CompactGTL
The modular gas solution

CompactGTL Plc
Directors' report and financial statements

Registered number 05808040

31 December 2011

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CompactGTL's business is centred on providing the oil industry with a solution to the problems of associated gas and flaring, through the use of its modular gas to liquids technology

After extensive testing CompactGTL's technology has been approved for commercial use by Petrobras the leading Brazilian oil company*

2011 Highlights

- The CompactGTL Commercial Demonstration Plant in Brazil is the world's first small scale GTL facility, tested and approved for use by Petrobras
- The CGTL Commercial Demonstration Plant achieved significant technical and engineering milestones,
    - Maintained stable operations over 12 months
    - Successfully handled high CO_2 content in the gas stream
    - Demonstrated high availability of the plant over the year
    - Robust performance in "live" oilfield conditions
- CGTL expanded its resources and personnel base to ensure that the Company is well positioned to make the transition to commercial production.
- CGTL entered significant arrangements with the supply chain including,
    - Long Term Development Agreement with Johnson Matthey
    - Engineering Partnership Agreement with Fluor Ltd
- CGTL was awarded the prestigious industry award for innovation by the 11th XTL World Summit

* Petroleo Brasileiro S A s

Contents

CEO Statement

2011 has been a transforming year for CompactGTL during which time the Company successfully demonstrated its Gas to Liquids technology at a commercial scale in Brazil for Petroleo Brasileiro S A s (Petrobras)

In November 2011 Petrobras Research and Development centre (CENPES) concluded its extensive test programme of the commercial scale, modular GTL facility and approved the use of the technology by Petrobras in its oil and gas fields This marks a major achievement and was the culmination of a three year programme with Petrobras for the design construction and operation of the world's first modular Gas to Liquids plant

This Brazilian Commercial Demonstration Plant (CDP) used commercial scale reactor blocks and catalyst inserts in commercial process conditions All the processes required to operate a full scale GTL plant are included in the CDP including gas treatment, compact steam reforming, syngas production and finally compact Fischer Tropsch to generate synthetic crude oil

The CDP was operational throughout 2011 and the Company focused on supporting the testing programme, devised by Petrobras, which included a range of gas compositions and conditions The plant responded well to testing and was at times exceptionally robust as the "live" environment replicated many of the conditions that could be expected in a full scale commercial environment

This complex project was delivered by a worldwide team and was successfully co-ordinated by CompactGTL Support for the plant operation was provided by CGTL staff on site as advisors throughout 2011 Their presence was backed up with assistance from the CGTL UK pilot plant in Wilton and technical teams in Abingdon In addition, input from these experts was supported by the wider supply chain in Japan, UK and Germany It was truly a team effort and we are proud of the strength of the working relationships we have established and delighted with the commitment we have received from our partners

This year also saw further consolidation and collaboration with our strategic partners worldwide Sumitomo Precision Products (SPP) have developed their plans for the reactor manufacture process, these included the development of automated catalyst insertion technology developed by CGTL and delivered to SPP in Q3 2011 We were also pleased to announce our strategic partnership with Johnson Matthey The ten year agreement extends the relationship Johnson Matthey has had with CGTL for a number of years, most recently supplying catalysts for the CDP After a tendering process we have also put in place a Long Term Agreement with Fluor Ltd who can provide Engineering Services to CGTL commercial projects throughout their lifetime Our relationship with SBM, the world's largest FPSO company, has also flourished and in 2011 we began joint marketing of the CGTL solution for offshore oilfields The maturing of these relationships is testament to the professionalism of our staff and the strength of the opportunities that are available in our market

Following an increased awareness of the CompactGTL technology in the market place a number of interested parties have visited the CDP site in Aracaju and we are in discussions with several major international oil companies for studies of the application of CGTL technology both on and off shore

We have undertaken significant recruitment during 2011 and by the year end we employed 50 staff Recruitment has been in support of delivery of commercial projects and in particular we recruited Simon Clark as our COO, Simon has significant experience of delivering major projects in the Energy sector In addition we have grown the size of our Business Development team in response to the large number of enquiries that we are experiencing since our announcement of technology approval by Petrobras

Throughout the year the Company continued to receive funding and support from our major shareholder Coller Capital, who have been a consistent investor More recently the Company has also welcomed Kawasaki Heavy Industries as a strategic partner and shareholder

We look forward to 2012 with increasing confidence based on the knowledge that our technology is sound, has been approved for use by one of the world s foremost oil companies and that we have the supply chain in place to deliver major projects

Nicholas Gay
Chief Executive Officer
28 June 2012

Technology Summary & Benefits

CompactGTL provides a solution to oil and gas companies for the problem of associated gas encountered in oil field development The CompactGTL technology allows oil companies to unlock value from new and existing oil fields by providing a means to turn this associated gas into synthetic crude oil at the point of production Associated gas is the gas which is released from the crude oil as part of the production process To date significant quantities of this gas have either been flared or re-injected into the reservoir

The conversion of the gas to synthetic crude is completed using two reactors that allow steam methane reforming and Fischer-Tropsch synthesis by way of catalytic reactions These specialised reactors have a high specific heat transfer and are based on established plate-fin heat exchanger technology that allows mass production techniques The reactors contain removable inserts coated with specialist catalyst to activate the reactions necessary at high temperatures

After converting the associated gas into synthetic crude oil (syncrude) this syncrude is co-mingled with the crude from the oil field and transported in the normal way from the site Separate storage and transportation of the synthetic crude oil is also feasible

The modular nature of the reactors in the plant is such that the number of active reactor modules can be adjusted to match the associated gas production profile over time This gives the advantage to customers that modules can be removed as production falls and those modules refurbished and catalyst replaced on-shore In addition where there are variations in production these modules can go on-line and off-line to accommodate production variability

The modular design of the plant is what makes the solution attractive to oil field developers.

CompactGTL's solution offers enhanced economic value for customers;

- CompactGTL technology has unlimited 'enabling' value, unlocking previously stranded oilfield assets
- CompactGTL technology demonstrates tangible economic utility for an oil field compared with the costs of other solutions for associated gas
- CompactGTL delivers clients value by reducing capex costs, avoiding potential fines and producing saleable liquids of synthetic crude oil
- CompactGTL modular plant provides a standalone solution allowing the oil company control over the timing of its development

CompactGTL technology and process delivers benefits to oil field development by;

- Converting associated natural gas ("ANG") to synthetic crude oil at point of production
- Providing a flexible, modular processing capacity to match oil /field production gas decline curve
- Eliminating the need for flaring, making oil field development more environmentally friendly and avoiding certain taxes and penalties for the oil company which are now imposed on flaring and reinjection in many countries
- Completing the conversion of gas to syncrude at the Oil Field
- Blending the final product with crude oil – requiring no separate transport infrastructure
- Producing additional revenues from syncrude for the oil company

Directors Report

Petrobras Commercial Demonstration Plant

Approval of the CompactGTL (CGTL) technology by Petrobras and the successful conclusion of testing on the Commercial Demonstration Plant (CDP) were the result of significant effort by everyone associated with the Company's supply chain The team of CGTL staff, supported by suppliers and partners, worked well with Petrobras and rose to the challenge of testing and operating the plant throughout 2011 making it the first modular, fully integrated Gas to Liquids (GTL) plant in the world

The CDP was provided to Petrobras under a Joint Testing Agreement (JTA) which was a re-imbursement contract All outstanding amounts were paid in full to CGTL in 2011 and all suppliers of the CDP were paid The JTA now remains in place to allow continued operation of the plant in Brazil

Marketing and Business Development

The success of the CDP has resulted in significant interest from the oil industry in the CompactGTL solution There have been several visits by potential customers to the UK pilot plant site in the North East of England and to the CDP in Brazil, Both of these sites have successfully demonstrated the commercial application of the technology giving the Company significant commercial and technical advantage over its competitors

Modular GTL technology is raising much interest in the oil industry and CGTL attends all the major conferences and events in the sector The achievements of the Company were recognised with a prestigious industry award by XTL World Summit for outstanding contribution to XTL innovation

Commercialisation

Key to the Company's ability to deliver a commercial scale technology into the market place is the availability of a strong manufacturing base that is capable of producing the necessary equipment in a timescale and cost that is acceptable to the Company s anticipated clients CompactGTL has been working with a number of world class manufacturers that are capable of manufacturing both the necessary reactors and catalyst inserts The strategic partnership formed between CGTL and Sumitomo Precision Products Co Ltd (SPP) to construct all reactor modules has been further strengthened in 2011 with a work programme to automate the manufacture process SC and CGTL also began discussions in 2011 with Kawasaki Heavy Industries (KHI) to undertake the modularisation of reactor blocks The introduction of Sumitomo Corporation (SC) and more recently KHI as investors in CGTL is confirmation of the commitment of these suppliers to our business

In June 2011 a Long Term Agreement was entered into with Johnson Matthey (JM) for the supply of catalyst inserts CGTL has worked for some time with JM on catalyst technology, The Agreement is the result of a close working relationship and is an important part of the commercialisation of our technology

During 2011 the CGTL Engineering team ran a tendering process for an Engineering Partner Of the five major engineering service providers considered, Fluor Ltd was selected to partner CGTL in the delivery of commercial contracts A Long Term Agreement was signed in October 2011 and work has already begun on the next phase of engineering designs to be applied to a commercial contract

In preparation for a commercial contract and following an extensive technology work programme supported by the UK Pilot Plant facility, the CGTL engineering team produced a detailed Technology Package in September 2011 This package will form the basis of the plant design during Feasibility studies and Front End Engineering Design (FEED) for major clients

Research and Development

During the course of 2011 the UK Pilot Plant site in Wilton continued the development programme to optimise the technology in preparation for commercialisation In addition the UK plant continues to be extremely valuable as a demonstration and training site Our expertise and "know how" in operating the plant was highly valued by Petrobras and their own operators We continued to provide operators, in an advisory capacity, from Wilton to the Brazil CDP throughout the duration of their extensive test programme which was concluded in November 2011

Directors Report *(continued)*

Bayer Technology Services continue to provide important technology support and we have benefited from their contribution again in 2011 They provide our technical teams with a depth of experience and analysis to support our commercial designs

Operations

With the approval of the technology at the Commercial Demonstration Plant in Brazil, the Directors believe that the Company has demonstrated its ability to produce working commercial plants In anticipation of a Front End Engineering Design (FEED) contract the Company opened a sales office in Rio de Janeiro, Brazil in September 2011

The Directors believe that the opportunities presented by the South American market will be best provided by a direct representation in that region

The Head Office remains in the UK as the headquarters of the Company and provides a point of control from which our expanding international presence and connections can be managed

Business review

Profitability

The Company had one sale during the period which related to a funded client feasibility study

The Directors consider that the Company's technology has now been successfully demonstrated and the success of the move of rigs to Wilton is such that for the third year the Directors have decided to capitalise development costs at Wilton of £247k *(2010 £347k)* The Directors are confident that these development rigs will provide significant value to the business in the future

The reported loss for the year of £16,195,213 *(2010 £12,120,163)* is after the deduction of other R&D expenses of £6,177,915 *(2010 £4,514,430)*

Additional staff costs were incurred during 2011 with the recruitment of a number of agency staff to permanent positions within the Company Headcount at 31st December 2011 was 50 *(2010 37)*

Funding

In 2011 the Company derived its funding in the form of convertible loan financing from Coller International Partners IV Limited ("CIP IV"), its ultimate parent undertaking Subsequent to the year end, £7,564k of this debt has been converted to equity (see Note 22) CIP IV has provided the Directors with an undertaking that it intends, for at least 12 months from the date of the approval of these financial statements, to continue to make available such funds as are needed by the Company The Directors consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment As with any company placing reliance on other entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so

Policy and payment of creditors

The Company policy is to agree specific terms of trading with significant suppliers within the terms of a contract The Company will abide by such terms where the suppliers obligations have been met Non-contract suppliers are paid according to invoice terms

At the year end there were 37 days *(2010 33 days)* purchases in trade payables

Post Balance Sheet Events

Refer to note 22

Directors Report *(continued))*

Policy and payment of dividends

The Directors do not recommend the payment of a dividend *(2010 £nil)*.

Anti-Bribery and Corruption

In anticipation of the UK Anti-Bribery and Corruption laws the Company has adopted a policy which the Directors believe will provide sufficient control over operations to ensure that the Company complies with the new legislation.

Directors

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

N.G Butler
J J. Coller (Chairman)
R.N. Forster
N.H Gay (CEO)
S Raafat
P F. Riches
D.S Williamson
M.J.B Woodall
S M Ziff

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

In accordance with Section 487 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

~~Wilton Centre Annex~~
Wilton Centre
Redcar
Cleveland
TS10 4RF

Joan Shackleton

for **Jamestown Investments Limited**
Secretary
Date 28 June 2012

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable IFRS Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company 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

KPMG

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent Auditor's report to the members of CompactGTL plc

We have audited the financial statements of CompactGTL plc for the year ended 31 December 2011, set out on pages 13-34 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS), as adopted by the EU

This report is made solely to the Company's members, as a body, in accordance with chapter 3 of Part 16 of the Companies Act 2006 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express and opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

• give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its loss for the year then ended,

• have been properly prepared in accordance with IFRS as adopted by the EU, and

• have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent Auditor's Report to the members of CompactGTL plc *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion,

• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or

• the financial statements are not in agreement with the accounting records and returns, or

• certain disclosures of Directors' remuneration specified by law are not made, or

• we have not received all the information and explanations we require for our audit

Mike Woodward (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

8 Salisbury Square

London

EC4Y 8BB

Date 29 June 2012

Statement of Comprehensive Income

for the year ended 31 December 2011

	Note	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Revenue		**60**	121
Cost of sales		**(65)**	(111)
Gross profit		**(5)**	10
Other operating expenses		**(15,295)**	(12,191)
Operating loss		**(15,300)**	(12,181)
Other Income		**28**	8
Financial income	6	**-**	53
Financial expense	6	**(923)**	-
Loss before tax		**(16,195)**	(12,120)
Taxation	7	**-**	-
Total comprehensive income for the year		**(16,195)**	(12,120)

There were no 'other comprehensive income" amounts recognised by the Company during the year ended 31 December 2011 or prior year

The Company has elected to prepare a single statement of comprehensive income rather than an income statement and a separate statement of comprehensive income

All activities relate to continuing operations

The notes on pages 17 to 34 form an integral part of these financial statements

Statement of Financial Position
at 31 December 2011

	Note	As at 31 December 2011	As at 31 December 2010
		£'000	£ 000
Non-current assets			
Property, plant and equipment	8	**654**	958
Intangible assets	9	**537**	522
Investments	10	**143**	-
		1,334	1,480
Current assets			
Tax receivable		**281**	376
Trade and other receivables	11	**337**	1,351
Cash and cash equivalents		**866**	432
		1,484	2,159
Total assets		**2,818**	3,639
Current liabilities			
Other interest-bearing loans and Borrowings	12	**14,000**	-
Trade and other payables	13	**3,330**	2,697
Total liabilities		**17,330**	2,697
Net assets/(liabilities)		**(14,512)**	942
Equity			
Share capital	16	**11,696**	11,678
Share premium		**34,199**	34,093
Retained earnings		**(60,407)**	(44,829)
Total equity		**(14,512)**	942

These financial statements were approved by the Board of Directors on 28 June 2012 and were signed on its behalf by

N H Gay
Director

The notes on pages 17 to 34 form an integral part of these financial statements

Statement of Cash Flows

for the year ended 31 December 2011

	Note	2011 £'000	2010 £ 000
Cash flows from operating activities			
Loss for the year		**(16,195)**	(12,120)
Adjustments for			
Depreciation, amortisation and impairment	*8,9*	**634**	414
Share based payments	*17*	**617**	452
Foreign exchange losses/(gains)		**24**	(50)
Financial income and expense		-	-
Operating loss before changes in working capital		**(14,920)**	(11,304)
Decrease / (increase) in trade and other receivables		**1,014**	(990)
Increase / (decrease) in trade and other payables		**609**	(1,598)
Cash used in operations		**(13,297)**	(13,892)
Interest paid		-	-
Tax received / (paid)		**95**	(213)
Net cash used in operating activities		**(13,202)**	(14,105)
Cash flows from investing activities			
Interest received		-	3
Purchase of fixed assets	*8*	**(98)**	(398)
Development costs capitalised	*9*	**(247)**	(347)
Investment in subsidiary company	*10*	**(143)**	
Net cash used in investing activities		**(488)**	(742)
Cash flows from financing activities			
Proceeds from the issue of share capital	*16*	**124**	11,738
Issue of loan facilities		**14,000**	-
Net cash from financing activities		**14,124**	11,738
Net increase/(decrease) in cash and cash equivalents		**434**	(3,109)
Cash and cash equivalents at 1 January		**432**	3,541
Cash and cash equivalents at 31 December		**866**	432

The notes on pages 17 to 34 form an integral part of these financial statements

Statement of Changes in Equity

for the year ended 31 December 2011

	Share capital £'000	Share Premium £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January 2010	10,421	23,612	(33,161)	**872**
Loss for the year	-	-	(12,120)	**(12,120)**
Shares issued for cash consideration	1,257	10,481	-	**11,738**
Share based payments	-	-	452	**452**
Balance at 31 December 2010	**11,678**	**34,093**	**(44,829)**	**942**

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2011	11,678	34,093	(44,829)	**942**
Loss for the year	-	-	(16,195)	**(16,195)**
Shares issued for cash consideration	18	106	-	**124**
Share based payments	-	-	617	**617**
Balance at 31 December 2011	**11,696**	**34,199**	**(60,407)**	**14,512**

The notes on pages 17 to 34 form an integral part of these financial statements

Notes

(forming part of the financial statements)

1 Accounting policies

CompactGTL plc (the "Company") is a company incorporated in the UK

Basis of preparation

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

The company qualifies as small under s392 of the Companies Act 2006, and have taken the exemption under s398 of the Companies Act 2006 to not prepare group accounts

The accounting policies set out below have been applied consistently to all periods presented in these financial statements

The financial statements were authorised for issue by the Board of Directors on 28 June 2012

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding the Company making a loss before tax of £16,195,213 *(2010 £12,120,163)* and having net current liabilities of £15,846,000 *(2010 £538,000)*, which the Directors believe to be appropriate for the following reasons The Company is reliant on funds provided to it by Coller International Partners IV Limited ("CIP IV"), its ultimate parent undertaking, which has provided the Directors with an undertaking that it intends, for at least 12 months from the date of the approval of these financial statements, to continue to make available such funds as are needed by the Company On 6 June 2012, £7,564k of debt was converted to equity (see note 22)

The Directors consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment

The Company places reliance on other entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so

Measurement convention

The financial statements are prepared on the historical cost basis

The financial statements are presented in sterling which is the Company's functional currency

Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs 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

Judgements made by the Directors in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21

Foreign currency

Transactions in foreign currencies are translated at the foreign 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 comprehensive 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 Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined

Notes *(continued)*

1 Accounting policies *(continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses

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

Depreciation is charged to the comprehensive income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment The estimated useful lives are as follows

Plant and equipment, fixtures and fittings and computer equipment	-	3 - 5 years
Leasehold improvements	-	10 years
Buildings	-	20 years

Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses

Amortisation is charged to the comprehensive income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date Other intangible assets are amortised from the date they are available for use The estimated useful lives are as follows

Development costs - 3 years

Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment If any such indication exists, the asset's recoverable amount is estimated

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount Impairment losses are recognised in the comprehensive income statement

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets

Notes *(continued)*

1 Accounting policies *(continued)*

Research and development expenditure

Expenditure on research activities is recognised in the comprehensive income statement as incurred

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset Other development expenditure is recognised in the comprehensive income statement when incurred

Employee benefits

Defined contribution

Obligations for contributions to defined contribution pension plan are recognised as an expense in the comprehensive income statement as incurred

Taxation

Tax on the loss for the year comprises current and deferred tax Tax is recognised in the comprehensive income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

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 The following temporary differences are not provided for the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised

Revenue

Revenue represents amounts due, excluding VAT, for services provided and is recognised when the services are performed Revenue excludes amounts received and receivable under the contract with Petrobras, which are credited to "Other Operating Expenses" as shown in note 3 – Expenses and auditors' remuneration

Joint Testing Agreement

Costs incurred by the Company in performing its activities under the Joint Testing Agreement with Petrobras were recorded in the Comprehensive income statement as they arose Contributions received or receivable in respect of such costs were credited to the comprehensive income statement in the same period Where cash was received in advance under the contract, the income was deferred to match the related costs and was included in Trade and Other Payables

Notes *(continued)*

1 Accounting policies *(continued)*

Share based payments

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options The fair value of the options granted is measured using an option valuation 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 forfeiture is due only to share prices not achieving the threshold for vesting

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions

(a) they include no contractual obligations upon the Company 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, 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

Where a financial instrument that contains both equity and financial liability components exists, these components are separated and accounted for individually under the above policy

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

Trade and other receivables

Trade and other receivables are recognised initially at fair value Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses

Trade and other payables

Trade and other payables are recognised initially at fair value Subsequent to initial recognition they are measured at amortised cost using the effective interest method

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses

Notes *(continued)*

1 Accounting policies *(continued)*

Expenses

Operating lease payments

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

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability The finance charge 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

Financing income and expenses

Financing expenses comprise interest payable, and net foreign exchange losses that are recognised in the Comprehensive income statement Financing income comprises interest receivable on funds invested and net foreign exchange gains

Interest income and interest payable is recognised in the Comprehensive income statement as it accrues, using the effective interest method

The Company does not have distinguishable business segments Accordingly the Company has not prepared segmental information as the Statement of Comprehensive Income and Statement of Financial Position disclose the segmental information

Adopted IFRS not yet applied

Statement of compliance

The Company Financial Statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs")

At the date of approval of these Financial Statements, the following standards and amendments were in issue but have not been applied by the Company as they are not yet effective Their adoption is expected to have no material impact on the Company Financial Statements, unless otherwise indicated

Amendments to IAS 1	*Presentation of Items of Other comprehensive Income*
IFRS 11	*Joint arrangements and amendments to IAS 28 Investments in Associates and Joint Venture*
IFRS 13	*Fair Value Measurement*
Amendments to IFRS 7	*Disclosures – offsetting financial assets and financial liabilities*
Amendments to IAS 32	*Offsetting financial assets and financial liabilities*
IFRS 9	*Financial Instruments*
IFRS 12	*Disclosure of Interests in Other Entities*

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Company's Financial Statements in the period of initial application

Notes *(continued)*

2 Financial instruments

Fair values of financial instruments

The Company s financial instruments comprise trade and other receivables, trade and other payables, cash and cash equivalents and interest-bearing borrowings The fair value of these financial instruments is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material or at its carrying amount where cash is repayable on demand The fair values at the balance sheet date for each class of financial assets and financial liabilities are not materially different to their carrying values

Financial risk management

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, the JTA are all now settled in full and all monies received, and payments to suppliers made Since the amounts due under that contract are invoiced in advance of the expenditure incurred by the Company, the risk is limited and at the balance sheet date the outstanding exposure was £nil *(2010 £nil)* No financial assets were deemed to be impaired at the balance sheet date

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due

The Company financed its operations through loans from or through share issues to its ultimate parent company The Company currently has no external debt and, as described in note 1, it is dependent on its parent undertaking for support It remains the intention of the Directors to raise new equity from the market during the course of 2012 The Company has a policy of ensuring that there are sufficient funds to meet the expected requirements of its operations and continues to monitor its liquidity position through budgetary procedures and cash flow analysis

All trade payables are due within less than one year and have no interest payable

Notes *(continued)*

2 Financial instruments *(continued)*

Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments

Market risk – Foreign currency risk

The Company manages foreign exchange risks by monitoring exposures The Company's exposure to foreign currency risk is as follows This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts

31 December 2011

	Sterling £'000	*Euro* £'000	*US Dollar* £'000	*Brazilian Real* £'000	*Total* £'000
Cash and cash equivalents	865	-	1	-	866
Trade and other receivables	129	167	-	41	337
Loans and borrowings	(14,000)	-	-	-	(14,000)
Trade and other payables	(2,920)	(303)	(107)	-	(3,330)
Balance sheet exposure	(15,926)	(136)	(106)	41	(16,127)

31 December 2010

	Sterling £,000	*Euro* £'000	*US Dollar* £'000	*Brazilian Real* £'000	*Total* £'000
Cash and cash equivalents	430	-	2	-	432
Trade and other receivables	248	154	949	-	1,351
Loans and borrowings	-	-	-	-	-
Trade and other payables	(1,824)	(486)	(387)	-	(2,697)
Balance sheet exposure	(1,146)	(332)	564	-	(914)

Notes *(continued)*

2 Financial instruments *(continued)*

Market risk – Interest rate risk

Profile

Interest expense reflects the cost of the Company's borrowings Interest income arises from cash deposits held by the Company Interest rate risk is managed by monitoring market rates and negotiation of terms in borrowings arranged with related parties

At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments was

	2011	*2010*
	£'000	*£ 000*
Variable rate instruments		
Financial assets	**50**	50

Capital management

The Company's objectives when managing capital, equity and borrowings are to safeguard the Company as a going concern and provide returns for the shareholders and other stakeholders by maintaining an optimal capital structure

3 Expenses and auditors' remuneration

Loss *on ordinary activities before taxation is stated after* charging/(crediting)	*2011*	*2010*
	£'000	*£ 000*
Depreciation of non-current assets	**402**	297
Amortisation of intangible assets	**232**	117
Research and development expensed as incurred	**6,178**	4,514
Operating lease rentals		
Land and buildings	**210**	100
Other	**4**	3
Income under Petrobras contract	**(287)**	(13,229)
Expenses under Petrobras contract	**513**	13,229
Foreign exchange gains and losses	**24**	(50)

Auditor's remuneration		
Audit of financial statements	**28**	25
Amounts receivable by the auditors and their associates in respect of		
Other services relating to taxation	**9**	22
All other services	**3**	-

Notes *(continued)*

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows

	Average Number of employees	
	2011	*2010*
Administration	**5**	5
Technical	**39**	20
	44	25

The aggregate payroll costs of these persons were as follows

	2011 ***£'000***	*2010* *£'000*
Wages and salaries	**3,509**	1,893
Social security costs	**425**	224
Contributions to defined contribution pension plan	**160**	88
Share based payments *(see note 17)*	**617**	452
	4,711	2,657

5 Directors' emoluments

	2011 ***£'000***	*2010* *£ 000*
Directors' emoluments	**507**	463
Company contributions to money purchase pension plan	**18**	18
Amounts paid to third parties in respect of Directors' services	**9**	19
Share based payments *(see note 17)*	**65**	114

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Director was £373,377 *(2010 £377,670)* Retirement benefits are accruing to 1 Director under money purchase schemes *(2010 1)*

Notes *(continued)*

6 Finance income and expense

	2011 *£'000*	*2010* *£'000*
Bank interest	-	(3)
Net foreign exchange gain	-	(50)
Financial Income	-	(53)
Bank interest	-	-
Loan interest	900	-
Net foreign exchange loss	24	-
Financial expense	924	-

7 Taxation

Recognised in the Statement of Comprehensive Income

	2011 *£'000*	*2010* *£ 000*
Current tax expense		
Total tax in Statement of Comprehensive Income	-	-

Current tax reconciliation

	Year ended 31 December 2011 £'000	*Year ended 31 December 2010 £'000*
Loss before tax	(16,195)	(12,120)
Tax using the UK corporation tax rate of 26 5% *(2010 28 %)*	(4,292)	(3,394)
Effects of		
Expenses not deductible for tax purposes	349	681
Depreciation in excess of capital allowances	106	83
Unutilised tax losses	3,837	2,630
Total tax in Statement of Comprehensive Income (see above)	-	-

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014 A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012

At the year end there were deferred tax assets at 25% of £15,208,129 *(2010 £12 373 293)* which were not recognised because there is no certainty over their recoverability These were based on tax losses together with tax written down values totalling £60,832,516 *(2010 £44,190 333)*

Notes *(continued)*

8 Property, plant and equipment

	Computer equipment £'000	*Fixtures and Fittings £'000*	*Motor Vehicles £'000*	*Plant and Equipment £'000*	*Leasehold Property £'000*	*Land and Buildings £'000*	*Total £'000*
Cost							
Balance at 1 January 2010	35	9	10	1,477	-	-	**1,531**
Additions	2	-	-	356	40	-	**398**
Adjustments							
Balance at 31 December 2010	37	9	10	1,833	40	-	**1,929**
Additions	23	19	-	2	42	12	**98**
Balance at 31 December 2011	**60**	**28**	**10**	**1,835**	**82**	**12**	**2,027**
Depreciation							
Balance at 1 January 2010	18	4	4	648	-	-	**674**
Charge for year	9	2	2	284	-	-	**297**
Adjustments							
Balance at 31 December 2010	27	6	6	932	-	-	**971**
Charge for year	11	2	2	381	6	-	**402**
Balance at 31 December 2011	**38**	**8**	**8**	**1,313**	**6**	-	**1,373**
Net book value							
At 31 December 2011	**22**	**20**	**2**	**522**	**76**	**12**	**654**
At 31 December 2010	10	3	4	901	40	-	**958**
At 1 January 2010	17	5	6	829	-	-	**857**

Notes *(continued)*

9 Intangible assets

	Development Costs £'000	*Intellectual Property Rights £'000*	*Total £'000*
Cost			
Balance at 1 January 2010	350	6,064	6,414
Additions	347	-	347
Balance at 31 December 2010	697	6,064	6,761
Additions	247	-	247
Balance at 31 December 2011	**944**	**6,064**	**7,008**
Amortisation			
Balance at 1 January 2010	58	6,064	6,122
Charge for the year	117	-	117
Balance at 31 December 2010	175	6,064	6,239
Charge for the year	232	-	232
Balance at 31 December 2011	**407**	**6,064**	**6,471**
Net book value			
At 31 December 2011	**537**	-	**537**
At 31 December 2010	522	-	522
At 1 January 2010	292	-	292

Amortisation charge

The following amortisation charge is recognised within the Comprehensive Income Statement

	2011 £'000	*2010 £ 000*
Other operating expenses	**232**	117

Notes *(continued)*

10 Investments in subsidiaries

	Country of Incorporation	Class of shares held	Ownership 2011	2010
CompactGTL Participacoes Ltda	Brazil	Ordinary	**99 9%**	0%

This subsidiary was incorporated on 14 July 2011 The loss for the year was £103,141 and the Net Assets at the balance sheet date were £24,172

11 Trade and other receivables

	2011 £'000	*2010 £ 000*
Trade receivables	-	282
Prepayments and Accrued Income	**149**	226
Other receivables	**188**	843
	337	**1,351**

Included within trade and other receivables is £16,978 *(2010 £16 978)* relating to rent deposit on Unit 19 Abingdon which is recoverable in more than 12 months

12 Other interest-bearing loans and borrowings

	2011 £'000	*2010 £ 000*
Current liabilities		
Loan facilities	**14,000**	-
	14,000	**1,351**

Loan facilities totalling £14,000,000 were made available to the Company by Coller International Partners IV Ltd (CIP IV) during 2011 All facilities bear interest at a rate of 12 5% per annum and are repayable on demand It is envisaged that all facilities (plus accrued interest) will be converted to equity at a later date (see note 22)

13 Trade and other payables

	2011 £'000	*2010 £ 000*
Trade payables due to related parties (see note 19)	**66**	65
Other trade payables	**541**	950
Non-trade payables and accrued expenses	**2,723**	1,682
	3,330	2,697

Notes *(continued)*

14 Employee benefits

Pension plans

Defined contribution plan

The Company operates a defined contribution pension plan with Standard Life

The total expense relating to this plan in the current year was £141,417 *(2010 £* 70,459*)* At the year end, £11,645 *(2010 £* 7,828*)* was outstanding Additionally, contributions of £18,119 *(2010* £17,505*)* were made into the personal pension plan of a Director

15 Contingent liabilities

In April 2010 Velocys Inc (a wholly owned subsidiary of Oxford Catalysts Plc) filed a lawsuit against Catacel Corp a US based catalyst supplier of CompactGTL The action claimed infringement of several patents held by Velocys and the Battelle Memorial Institute CompactGTL is not a party to the law suit but has been named in various documents submitted to the Ohio courts CompactGTL does not believe that Catacel has infringed these patents and, as part of the overall defence, CompactGTL has challenged the validity of several of Velocys patents both in the US and the UK Velocys has identified these patents as materially significant in their placing and re-admission document to AIM published in November 2008

All expenditure relating to both cases to date has been expensed The outcome of both cases would determine the extent of liability of either party for their own and the other parties costs The Directors remain confident that they can defend the Companies actions and accordingly no provision has been made for any contingent liability in these accounts

CompactGTL has a large portfolio of patents and the Directors consider it important to the business that the Companies Intellectual Property be applied to products without hindrance or challenge The Directors will therefore always take action where freedom to operate is threatened

Notes *(continued)*

16 Share capital

In thousands of shares	*Ordinary shares* **2011** **000's**	2010 000 s
Issued for cash	**6,152**	6,137
Issued as consideration (share for share exchange)	**6,014**	6,014
Issued as consideration (other)	**231**	228
On issue at 31 December – fully paid	**12,397**	12,379

	2011 **£'000**	2010 £ 000
Allotted, called up and fully paid		
Ordinary A shares of £ 1 each	**11,688**	11,671
Ordinary 'B shares of 1p each	**7**	7
	11,695	11,678

On 23 February 2011, the Company issued 17,642 "A" Ordinary Shares to employees and directors at a price of £7 01 each A total of 14,789 "A" Shares were issued for cash, at a 25% discount to the full share price of £9 35 per share The remaining 2,853 "A" Shares were issued as settlement of directors fees at the same price

Ordinary "B" shares of 1p each have no voting rights attached but in all other respects rank pari passu with the Ordinary "A' shares of £1 each

On 21 December 2011, a deed of adherence and amendment was executed, transferring all "A" Ordinary Shares held by CIPI to Coller International Partners IV Limited (CIP IV) 10,471,323, Nova Capital CI Investments LP (Nova CI) 807,938 and Nova Capital GP Investments II LP (Nova GP) 55,687 A further 1 "A" Share was transferred by A Paszkowski (as nominee for CIPI) to CIP IV

Notes *(continued)*

17 Share-based payments

The Company's equity–settled share based payments are made under a share option plan established for certain management and employees in March 2008 Options over the Company's shares are awarded from time to time by the Board's remuneration committee

Options awarded have a life of ten (10) years and vest after three (3) years Vested options may be exercised at any time after these 3 years

The Directors have applied the inputs shown in the table below to a Black Scholes model to calculate the fair value of the options at the grant date They have assessed the volatility by considering historic price information for transactions in the Company's shares adjusted for any expected changes to future volatility due to publicly available information

There were 538,986, options outstanding at the beginning of the year and 27,790 options were forfeited, exercised or lapsed during the year Additional options were granted during the year of 530,000 and those outstanding at the year end had a weighted average contractual life of 10 years at grant

The fair value of employee share options is measured using a Black Scholes model Measurement inputs and assumptions are as follows

	January & June 2011	***October 2011***
Fair value at measurement date		
Weighted average share price	**£9.39**	**£9.39**
Exercise price	**£9.35**	**£11 50**
Expected volatility (expressed as percentage used in the modelling under Black Scholes model)	**40%**	**40%**
Option life (expressed as weighted average life used in the modelling under Black Scholes model)	**5 years**	**5 years**
Expected dividends	**0%**	**0%**
Risk-free interest rate (based on national government bonds)	**0 5%**	**0 5%**

Share options are granted on a discretionary basis

The total expense recognised for the year arising from share-based payments was £617k *(2010* £452k)

Notes *(continued)*

18 Commitments

Operating Lease arrangements

Annual commitments under non-cancellable operating leases are set out below

	2011	*2010*
	£'000	*£ 000*
Less than one year	-	-
Between one and five years	**136**	93
	136	93

Operating lease commitments in relation to land and buildings for the year ended 31 December 2011 were £131,975 *(2010* £89,720*)*

19 Related party transactions

During the year a total of £552,887 *(2010* £630,620*)* in respect of patent filing, maintenance and other intellectual property services, was paid to Coller IP Management Limited, the majority shareholder of which is Mr J J Coller, who is also a Director of the Company At the year end, £52,236 *(2010* £45,238) was included in trade and other payables

A total of £20,134 *(2010* £22,672) was paid to ESR Technology Ltd in respect of Human Resource support services ESR Technology was a subsidiary of Coller International Partners Industries LP (CIPI) until July 2011, when it was acquired by Hyder Consulting There were no transactions with ESR Technology after the acquisition by Hyder Consulting At the year end, £0 *(2010* £1,440) was included in trade and other payables

A total of £176,105 *(2010* £50,681*)* was paid to Tallarook Ltd, in respect of consultancy services Tallarook is owned by Mark Woodall, who is also a non-executive director of the Company At the year end, £14,065 *(2010* £18,000) was included in trade and other payables

20 Ultimate parent undertaking

The Company is a subsidiary undertaking of Coller International Partners IV Limited (CIP IV) which is the ultimate parent undertaking, incorporated in Guernsey, Channel Islands and is considered to be the ultimate controlling party

Notes *(continued)*

21 Accounting estimates and judgements

Certain critical accounting judgements in applying the Company's accounting policies are described below

Since 31 December 2010 the Directors considered it appropriate to capitalise certain development costs which are directly attributable to building and enhancing the design and operation of the commercially viable product

The estimation of the fair value of share based payments, outlined in note 17, required management to identify certain measurements and make certain assumptions In preparing the calculation management have used their experience and considered the inherent uncertainties over performance in calculating the charge in the comprehensive income statement

22 Subsequent events

Further to loan facilities totalling £14,000,000 issued in 2011, additional loan facilities totalling £7,000,000 were issued by CIP IV between the period 1 January and 14 May 2012

Conversion of £7,563,791 50 of the CIP IV loan facilities issued during 2011 (principal plus interest @12 5% per annum) took place on 6 June 2012 in a non cash transaction A total of 657,721 'A' Shares were issued at a price of £11 50 per share

Kawasaki Heavy Industries (KHI) subscribed for 320,856 "A Shares in the Company at a price of £11 50 per share These shares were issued on 30 May 2012 for cash consideration