserve		487	151
Retained earnings		(9,859)	(35,383)
<b>Total equity attributable to equity holders of the Company</b>		<b>51,150</b>	<b>67,081</b>
Minority interest		5,804	7,950
<b>Total equity</b>		<b>56,954</b>	<b>75,031</b>
<b>Liabilities</b>			
Loans and borrowings	22	134,957	87,656
Deferred revenue		3,659	–
<b>Total non current liabilities</b>		<b>138,616</b>	<b>87,656</b>
Loans and borrowings	22	133	105
Trade and other payables	23	7,410	10,786
Derivatives	25	3,378	2,598
Long-term debt – current portion	22	4,941	40
Deferred revenue		133	–
Current income tax liabilities		–	494
<b>Total current liabilities</b>		<b>15,995</b>	<b>14,023</b>
<b>Total liabilities</b>		<b>154,611</b>	<b>101,679</b>
<b>Total equity and liabilities</b>		<b>211,565</b>	<b>176,710</b>

These financial statements were approved by the Board of Directors on 31 July 2009 and were signed on its behalf by:



**Richard Ruebe**  
Director

# Company balance sheet

at 31 March

	Note	2009 \$000	2008 \$000
<b>Assets</b>			
Property, plant and equipment	12	–	12
Investments	14	57,666	38,078
<b>Total non current assets</b>		<b>57,666</b>	<b>38,090</b>
Trade and other receivables	18	28	56
Prepayments for current assets		30	77
Amounts owed by Group undertakings		2,020	20,092
Cash and cash equivalents	19	8,232	10,709
<b>Total current assets</b>		<b>10,310</b>	<b>30,934</b>
<b>Total assets</b>		<b>67,976</b>	<b>69,024</b>
<b>Equity</b>			
Share capital		60,205	60,205
Share premium		317	38,600
Special reserve		–	3,508
Currency translation reserve		1,859	151
Retained earnings		5,333	(34,757)
<b>Total equity attributable to equity holders of the Company</b>		<b>67,714</b>	<b>67,707</b>
<b>Liabilities</b>			
Trade and other payables, including derivatives	23	262	823
Current income tax liabilities		–	494
<b>Total current liabilities</b>		<b>262</b>	<b>1,317</b>
<b>Total liabilities</b>		<b>262</b>	<b>1,317</b>
<b>Total equity and liabilities</b>		<b>67,976</b>	<b>69,024</b>

These financial statements were approved by the Board of Directors on 31 July 2009 and were signed on its behalf by:

  
Richard Ruebe  
Director

# Consolidated statement of cash flows

for the year ended 31 March

	Note	2009 \$000	2008 \$000
<b>Cash flows from operating activities</b>			
(Loss)/profit for the period		(18,369)	7,913
Adjustments for:			
Depreciation and loss on disposal	12	7,477	5,448
Net finance expense	10	4,762	4,807
Equity-settled share-based payment transactions	24	(44)	104
Income tax expense	11	–	503
<b>Cash flows from operating activities</b>		<b>(6,174)</b>	<b>18,775</b>
Change in inventories	17	(1,948)	(266)
Change in trade and other receivables	18	1,779	249
Change in prepayments		(390)	159
Change in trade and other payables	23	(3,376)	2,576
<b>Post working capital cash flows from operating activities</b>		<b>(10,109)</b>	<b>21,493</b>
Effect of exchange rate fluctuations		336	(254)
Interest paid	10	(4,301)	(2,811)
Income tax received		(494)	13
<b>Net cash from operating activities</b>		<b>(14,568)</b>	<b>18,441</b>
<b>Cash flows from investing activities</b>			
Interest received	10	378	746
Acquisition of property, plant and equipment	12	(42,660)	(74,976)
Other financial asset deposits	15	(1,301)	(9,368)
<b>Net cash from investing activities</b>		<b>(43,583)</b>	<b>(83,598)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		–	26,823
Proceeds from new borrowings	22	52,230	87,611
Proceeds from deferred revenue (Illinois grant)		3,838	–
Proceeds from issue of share capital in subsidiary		–	916
Payment of transaction costs		–	(3,000)
Repayment of borrowings		–	(42,276)
Repayment of finance leases		(105)	(105)
<b>Net cash from financing activities</b>		<b>55,963</b>	<b>69,969</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(2,188)</b>	<b>4,812</b>
Cash and cash equivalents at beginning of the year		11,048	6,236
<b>Cash and cash equivalents at end of the year</b>	19	<b>8,860</b>	<b>11,048</b>

# Company statement of cash flows

for the year ended 31 March

	Note	2009 \$000	2008 \$000
<b>Cash flows from operating activities</b>			
(Loss)/profit for the period		(1,657)	1,030
Adjustments for:			
Depreciation	12	12	12
Net finance expense		(165)	(2,157)
Equity-settled share-based payment transactions	24	(44)	104
Income tax expense		(494)	503
<b>Cash flows from operating activities</b>		<b>(2,348)</b>	<b>(508)</b>
Change in trade and other receivables	18	28	3,837
Change in prepayments		47	9
Change in group undertakings		(144)	–
Change in trade and other payables	23	(561)	(182)
<b>Post working capital cash flows from operating activities</b>		<b>(2,978)</b>	<b>3,156</b>
Effect of exchange rate fluctuations		336	(254)
<b>Net cash from operating activities</b>		<b>(2,642)</b>	<b>2,902</b>
<b>Cash flows from investing activities</b>			
Interest received		–	405
Investments		–	(5)
Effect of exchange rate on equity conversion		–	–
Other financial asset deposits		–	(19,036)
<b>Net cash from investing activities</b>		<b>–</b>	<b>(18,636)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		–	26,823
Payment of transaction costs		–	(2,950)
<b>Net cash from financing activities</b>		<b>–</b>	<b>23,873</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(2,477)</b>	<b>8,139</b>
Cash and cash equivalents at beginning of the year		10,709	2,570
<b>Cash and cash equivalents at end of the year</b>	19	<b>8,232</b>	<b>10,709</b>

## Notes to the financial statements

	Page Number
1. Reporting entity	20
2. Basis of preparation	20
3. Significant accounting policies	21
4. Determination of fair values	26
5. Financial risk management	26
6. Segment reporting	29
7. Expenses and auditor's remuneration	29
8. Staff numbers and costs	30
9. Directors' emoluments	30
10. Finance income and expense	31
11. Taxation	32
12. Property, plant and equipment	33
13. Intangible assets	34
14. Investment in subsidiaries	34
15. Other financial investments	35
16. Deferred tax assets and liabilities	35
17. Inventories	36
18. Trade and other receivables	37
19. Cash and cash equivalents	37
20. Share capital	37
21. Earnings per share	38
22. Loans and borrowings	39
23. Trade and other payables	40
24. Share-based payments	40
25. Financial instruments	42
26. Operating leases	45
27. Capital commitments	45
28. Related parties	45
29. Contingencies	46

## Notes to the financial statements

### 1. Reporting entity

GTL Resources PLC (the "Company") is a company incorporated in England and Wales. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group").

### 2. Basis of preparation

#### (a) Statement of compliance

The financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The Company has taken advantage of the exemption in section 230 of the Companies Act 1985 not to present its individual income statement and related notes in these approved financial statements.

#### (b) Going concern

The current economic conditions create an uncertainty over demand for the Group's products but the Group forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is expected to have a sufficient level of financial resources available through cash and borrowings and therefore the Directors believe that the Group is well placed to manage their business risks successfully despite the economic uncertainty.

#### (c) Basis of measurement

The financial statements have been prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value:

- Derivative financial instruments

The methods used to measure fair values are discussed further in note 4.

#### (d) Functional and presentation currency

These financial statements are presented in US dollars, which is the Group's functional currency. All financial information presented in dollars has been rounded to the nearest thousand.

#### (e) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 13 – measurement of the recoverable amounts of cash-generating units containing goodwill;
- Note 24 – measurement of share-based payments; and
- Note 25 – valuation of financial instruments.

### 3. Significant accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### (a) Basis of consolidation

##### (i) *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

##### (ii) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

#### (b) Foreign currency

##### (i) *Foreign currency transactions*

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

##### (ii) *Operations with functional currency other than US dollar*

The assets and liabilities of non dollar denominated operations are translated to dollars at exchange rate ruling at the balance sheet date and the income and expenses are translated to dollars at exchange rates at the average monthly rate.

Foreign currency differences are recognised directly in equity. Since 1 April 2006, the Group's date of transition to IFRSs, such differences have been recognised in the foreign currency translation reserve (FCTR). When a non-dollar denominated operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

#### (c) Financial instruments

##### (i) *Non-derivative financial instruments*

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Prepayments and accruals included in trade and other receivables/payables are not financial instruments.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and call deposits with a maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3(l).

##### (ii) *Derivative financial instruments*

Hedge accounting is not applied to derivative instruments that the Group holds to economically hedge its interest rate risk exposures. Such derivatives are recognised in the balance sheet at fair value and any changes in fair value are recognised in profit or loss immediately. Attributable transaction costs are recognised in profit or loss when incurred.

## Notes to the financial statements (continued)

### 3. Significant accounting policies (continued)

#### (iii) Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligation upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

#### (iv) Share capital

##### Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

#### (d) Property, plant and equipment

##### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within 'other income' in profit or loss.

##### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

##### (iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives are as follows:

– land improvements	20 years
– buildings and improvements	20–30 years
– leasehold property	3 years
– plant and equipment	7–15 years
– fixtures and fittings	4–5 years
– computer equipment	2–4 years
– vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.



### 3. Significant accounting policies (continued)

#### (e) Intangible assets

##### (i) Goodwill

Subject to the transitional relief in IFRS 1, all business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of businesses. In respect of business combinations that have occurred since 1 April 2006, goodwill represents the difference between the cost of acquisition and the fair value on the net identifiable assets acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

In respect of business combinations prior to 1 April 2006, goodwill is included at 1 April 2006 on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable except that only separable intangibles were recognised and goodwill was amortised. On transition, amortisation of goodwill has ceased as required by IFRS 1.

Negative goodwill arising on a business combination is recognised immediately in the income statement.

##### (ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement when incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends and has sufficient resources to complete development. Other development expenditure is recognised in the income statement as an expense when incurred.

##### (f) Leased assets

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

##### (g) Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

##### (h) Impairment

##### (i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss.

## Notes to the financial statements (continued)

### 3. Significant accounting policies (continued)

#### (ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill that has indefinite life the recoverable amount is estimated at each balance sheet date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### (i) Employee benefits

##### (i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the income statement when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

##### (ii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

##### (iii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### (iv) Share-based payment transactions

The share option programme allows Group employees to acquire shares of the Company. The fair value is measured at grant date and spread over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

#### (j) Revenue

Revenue represents the amounts derived from the provision of goods to third party customers. The Group's revenue derives from its principal activity which is carried out in the United States of America. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of ethanol and distillers grains, this is usually at the time of loading into trucks, railcars or containers of the relevant carrier as this is the point at which the customer takes ownership of the product and assumes risk of loss.

### 3. Significant accounting policies (continued)

#### (k) Lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### (l) Finance income and expenses

Finance income comprises interest income on funds invested and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in the income statement, using the effective interest method.

Finance expenses comprise interest expense on borrowings and losses on hedging instruments that are recognised in the income statement. All borrowing costs are recognised in the income statement using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

#### (m) Income tax

Income tax expense comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### (n) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

#### (o) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group's geographical segments as the Group currently focuses on just one business activity being the production and marketing of renewable fuels.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

## Notes to the financial statements (continued)

### 4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### (a) Derivatives

The fair value of interest rate swaps is based on bank quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

#### (b) Share-based payment transactions

The fair value of employee share options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where variations are due only to share prices not achieving the threshold for vesting. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments, expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

#### (c) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

### 5. Financial risk management

#### Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk;
- interest rate risk; and
- capital management.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Directors have established risk management policies to establish, identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

## 5. Financial risk management (continued)

### (a) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. On entering into any business contract the extent to which the arrangement exposes the Group to credit risk is considered.

The majority of the Group's revenue is attributable to sales transactions with three customers. Ethanol sales are mostly made directly to CHS Renewable Fuels, a subsidiary of CHS Inc (a Fortune 200 company), and an Oil Major. Distillers grains are principally sold to United Bio Energy (UBE) who are international commodity traders with a speciality in grains.

Any new customers are analysed individually for creditworthiness before the Group commences trade. The Group's review may include external ratings, when available, and in some cases bank references. Customers that fail to meet the Group's creditworthiness requirements may transact with the Group only on a prepayment basis.

Trade and other receivables relate mainly to the Group's three major customers noted above. No customers are considered to be 'high risk'. Amounts receivable are recorded at the invoiced amount and do not bear interest. The Group does not have any off-balance sheet credit exposure related to its customers.

At the reporting date there are no indications that the debtors will not meet their payment obligations. The Group has not experienced any write offs of uncollectible amounts. Therefore no such loss allowance is considered appropriate at 31 March 2009.

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, and availability of finance for capital projects before undertaking such projects, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Group entered into a Senior Credit Agreement with WestLB, AG (WestLB) acting as Administrative Agent, Lead Arranger, and Syndication Agent for a syndicate of lenders, on 20 July 2007, which provides for Construction and Working Capital Loans. Conversion of the Construction Loans to a Term Loan occurred on 20 July 2009. In addition, Illinois River Energy LLC entered into a Loan Agreement and Promissory Note with the Illinois Finance Authority (IFA) for the purpose of securing solid waste disposal bonds issued by the IFA, on 1 July 2007. The agreements are secured by substantially all assets of the Illinois River Energy LLC. In conjunction with entering into the Senior Credit Agreement with WestLB and the Loan Agreement and Promissory Note with the IFA, Illinois River Energy LLC retired credit facilities with Farm Credit Services of America (FCSA).

The Senior Credit Agreement provides for construction loan borrowings of up to \$130,000,000, and for working capital borrowings of up to \$10,000,000. The term of the loan is from 20 July 2007 to 19 June 2015. The loan bears interest at a rate of LIBOR + 3.5%. Illinois River Energy LLC is required to make, at minimum quarterly payments of 1.5% of the outstanding term loan balance commencing in the quarter of conversion of the construction loans to term loans, plus interest. The targeted payoff timeframe is six years. At 31 March 2009, outstanding construction borrowings and accrued interest totalled \$102,698,000 and \$264,000, respectively. Cash paid for interest totalled \$5,117,000 during 2009. The working capital borrowing was \$7,200,000 and had accrued interest totalling \$12,235 as of 31 March 2009.

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### (a) Ethanol and DDGS

From time to time the Group enters into fixed price contracts for ethanol at agreed prices for some of its expected future sales. The Group's exposure to market volatility is therefore reduced on this volume. As with all other sales by the Group, these sales are accounted for at the point that product is despatched, in accordance with the policy described at note 3 (j).

## Notes to the financial statements (continued)

### 5. Financial risk management (continued)

#### (b) Corn and natural gas

The Group works with its corn and natural gas suppliers to reduce exposure to future price volatility by the supplier entering into futures and options contracts to enable it to offer the Group limited exposure to price movements.

#### (c) Currency risk

The Group's functional currency is US dollars. It is not significantly exposed to foreign transaction exchange risk because the majority of its cash flows derive from its production and sales functions operating wholly within the USA and all of these transactions are denominated in US dollars. However, a small amount of transactions undertaken by the ultimate holding company are made in GBP Sterling. Therefore, foreign exchange gains and losses that arise on consolidation are not eliminated reflecting the exposure to currency fluctuations where entities have different functional currencies.

Any sterling currency deposits made by the Company are used to fund sterling cash flows. This provides a degree of economic hedge and no derivatives are entered into.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group (primarily dollars). This too provides an economic hedge and no currency derivatives are entered into.

#### Interest rate risk

##### (a) Interest rate risk profile of financial assets

The interest rate profile of the Group's financial assets is set out below:

	Cash at bank and in hand and other financial assets	
	2009 \$000	2008 \$000
US dollars	19,439	18,496
GB sterling (dollar equivalent)	91	1,920

The Group earns interest from bank deposits at variable rates.

##### (b) Interest rate risk profile of financial liabilities

It is Group policy to maintain flexibility over early repayment of loans by not fixing the interest rates of all loans. When the Group enters into variable rate finance agreements it is exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows or the fair values of its financial instruments, principally finance debt. To avoid exposure to interest rate risk, in the year ended 31 March 2009 the Group (as IRE) has used derivatives to swap the profile of part of its variable rate debt to a fixed rate.

##### (c) Borrowing facilities

At 31 March 2009, Illinois River Energy LLC ("IRE") had a committed working capital facility of \$10,000,000 (2008: \$5,000,000), of which \$7,200,000 (2008: \$nil) was drawn down. This facility is at a variable rate interest based upon LIBOR + 3.5% (2008: LIBOR + 3.5%).

At 31 March 2009, IRE had a senior debt facility of \$130,000,000 (2008: \$130,000,000), of which \$102,698,000 (2008: \$57,611,000) was drawn down. This facility is at a variable rate interest based upon LIBOR + 3.5% (2008: LIBOR + 3.5%).

At 31 March 2009, IRE had junior debt of \$30,000,000 (2008: \$30,000,000) of which the full amount was drawn down. A fixed rate of interest of 8.5% per annum is payable on this debt.

In August 2007 IRE entered into a swap of part of its senior debt variable rate LIBOR exposure for a fixed rate of 5.05%. In May 2008 IRE entered into a second swap at a fixed rate of 3.53%. The swaps expire in June 2011, having peaked at \$55,500,000 in May 2009.

#### Capital management

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## 6. Segment reporting

### Business segments

The Group comprises of one business segment, that of the production and sale of ethanol and co-products.

### Geographical segments

All of the Group's production, marketing and sales activities take place in the United States. Some management costs and costs relating to the public listing on AIM are incurred in the UK.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of activity and segment assets are based on the geographical location of the assets.

	UK		USA	
	2009	2008	2009	2008
Geographical segment	\$000	\$000	\$000	\$000
Revenue from external customers	–	–	145,545	135,232
Gross profit	–	–	1,314	25,063
Results from operating activities	(1,882)	(2,530)	(11,725)	15,753
(Loss)/profit attributable to equity shareholders	(1,678)	(2,628)	(14,545)	9,129
Segment assets	8,289	9,537	203,538	167,173
Capital expenditure	–	5	42,660	75,266

## 7. Expenses and auditor's remuneration

Included in the income statement are the following:

	2009	2008
	\$000	\$000
Depreciation	7,477	5,019
Loss on disposal of fixed assets	–	429
Operating leases – land and buildings	51	174
Operating leases – plant and machinery	4	412
	2009	2008
	\$000	\$000
Audit of these financial statements – Company	54	56
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	122	95
Other services relating to taxation	124	126
Services relating to corporate financial transactions	–	71
All other services	61	27

## Notes to the financial statements (continued)

### 8. Staff numbers and costs

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

	Group		Company	
	2009	2008	2009	2008
Production	39	30	–	–
Administration	20	21	5	6
	59	51	5	6

The aggregate payroll costs of these persons were as follows:

	Note	Group		Company	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
Wages and salaries		4,198	5,055	509	1,686
Social security costs		307	379	42	170
Share-based payments	24	(44)	104	(44)	104
Contributions to defined contribution plans		106	194	44	165
		4,567	5,732	551	2,125

### 9. Directors' emoluments

#### Executive Directors

	2009 \$000	2008 \$000
Directors' emoluments	551	1,693
Short-term employee benefits	16	35
Contributions to defined contribution plans	24	169
	591	1,897

#### Non-Executive Directors

	2009 \$000	2008 \$000
Directors' emoluments	172	178
	172	178

The remuneration of the highest paid Director was:

	2009 \$000	2008 \$000
Emoluments	275	872
Short-term employee benefits	9	2
Contributions to defined contribution plans	18	36
	302	910



**9. Directors' emoluments (continued)**

The number of Directors who exercised share options were:

	2009	2008
Directors	–	–

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 Company into personal pension schemes. The number of Directors for which such payments were made during the year is as follows:

	2009	2008
Directors	3	4

Directors' rights to subscribe for shares in or debentures of the Company are indicated below:

	2009 Number of share options	2008 Number of share options	Exercise price	Exercise period
M Schlicher	150,000	–	£0.21	Dec 2009 – Jan 2018
R Ruebe	350,000	–	£0.21	Dec 2009 – Jan 2018
R Ruebe	67,782	67,782	£2.25	Dec 2007 – Jan 2016

**10. Finance income and expense**

Recognised in profit or loss

	2009 \$000	2008 \$000
Interest income on bank deposits	378	746
Finance income	378	746
Deemed loss on disposal	(59)	(144)
Net loss on re-measurement of interest rate swaps to fair value	(780)	(2,598)
Bank borrowings	(4,301)	(2,811)
Finance expense	(5,140)	(5,553)

Loss in net value of subsidiary net assets arises from minority shareholders of Illinois River Energy LLC exercising options to purchase additional shareholdings.

Recognised directly in equity

	2009 \$000	2008 \$000
Foreign currency translation differences for foreign operations	336	(244)
Finance income recognised directly in equity net of tax	336	(244)

Attributable to:

Equity holders of the Company	336	(244)
-------------------------------	-----	-------

Recognised in:

Translation reserve	336	(244)
---------------------	-----	-------

## Notes to the financial statements (continued)

### 11. Taxation

	2009 \$000	2008 \$000
<b>Tax on profit may be analysed as follows:</b>		
Current tax expense		
UK	–	503
	–	503
<b>Reconciliation of effective tax rate</b>		
	2009 \$000	2008 \$000
(Loss)/profit before income tax	(18,369)	8,416
Income tax using the UK corporation tax rate of 28% (2008: 30%)	(5,143)	2,525
Effect of tax rates in foreign jurisdictions	(2,131)	661
Expenses not deductible for tax purposes	–	22
Capital allowances for period in excess of depreciation	(9)	(20)
Income/expenses not subject to UK corporation tax	–	(1,095)
Taxed income eliminated on consolidation	–	810
Tax incentives	–	(764)
Utilisation of tax losses	–	(1,653)
Unutilised tax loss carried forward	7,283	–
Change in unrecognised temporary differences	–	17
	–	503

## 12. Property, plant and equipment

	Land and buildings \$'000	Plant and equipment \$'000	Assets under construction \$'000	Group Total \$'000	Company Plant \$'000
<b>Cost</b>					
At 1 April 2007	4,241	65,761	732	70,734	184
Additions	70	8,726	66,475	75,271	5
Transfers	–	183	(183)	–	–
Disposals	–	(699)	–	(699)	(49)
Effect of movements in foreign exchange	–	4	–	4	4
At 31 March 2008	4,311	73,975	67,024	145,310	144
At 1 April 2008	<b>4,311</b>	<b>73,975</b>	<b>67,024</b>	<b>145,310</b>	<b>144</b>
Additions	<b>3,291</b>	<b>39,369</b>	–	<b>42,660</b>	–
Transfers	–	<b>65,928</b>	<b>(65,928)</b>	–	–
Disposals	–	–	–	–	<b>(144)</b>
At 31 March 2009	<b>7,602</b>	<b>179,272</b>	<b>1,096</b>	<b>187,970</b>	–
<b>Depreciation and impairment</b>					
At 1 April 2007	35	1,269	–	1,304	165
Depreciation for the year	125	4,894	–	5,019	12
Disposals	–	(270)	–	(270)	(49)
Effect of movements in foreign exchange	–	4	–	4	4
At 31 March 2008	160	5,897	–	6,057	132
At 1 April 2008	<b>160</b>	<b>5,897</b>	–	<b>6,057</b>	<b>132</b>
Depreciation for the year	<b>31</b>	<b>7,446</b>	–	<b>7,477</b>	<b>12</b>
Disposals	–	–	–	–	<b>(144)</b>
At 31 March 2009	<b>191</b>	<b>13,343</b>	–	<b>13,534</b>	–
<b>Net book value</b>					
At 1 April 2007	4,206	64,492	732	69,430	19
At 31 March 2008	4,151	68,078	67,024	139,253	12
At 1 April 2008	<b>4,151</b>	<b>68,078</b>	<b>67,024</b>	<b>139,253</b>	<b>12</b>
At 31 March 2009	<b>7,411</b>	<b>165,929</b>	<b>1,096</b>	<b>174,436</b>	–

### Leased plant and machinery

At 31 March 2009 the net carrying amount of leased plant and machinery was \$466,000 (2008: \$582,000). The leased equipment secured lease obligations (see note 22).

### Security

Bank borrowings are secured on, buildings, plant and equipment for the value of \$102,698,000.

## Notes to the financial statements (continued)

### 13. Intangible assets

	Goodwill \$000
<b>Cost and net book value</b>	
At 1 April 2007	6,595
Acquisition of minority interest July 2007	827
Disposal to minority interest March 2008	(32)
At 31 March 2008 and 31 March 2009	<b>7,390</b>

The goodwill relates to the investment in Illinois River Energy LLC (IRE). The recoverable amount has been calculated with reference to its value in use and based upon management cash flow forecasts. The carrying amount of the investment was determined to be lower than its recoverable amount and no impairment therefore necessary. The key features of this calculation are shown below:

- cash flows were projected based on actual operating results. Commodity prices for ethanol, corn, and natural gas reflect management's own assumptions based upon current market experience;
- the forecasts were prepared for a further seven years; and
- a discount rate of 7% was applied in determining the recoverable amount of the investment.

### 14. Investment in subsidiaries

	Shares in Group undertakings \$000
<b>Cost and net book value</b>	
At 1 April 2008	38,078
Loan capitalisation	19,588
At 31 March 2009	<b>57,666</b>

The Company has the following investments in subsidiaries:

	Percentage beneficial ownership by Group 2009	Country of incorporation/ registration	Principal activity
Illinois River Energy LLC	<b>87.14%</b>	USA	Ethanol Production Company
Illinois River Energy Holdings LLC	<b>87.14%</b>	USA	Project Holding Company
GTL Resources USA Inc.	<b>100.00%</b>	USA	Project Holding Company
GTL Resources Overseas Investments Ltd	<b>100.00%</b>	UK	Project Holding Company

**15. Other financial investments**

	2009 \$000	2008 \$000
<b>Financial assets</b>		
<b>Non current</b>		
Debt service bank deposits	2,705	3,510
<b>Current</b>		
Restricted use bank deposits	6,941	3,308
Debt service bank deposits	1,023	2,550
	<b>7,964</b>	<b>5,858</b>

The restricted use bank deposits are current cash funds drawn down under the terms of the senior debt agreement that are to be applied to specific trade creditor balances. The debt service bank deposits must be maintained under loan covenants to guarantee the capability of the Group to make minimum interest and loan repayments. As such these amounts are not free to be used in the ordinary course of business, so are not disclosed alongside ordinary cash balances.

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 25.

**16. Deferred tax assets and liabilities****Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Deductible temporary differences	289	122	44	66
Tax incentives	1,507	635	-	-
Tax losses	12,668	11,219	7,505	9,967
	<b>14,464</b>	<b>11,976</b>	<b>7,549</b>	<b>10,033</b>

The deductible temporary differences and tax losses do not expire under current tax legislation. The tax incentives will begin to expire at March 2012 if not utilised at that point. The tax assets have not been recognised in respect of these items because it is not certain that they will be utilised within the next three years. This position will be reviewed in future periods.

**Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Property, plant and equipment	-	-	18,727	9,098	(18,727)	(9,098)
Pre-trading start-up costs	1,863	2,087	-	-	1,863	2,087
Interest payable	-	2,202	-	-	-	2,202
Derivatives	1,221	931	-	-	1,221	931
Tax incentives	2,215	2,215	-	-	2,215	2,215
Other timing differences	-	-	1,811	1,155	(1,811)	(1,155)
Tax loss carry-forwards	15,239	2,818	-	-	15,239	2,818
Tax assets/liabilities	20,538	10,253	20,538	10,253	-	-
Set off of tax	(20,538)	(10,253)	(20,538)	(10,253)	-	-
Net tax assets/liabilities	-	-	-	-	-	-

No deferred tax assets or liabilities have been recognised in respect of the Company.

## Notes to the financial statements (continued)

### 16. Deferred tax assets and liabilities (continued)

Movement in unrecognised deferred tax assets and liabilities during the year

	Group				Company			
	At 1 April 2008 \$000	Additions \$000	Recognition \$000	At 31 March 2009 \$000	At 1 April 2008 \$000	Additions \$000	Recognition \$000	At 31 March 2009 \$000
Deductible temporary differences	122	167	–	289	66	(22)	–	44
Tax incentives	635	872	–	1,507	–	–	–	–
Tax losses	11,219	13,870	(12,421)	12,668	9,967	(2,462)	–	7,505
	11,976	14,909	(12,421)	14,464	10,033	(2,484)	–	7,549

Movement in recognised deferred tax assets and liabilities during the year

	Group			Company		
	At 1 April 2008 \$000	Recognised in income \$000	At 31 March 2009 \$000	Balance 1 April 2007 \$000	Recognised in income \$000	Balance 31 March 2008 \$000
Property, plant and equipment	(9,098)	(9,629)	(18,727)	–	–	–
Pre-trading start-up costs	2,087	(224)	1,863	–	–	–
Grant income	(1,155)	(656)	(1,811)	–	–	–
Interest payable	2,202	(2,202)	–	–	–	–
Derivatives	931	290	1,221	–	–	–
Tax incentives	2,215	–	2,215	–	–	–
Tax losses	2,818	12,421	15,239	–	–	–
	–	–	–	–	–	–

### 17. Inventories

	Group		Company	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Raw materials and consumables	2,495	1,825	–	–
Work in progress	1,315	795	–	–
Finished goods	2,201	1,443	–	–
	6,011	4,063	–	–
Cost of inventories expensed in the income statement	101,869	77,268	–	–

**18. Trade and other receivables**

	Group		Company	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Trade receivables	2,973	2,476	–	–
Other receivables	170	2,446	28	56
	3,143	4,922	28	56

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 25.

**19. Cash and cash equivalents**

	Group		Company	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Bank balances	719	724	91	386
Short-term deposits	8,141	10,324	8,141	10,323
Cash and cash equivalents in the statement of cash flows	8,860	11,048	8,232	10,709

The Group considers all highly liquid funds with an original maturity of three months or less to be cash equivalents.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 25.

**20. Share capital**

	Ordinary shares	
	2009	2008
	000s	000s
On issue at 1 April	31,989	22,703
Issued for cash	–	9,286
On issue at 31 March	31,989	31,989

On 30 September 2008, GTL's AGM approved a reduction in the nominal value of its ordinary shares from £1.00 to 1 pence. This action was a result of the shares trading below par value for some time. Upon the approval of the High Court for an application to reduce the Company's share capital by applying the sum standing to the credit of the share premium account to cancel the historic deficit on the Profit and Loss Account the Company re-organised 31,988,745 new ordinary shares to 1 pence each.

The unchanged total number of issued ordinary shares in the Company are 31,988,745 ordinary shares with voting rights.

The holders of ordinary shares are entitled to receive dividends as may be declared from time to time and are entitled to one vote per share at meetings of the Company.

## Notes to the financial statements (continued)

### 21. Earnings per share

#### Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

#### (Loss)/profit attributable to ordinary shareholders

	2009 \$000	2008 \$000
(Loss)/profit attributable to ordinary shareholders	(16,223)	6,501

#### Weighted average number of ordinary shares

	2009 000	2008 000
Issued ordinary shares at 1 April	31,989	22,703
Effect of shares issued in July 2007	–	6,190
Weighted average number of ordinary shares at 31 March	31,989	28,893
(Loss)/earnings per share	\$(0.5071)	\$0.2250

#### Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share was based on profit attributable to ordinary shareholders after adjustment for the effects of all dilutive potential share purchase warrants available to be exercised by the minority shareholders of the subsidiary IRE. The calculation is further based upon a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares in GTL PLC, calculated as follows:

#### (Loss)/profit attributable to ordinary shareholders (diluted)

	2009 \$000	2008 \$000
(Loss)/profit for the period	(16,223)	6,501
(Loss)/profit attributable to minority shareholders if warrants for share purchase in IRE fully exercised	–	(102)
(Loss)/profit attributable to ordinary shareholders (diluted)	(16,223)	6,399

#### Weighted average number of ordinary shares (diluted)

	2009 000s	2008 000s
Weighted average number of ordinary shares (basic) at 1 April	31,989	22,703
Effect of shares issued in period	–	6,190
Effect of share options on issue	–	316
Weighted average number of ordinary shares (diluted) at 31 March	31,989	29,209
Diluted (loss)/earnings per share	\$(0.5071)	\$0.2191

Share options in issue have no dilutive impact on loss per share in the year.



**22. Loans and borrowings**

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 25.

	2009 \$000	2008 \$000
<b>Non-current liabilities</b>		
Finance lease liabilities	–	85
Senior secured loan – West LB	97,757	57,571
Working capital secured loan – West LB	7,200	–
Junior secured loan – Illinois Finance Authority (“IFA”)	30,000	30,000
	<b>134,957</b>	<b>87,656</b>
<b>Current liabilities</b>		
Current portion of secured bank loans	4,941	40
Current portion of finance lease liabilities	133	105
	<b>5,074</b>	<b>145</b>

**Terms and debt repayment schedule**

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	2009 \$000	2008 \$000
Senior secured loan – West LB	USD	LIBOR+3.5%	2015	102,698	57,611
Working capital secured loan – West LB	USD	LIBOR+3.5%	2015	7,200	–
Junior secured loan – IFA	USD	Fixed 8.5%	2020	30,000	30,000
<b>Total interest-bearing liabilities</b>				<b>139,898</b>	<b>87,611</b>

The senior bank loan and the subordinate junior loan are secured over all assets of the subsidiary Illinois River Energy LLC (IRE). The carrying value of the net assets of IRE consolidated within these Group accounts is \$174,436,000.

The senior debt and working capital loan of \$102,698,000 and \$7,200,000, respectively, represents partial draw down of a construction loan facility of \$130,000,000 and the working capital loan facility of \$10,000,000, respectively. The loan must be renegotiated six years from conversion date. Minimum annual repayments must be made of interest plus 6% of the conversion value of the loan. Additional cash repayments are due to be made under the terms of the loan dependent upon profitability. These additional payments will, at least, be of a level to achieve repayment over the six year loan term, if profitability of operations generates such a level of free cash flow to facilitate this.

The junior debt of \$30,000,000 represents full draw down of this loan facility. It ranks for repayment after the senior debt noted above. Only interest is payable during the period that the senior debt exists. On repayment or renegotiation of the senior debt, the capital of this junior loan must then be repaid over the subsequent four year period.

**Finance lease liabilities**

Finance lease liabilities are payable as follows:

	Minimum lease payments 2009 \$000	Interest 2009 \$000	Principal 2009 \$000	Minimum lease payments 2008 \$000	Interest 2008 \$000	Principal 2008 \$000
Less than one year	141	8	133	119	14	105
Between one and five years	–	–	–	89	4	85
	<b>141</b>	<b>8</b>	<b>133</b>	<b>208</b>	<b>18</b>	<b>190</b>

## Notes to the financial statements (continued)

### 23. Trade and other payables

	Group		Company	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Trade payables	4,438	7,054	–	162
Other trade payables	206	302	149	300
Taxation and social security	–	32	–	20
Non-trade payables and accrued expenses	2,766	3,398	113	341
	<b>7,410</b>	<b>10,786</b>	<b>262</b>	<b>823</b>

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 25.

### 24. Share-based payments – Company and Group

The Company has three active Executive Share Option Schemes.

The 2005 Approved Executive Share Option Scheme – adopted 31 August 2005. Options under this scheme are granted at the discretion of a committee of the Board of the Company to eligible employees.

The 2005 Unapproved Executive Share Option Scheme – adopted on 31 August 2005. The scheme has rules substantially the same as for the Approved Scheme except that, in addition, options may be granted to companies who provide the services of an employee or Director to the Group.

The 2006 Unapproved Executive Share Option Scheme – adopted on 1 December 2006. The scheme rules are substantially the same as that of the 2005 scheme other than specific restrictions in respect of eligibility and leavers.

Share options, granted to employees, that existed at the year end were as follows:

Date of grant	2009 Number of share options	2008 Number of share options	Exercise price	Exercise period
1 September 2005	80,000	80,000	£1.25	Sept 2006 – Aug 2015
1 September 2005	–	73,333	£1.25	Sept 2007 – Aug 2015
1 September 2005	40,000	40,000	£1.25	Sept 2008 – Aug 2016
1 January 2006	20,000	23,334	£1.75	Jan 2007 – Dec 2016
1 January 2006	10,000	15,714	£1.75	Jan 2008 – Dec 2016
1 January 2006	–	15,714	£1.75	Jan 2009 – Dec 2016
1 December 2006	22,594	22,557	£2.25	Dec 2007 – Jan 2016
1 December 2006	22,594	22,557	£2.25	Dec 2008 – Jan 2016
1 December 2006	22,594	22,557	£2.25	Dec 2009 – Jan 2016
9 December 2008	750,000	–	£0.21	Dec 2011 – Jan 2018
	<b>967,782</b>	<b>315,766</b>		

Under the scheme rules, options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. All options are to be settled by physical delivery of shares. The vesting period is accounted for across the first three years from the date the options are granted. If the option remains unexercised after ten years from the date it was granted, they expire. Options are forfeited if the employee leaves the Group before the options vest or does not exercise fully vested options within one year of leaving the Group.

**24. Share-based payments – Company and Group (continued)**

The number and weighted average exercise prices of options in issue are as follows:

	2009		2008	
	Number of share options	Weighted average share price	Number of share options	Weighted average share price
Outstanding at beginning of year	315,766	£1.55	465,766	£1.45
Lapsed during the year	(97,984)	£1.38	(150,000)	£1.25
Granted during the year	750,000	£0.21	–	–
Outstanding at end of year	967,782	£0.53	315,766	£1.55
Exercisable at end of year	195,188	£1.56	220,653	£1.45

The options outstanding at 31 March 2009 had exercise prices ranging from £0.21 to £2.25 and the weighted average remaining contractual life of these options was seven years.

The fair value of services received in return for share options granted are measured by reference to the fair value of the share options granted. The share options were valued internally using a Black-Scholes model as there is no dividend yield. The key inputs to the model were:

	Share options granted on 1 September 2005		
	1 year vest	2 year vest	3 year vest
Fair value at measurement date	£1.41	£1.45	£1.48
Exercise price	£1.25	£1.25	£1.25
Expected volatility	64.9%	64.9%	64.9%
Expected dividends	–	–	–
Risk-free interest rate	4.85%	4.85%	4.78%

	Share options granted on 1 January 2006		
	1 year vest	2 year vest	3 year vest
Fair value at measurement date	£0.95	£0.98	£1.02
Exercise price	£1.75	£1.75	£1.75
Expected volatility	64.9%	64.9%	64.9%
Expected dividends	–	–	–
Risk-free interest rate	4.85%	4.78%	4.85%

	Share options granted on 1 December 2006		
	1 year vest	2 year vest	3 year vest
Fair value at measurement date	£1.11	£1.05	£0.98
Exercise price	£2.25	£2.25	£2.25
Expected volatility	65.3%	65.3%	65.3%
Expected dividends	–	–	–
Risk-free interest rate	4.78%	4.85%	4.69%

	Share options granted on 9 December 2008		
	1 year vest	2 year vest	3 year vest
Fair value at measurement date	£0.09	£0.09	£0.09
Exercise price	£0.21	£0.21	£0.21
Expected volatility	55.5%	55.5%	55.5%
Expected dividends	–	–	–
Risk-free interest rate	7.09%	7.09%	7.09%

## Notes to the financial statements (continued)

### 24. Share-based payments – Company and Group (continued)

#### Employee expenses

	2009 \$000	2008 \$000
Share options granted on 1 September 2005	(59)	16
Share options granted on 1 January 2006	(12)	15
Share options granted on 1 December 2006	17	73
Share options granted on 8 December 2008	10	–
Total expense recognised as employee costs	(44)	104

Expected volatility assumptions were determined by reference to the daily share price movements from 1 September 2005 to the date of granting the options. Historic data prior to this date is not considered appropriate given the significant changes to the Group including the placing of a significant number of shares and changes in the Group's activities.

Share options are granted under a service condition and subject to either no performance conditions or a 'non-market based' performance condition. Such conditions are not taken into account in the grant date fair value measurement of the services received. There are no market conditions associated with the share options granted.

### 25. Financial instruments

#### Credit risk

##### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	Group		Company	
		Carrying amount		Carrying amount	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
Financial assets	15	10,669	9,368	–	–
Receivables	18	3,143	4,922	28	56
Cash and cash equivalents	19	8,860	11,048	8,232	10,709
		22,672	25,338	8,260	10,765

The maximum exposure to credit risk for receivables at the reporting date by geographic region was:

	Group		Company	
	Carrying amount		Carrying amount	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
United Kingdom	28	56	28	56
United States	3,115	4,866	–	–
	3,143	4,922	28	56

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Group		Company	
	Carrying amount		Carrying amount	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Ethanol and distillers grains customers	2,973	2,476	–	–
	2,973	2,476	–	–

The Group's three most significant customers account for the ethanol and distillers grains trade receivables of \$2,447,250 and \$525,907, respectively, at 31 March 2009 (2008: \$1,613,000 and \$588,000).

**25. Financial instruments (continued)****Credit risk (continued)****Impairment losses**

The ageing of trade receivables at the reporting date was:

	Group		Company	
	Gross 2009 \$000	Gross 2008 \$000	Gross 2009 \$000	Gross 2008 \$000
Not past due	2,973	2,476	–	–

No defaults have been experienced and the Group believes that no impairment allowance is necessary in respect of trade receivables.

**Liquidity risk – Group**

The following are the contractual maturities of financial liabilities and exclude the impact of netting agreements:

	Carrying amount \$000	Contractual cash flows \$000	6 months or less \$000	6–12 months \$000	1–2 years \$000	2–5 years \$000	More than 5 years \$000
<b>31 March 2009</b>							
<b>Non-derivative financial liabilities</b>							
Secured loans	139,898	(139,898)	(1,647)	(3,294)	(6,592)	(19,776)	(108,589)
Finance lease liabilities	133	(133)	(133)	–	–	–	–
Trade and other payables*	4,644	(4,644)	(4,644)	–	–	–	–
<b>Derivative financial liabilities</b>							
Interest rate swaps	3,378	(3,378)	(751)	(751)	(1,501)	(375)	–
	<b>148,053</b>	<b>(148,053)</b>	<b>(7,175)</b>	<b>(4,045)</b>	<b>(8,093)</b>	<b>(20,151)</b>	<b>(108,589)</b>
<b>31 March 2008</b>							
<b>Non-derivative financial liabilities</b>							
Secured loans	87,611	(87,611)	–	–	(2,592)	(10,370)	(74,649)
Finance lease liabilities	190	(208)	(59)	(59)	(90)	–	–
Trade and other payables*	7,388	(7,388)	(7,388)	–	–	–	–
<b>Derivative financial liabilities</b>							
Interest rate swaps	2,598	(2,598)	(332)	(483)	(986)	(797)	–
	<b>97,787</b>	<b>(97,805)</b>	<b>(7,779)</b>	<b>(542)</b>	<b>(3,668)</b>	<b>(11,167)</b>	<b>(74,649)</b>

\*Excludes derivatives (shown separately).

## Notes to the financial statements (continued)

### 25 Financial instruments (continued)

#### Liquidity risk – Company

	Carrying and contractual values	
	2009 \$000	2008 \$000
Trade and other payables	149	482

The contractual maturities of Company financial liabilities are all six months or less.

#### Currency risk – Company

##### Exposure to currency risk

The exposures to sterling foreign currency risk for both the Group and the Company were as follows based on notional amounts:

	2009 \$000	2008 \$000
Trade and other receivables	58	133
Financial assets	91	1,919
Trade and other payables	(262)	(1,317)
Gross balance sheet exposure	(113)	735
Estimated forecast sales	–	–
Estimated forecast purchases	(661)	(1,799)
Gross exposure	(661)	(1,799)

The following significant exchange rates applied during the year.

	31 March			
	Average rate		Spot rate	
	2009	2008	2009	2008
Dollars: GBP	1.72166	2.0076	1.4213	1.9951

#### Interest rate risk

##### Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments (post-swap) was:

	Carrying amount	
	2009 \$000	2008 \$000
<b>Fixed rate instruments</b>		
Junior secured loan	(30,000)	(30,000)
Swap element of senior secured loan	(54,500)	(21,000)
Finance lease liabilities	(133)	(190)
	(84,633)	(51,190)
<b>Variable rate instruments</b>		
Financial assets	19,529	20,416
Variable element of senior secured loan	(55,398)	(36,611)
	(35,869)	(16,195)

**25. Financial instruments (continued)****(a) Fair value sensitivity analysis for fixed rate instruments**

The fixed rate instruments include the junior debt of \$30,000,000, and the interest rate swap outlined at note 5. The swap is not designated as a hedging instrument so is accounted for at fair value through profit or loss. A change of 100 basis points in interest rates will increase or decrease equity by \$987,000 (2008: \$1,110,000).

**(b) Interest rates used for determining fair value**

The interest rates used to discount estimated cash flows, where applicable, are based on the one year LIBOR interest rate at the reporting date plus an adequate credit spread, and were as follows:

	2009	2008
Derivatives	1.0% – 3.0%	2.5% – 4.5%

**Commodity price risk**

The Group's results are substantially dependent upon commodity prices, especially prices for corn, natural gas, ethanol and distillers grains. As a result of the volatility of the prices for these items the Group results may fluctuate substantially. Although the Group may attempt to offset a portion of the effects of fluctuations in prices by entering supply agreements for ethanol and distillers grains or purchase corn, natural gas or other items, the amount and duration of these hedging and other risk mitigation activities may vary substantially over time.

Our gross margin depends principally upon the spread between corn cost price and ethanol and distillers grains sales price. Natural gas is the next single greatest cost after corn.

**26. Operating leases****Leases as lessee**

Non-cancellable operating lease rentals are payable as follows:

	2009 \$000	2008 \$000
Less than one year		
– land and buildings	–	19
– other	4	–
Between one and five years		
– land and buildings	51	28
– other	–	377
	55	424

**27. Capital commitments**

There were outstanding purchase commitments relating to the plant expansion at 31 March 2009 of \$567,933 (2008: \$33,700,000). These commitments are expected to be settled across the following 12 months.

**28. Related parties****Parent and ultimate controlling party**

The ultimate controlling parties of the Group are the Company shareholders.

**Transactions with key management personnel**

In addition to their salaries, the Group also provides non-cash benefits to Directors and executive officers, and contributes to personal defined contribution pension plans on their behalf.

Executive officers also participate in the Group's share option programme (see note 24).

Key management personnel compensation is outlined in note 9.

Directors of the Company control less than 1% of the voting shares of the Company.

## Notes to the financial statements (continued)

### 29. Contingencies

On April 28 2009, GTL's majority owned subsidiary, IRE, filed a complaint, Case No. 09L15, in the Circuit Court of the Fifteenth Judicial Circuit, Ogle County, Illinois against Fagen, Inc. and GCube Insurance Services, Inc. to preserve and protect IRE's legal rights under the Design-Build Agreement with Fagen for issues relating to a damaged corn silo and the February 2009 shutdown of IRE's ethanol plant and the insurance policy with GCube concerning business interruption. IRE has taken these actions to facilitate the needed repairs to the corn silo and to protect and preserve IRE's legal rights, as well as the value of IRE's collateral. These actions are consistent with IRE's rights and obligations under the Senior Credit Agreement the Loan Agreement IRE has with Wells Fargo, the Design-Build Agreement, GCube policy, and other related documents to this matter.



## General information

<b>Company secretary</b>	Norose Company Secretarial Services Ltd 3 More London Riverside London SE1 2AQ
<b>Registered office</b>	City Point, 1 Ropemaker Street London EC2Y 9HT Tel: 01642 794000 Fax: 01642 794001
<b>Registered number</b>	02811366
<b>Auditors</b>	KPMG Audit Plc Quayside House 110 Quayside Newcastle upon Tyne NE1 3DX
<b>Bankers</b>	Yorkshire Bank Plc Tees Valley Area Business Centre Newport House Teesdale South Stockton on Tees TS17 6SE
<b>Registrars</b>	Computershare Services Plc PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH
<b>Solicitors</b>	Norton Rose 3 More London Riverside London SE1 2AQ
<b>Nominated advisors and brokers</b>	Arbuthnot Securities Limited Arbuthnot House 20 Ropemaker Street London EC2Y 9AR
<b>Website address</b>	<a href="http://www.gtlresources.com">www.gtlresources.com</a>

---

**GTL Resources PLC**

City Point  
1 Ropemaker Street  
London EC2Y 9HT

T: 01642 794000  
F: 01642 794001

[www.gtlresources.com](http://www.gtlresources.com)

---