



2011

The Africa-focused gas independent  
...African energy for the world

## Gasol plc

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**Gasol plc is an Africa-focused gas independent listed on AIM (AIM: GAS). The Group's primary focus is to develop projects to monetise stranded gas reserves in the Gulf of Guinea. This is to be achieved by aggregation, liquefaction and shipment of such gas reserves as LNG and, where possible, to use this LNG primarily for regional power generation. We will work closely with host governments and communities and align our business to local priorities.**

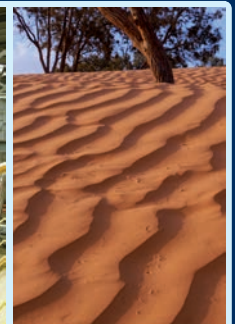
AIM:  
GAS



**Through a carefully considered programme of acquisitions, investments and strategic alliances, Gasol aims to become the industry's premier Africa-focused gas independent, delivering value by commercialising stranded gas.**

## Highlights

- The Group announced the completion of the strategic review commenced in the previous year, with a commitment to:
  - continue with its existing strategy of seeking to aggregate and monetise stranded gas assets in the Gulf of Guinea, through the liquefaction of gas;
  - develop a gas to power strategy in West Africa based, in part, on a small scale LNG solution to provide gas for new electricity generating capacity and, where possible, as an alternative fuel supply for existing oil-fired power stations.
- After the year end Gasol entered into an exclusive agreement to negotiate the terms to acquire all of the gas in the Nigerian Offshore Licence area OML 114. This gas field has proven reserves which, early reports indicate, would support an LNG monetisation solution of an appropriate size for our strategy.
- After the year end the Group negotiated a revised agreement on its gas project in Equatorial Guinea, and as part of the revised terms Gasol, through its SONAF joint venture partnership with SONAGAS, has been appointed as an agent for the purpose of developing a market in West and Central Africa for purchasers of liquefied natural gas produced by the Equatorial Guinea LNG project.
- Successfully secured £4 million of financing in the financial year, which was used to refinance approximately £2.2 million of existing debt plus interest and to provide new working capital. A further £1 million loan facility was raised shortly after the financial year end.

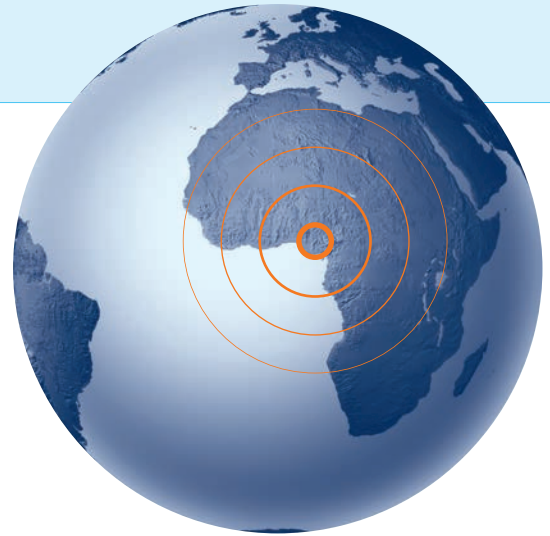


## Identifying the opportunities

### West Africa becoming a critical gas hub

Gasol is focused on developing projects to aggregate and monetise stranded gas in the Gulf of Guinea region of West Africa, primarily via Liquefied Natural Gas (LNG).

Gasol seeks to create added value by using LNG to develop, with partners, a gas to power business within the West African region.



Strategic focus:  
*Clear goals*

**Why gas?**

We believe that the global gas market will continue to provide value-enhancing opportunities for the foreseeable future.

Natural gas is widely recognised as one of the most environmentally friendly and efficient means of providing power in the world today. The problem for gas asset owners has traditionally been how to deliver the gas from the gas field to the consuming market place. Where possible, pipelines are the preferred delivery method but they usually require large gas reserves and significant capital investment to justify construction at an international level. Technological developments and a growing demand from gas has led to the development of the LNG Market, allowing those gas reserves further afield from centres of gas demand to be developed. Most recently the unfortunate natural disaster in Japan that resulted in the loss of a nuclear power station could potentially lead to even greater gas demand in the future as national reassessment of environmental risks takes place.

LNG projects have traditionally been focussed on large scale units producing millions of tons of LNG per annum. Over the last few years, there has been a growth in smaller scale use of LNG. Technology now exists to produce, transport store and regasify LNG in quantities of hundreds of thousands of tons per annum and below. As a result it is now possible to consider the monetization of smaller gas fields in areas where this has previously been impractical or uneconomic.

**Why Africa?**

A combination of the decline of traditional reserves of natural gas in the US and in the North Sea, and a growing awareness by African countries of the value of their gas has led to the relatively underdeveloped and gas prolific West African fields becoming increasingly attractive for monetisation. The desire by large consumer nations to avoid overdependence on limited numbers of producers has also led to demand for alternative secure sources of gas. West African gas can provide a viable, secure and strategic alternative source of supply.

The Gulf of Guinea region of Africa, with over 200 trillion cubic feet of reserves, is particularly well positioned to supply to US and European consumers and the rapidly-growing Far Eastern markets. Nigeria alone houses 90% of these reserves.

In addition, the Gulf of Guinea has a large number of gas reserves that have not attracted the interest of larger national and international gas companies because these reserves have traditionally been considered too small on a stand-alone basis to launch a profitable gas project. However, the development of smaller scale LNG technology is allowing some of these smaller fields to become economically viable as a gas monetisation project.

**Why Gasol?**

There have been structural changes in the gas/LNG industry as gas asset owners and the national governments have a greater awareness of the potential value of their gas assets and seek a greater involvement in the gas monetisation process for optimum leverage from their gas ownership. Moreover an urgent demand in most West African countries for more electricity generation capacity to satisfy industrial and domestic demand has led these countries to focus on regionally available fuel resources.

As an independent player, Gasol is ideally placed to develop gas projects through:

- (a) its focus on gas monetisation in West Africa
- (b) strategic alliances with upstream players
- (c) alignment with host governments
- (d) development of gas-to-power for use of gas and added value

Gasol is focused on delivering its first LNG project, utilising small-scale liquefaction technology, which is cost competitive with lower project execution time.

## A key goal that emerged from the Group's strategic review was to accelerate the creation of further income streams:

**There exists a significant opportunity in West Africa for supplying gas to generate electricity. The region suffers from a chronic shortage of power which we believe is most efficiently and swiftly addressed by gas fired power stations. Gasol believes that the opportunities here will lead to the creation of a second revenue stream in a shorter timescale.**



**In the long term the global gas market will continue to provide value-enhancing opportunities. The stranded West African gas fields provide an attractive opportunity to**

**create value by developing LNG projects as a gas monetisation solution.**

## Strategy – monetising stranded gas reserves



### **Securing access to low-cost stranded gas reserves with no monetisation route**

Gasol seeks preferential access to gas through partnerships with upstream players such as Afren, with whom we have exclusive right of first refusal to purchase and market its natural gas. Gasol will focus on the development of gas fields that are smaller than those traditionally used for LNG projects.

### **Liquefaction – building innovative, cost-effective plants to export LNG**

Gasol is focused on assessing and developing opportunities for small-scale land-based LNG, potentially in collaboration with strategic partners, using technology that has been developed and is in use elsewhere in the world.

Developing our *Strategy*

## Revenue streams

Gasol's strategy is to identify and develop commercially attractive opportunities in the gas sector, with initial focus on LNG, sourced from Africa's Gulf of Guinea region. Our objective is to create a substantial value chain through a series of partnerships involving gas gathering, liquefaction and the shipment of LNG. Gasol is also exploring a West African regional gas to power strategy to create additional value for its gas.



### Revenue stream one – Power generation in West Africa

A chronic shortage of power in the region has given rise to a significant opportunity for Gasol to supply gas to generate electricity. Locally shipped LNG can be transferred to local storage and regasification units, offering high efficiency and considerable flexibility, before piping to gas fired power stations.



### Revenue stream two – Liquid Natural Gas for global markets

Where not used regionally Gasol's strategy is to sell LNG into the international export markets, and to seek arbitrage opportunities.



## 1 Gas aggregation policy to access low-cost reserves

Following the recent disintermediation within the industry, Gasol is working with partners such as Afren to unlock the value in smaller deposits.



## 2 Rapid gas monetisation technology

Gasol is exploring existing technologies designed to exploit smaller gas fields, which are already in use in other land-based locations around the world, and which can facilitate commercial liquefaction at a lower threshold of proven gas reserves.



## 3 End market and LNG offtake partners

Long-term access to the end-market is essential, and Gasol is establishing partnerships with downstream players, both in the regional power market and internationally.

## Chairman's Statement

The longer-term need for gas in developed countries and the potential of West Africa to supply gas for exports and to develop local gas projects have opened doors for small companies such as Gasol.



This is my second Chairman's statement, but the first for which I have been in the role for a full financial year. Whilst my previous statement covered a year of change, both in terms of management and development of a new strategy, the financial year covered by these report and accounts has seen the beginning of the implementation of this new strategy and the building of the key foundations necessary to support the business. I am pleased to report that, although the global economic environment in which we all operate continues to provide challenges, I believe the Group has made good progress in the development of its operational activities.

### **The Economic Environment**

The world's major economies continue to show erratic levels of growth with an uncertain future, and the financial markets continue to reflect considerable uncertainty in the light of both growth and the levels of debt. The unbalanced supply and demand picture for LNG that I wrote about last year continues to persist. The tragic earthquake in Japan in March of this year, and the consequent closure of the Fukushima nuclear power station, has increased Japanese demand for LNG in the short term, but the longer term effect that this will have on the LNG supply and demand situation remains unclear. Internationally there are still some major LNG liquefaction projects under development or consideration, whilst improvements in the recovery of shale gas will undoubtedly mean longer term the price of gas is likely to reflect the greater supply.

Long-term *Potential*

We believe that Gasol can still develop a significant gas business in the West African region. Gas remains one of the most efficient and environmentally friendly sources of energy available today, and there are significant reserves throughout West Africa, and particularly in Nigeria. Governments are increasing the pressure to cease flaring surplus gas at the wellhead, whilst gas asset owners are seeking economic solutions to monetise their gas. Independent non majors such as Gasol have a role to fulfil in providing this solution. We remain of the view that in the longer term, growth in gas demand will continue particularly from the developing countries, and that our focus on the West African region will stand us in good stead.

**The Gas Strategy**

Early in the financial year, the Company announced the result of its strategic review, with the conclusion that Gasol should continue its existing activity of looking to monetise stranded gas reserves in the Gulf of Guinea through smaller scale LNG projects, but in addition, the Group should seek to add incremental value to that gas. In particular we identified the developing gas-to-power sector in West Africa as having the greatest potential to add that incremental value, as well as producing shareholder returns in the shorter term.

Since that announcement the Company has focussed on the development of LNG projects that best suit this revised strategy. In May of this year, we announced that we had entered into an agreement with exclusivity to negotiate the terms to acquire all of the gas in the Nigerian Offshore Licence area OML 114. Our early reports indicate that this gas field would support a LNG monetisation solution of an appropriate size for our overall strategy.

At the end of May 2011, we also announced that we had negotiated a revised agreement with Sociedad Nacional de Gas, GE ("SONAGAS"), the national gas company of Equatorial Guinea, in respect of the associated gas from the Zafiro field. As part of the revised terms Gasol, through its SONAF joint venture partnership with SONAGAS, has been appointed as an agent for the purpose of developing a market in West and Central Africa for purchasers of liquefied natural gas produced by the EG LNG project.

We continued to work closely with our major shareholder, African Gas Development Corporation Ltd, to develop a detailed business plan based, in part, on using LNG as a source of gas to fuel new electricity generating capacity and, where possible, as an alternative fuel supply for existing oil-fired power stations. The transportation and regasification of LNG on a small scale is already used elsewhere in the world today, and our challenge is to apply that existing technology in the West African environment.

**Financial Results and Funding**

The financial results for the year reflect the hard focus on cost cutting that took place following the change of management in 2009. The loss after tax for the financial year is £2.38 million (2010: loss of £5.08 million) equating to a loss of 0.22 pence per share (2010: loss of 0.47 pence).

Cash expenditure on operating activities during the year was £1.73 million (2010: £3.84 million). Whilst cash outgoings continue to be monitored closely to ensure maximum value, the Company is now investing to maintain the momentum on our gas projects.

Funding during the period has been through convertible debt instruments, primarily with our major shareholder. Gasol today is still a development company without any income, and we remain very grateful for the continued support of our funders.

Gasol is reasonably confident that the projects we are working on will ultimately be successful, and that as the level of certainty increases, other sources of funding are likely to become available.

**Management & Staff**

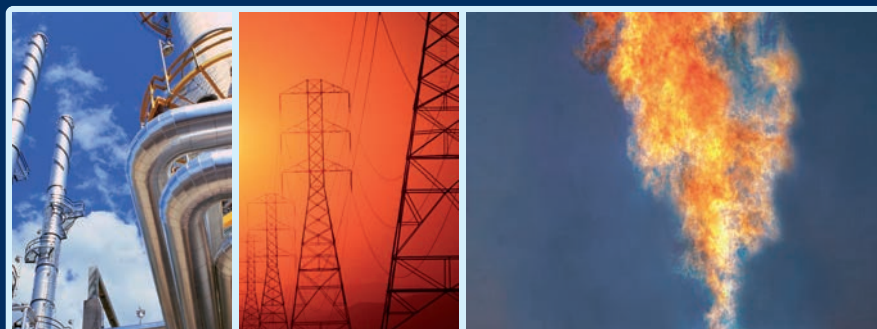
Following on from the changes of 2009, I would like to thank all of the staff for their continued hard work during what has been a difficult time. We now have greater clarity on the projects we are working on, and we have identified people that we believe can take both the business and the Company forward. We hope to be making some formal announcements on this matter shortly.

**Outlook**

Gasol is confident that it has defined the right business strategy and is developing the right projects for the future. We believe that our revised projects are more likely to succeed and that the Company is well placed to go forward. I would like to thank our partners for their continued hard work and look forward to their ongoing support as we continue to implement our projects.

**Haresh Kanabar**  
 Chairman

6 September 2011



**Gas flaring is the burning of unwanted gas or flammable gas. Gas flaring not only wastes a valuable resource, but is also a major cause of environmental pollution.**

**Nigerian and Equatorial Guinean governments have been amongst the first to aim to eliminate unnecessary gas flaring.**

## Chief Operating Officer's Statement Operating and Financial Review

Our unique and distinctive strategy has enabled us to secure our first access to gas, to develop an innovative, cost efficient technology solution and to work closely with major upstream and downstream partners as well as national gas companies. Our comprehensive strategic review has further refined and developed that strategy.



# Activity and *Objectives*

**Overview:**

I am pleased to report that, following the announcement of the results of the strategic review in May 2010, Gasol has continued to focus on the development of gas projects that will clearly meet the new strategy. Whilst the overall strategy remains, seeking to aggregate and monetise stranded gas assets in the Gulf of Guinea through the liquefaction of gas, the company's aim is now to use that LNG within a regional gas-to-power program. Gasol is continuing to work on the various elements of the business model, although always aware that LNG may be bought or sold in the international markets and therefore recognising all of the elements do not need to be concluded at the same time.

The liquefaction of natural gas in order to transport it from the gas field to the consumer's market has taken place for many years at an international level and on a large scale, and it is recognised as providing a cost effective method of transporting the gas where pipelines are not available. There has also been a more recent move to utilise LNG at a much smaller scale moving it by rail or road tanker and small ship before regasification at a local level. This technology is now used in a number of situations around the world, providing a fuel to gas constrained environments where demand cannot justify the expense of construction of a pipeline distribution network. Gasol is seeking to utilise this technology in the West African region.

The financial markets remain challenging with uncertainty over both economic growth and the debt levels, and as a result financing capital projects remains difficult. However, Gasol believes that with its more focussed strategy, developing robust projects, and working with strong partners, will allow the company to secure the necessary finance that will lead to the successful development of our gas business.

**Strategic Review**

The Board completed the Strategic Review and announced the results at the beginning of the financial year. The underlying message from that review was that proposed business of Gasol should move further downstream in the value chain.

More specifically the Review's conclusion was two-fold:

- a) that the Group should continue with the gas monetisation policy that has been pursued to date based on seeking to monetise stranded gas assets, primarily through liquefaction of the gas; whilst also
- b) pursuing opportunities to develop a business in the gas-to-power sector in West Africa.

**Business****Nigeria**

In May 2011, Gasol announced that it had entered into an exclusive Project Option Agreement with Moni Pulo (Petroleum Development) Limited in respect of all of the gas in Nigerian offshore licence area, OML 114. Under the terms of the option agreement, there is an exclusivity period during which Gasol has an opportunity to make a proposal to Moni Pulo regarding the development of OML 114, including exploration, development and offtake. If Moni Pulo accepts the proposal from Gasol, it is then the intention of the parties to work together to conclude definitive gas purchase agreements for development and sale of all of the gas in OML 114 to Gasol.

OML 114 is situated in shallow waters on the coast of South East Nigeria at the mouth of the Calabar River, and there are a number of other known gas reserves in the locality. The licence area has been drilled and surveyed since the 1990s and has gas reserves of approximately 750 billion cubic feet (approximately 107 million barrels of oil equivalent). Gasol has commissioned initial pre-feasibility reports which indicate that the available gas from OML 114 could support LNG production of over 800,000 tons per annum for 10 years. Gasol is currently working up a business plan, in conjunction with its upstream partner Afren Plc, to support a gas acquisition price proposal. Whilst all monetisation routes for the gas are being considered, we are considering most closely technology that has an existing track record, in order to minimise the risks in delivery of the project.

- **The Group announced the completion of the strategic review commenced in the previous year, with a commitment to:**

continue with its existing strategy of seeking to aggregate and monetise stranded gas assets in the Gulf of Guinea, through the liquefaction of gas; develop a gas to power strategy in West Africa based, in part, on a small scale LNG solution to provide gas for new electricity generating capacity and, where possible, as an alternative fuel supply for existing oil-fired power stations.

- **Gasol has entered into an exclusive agreement to negotiate the terms to acquire all of the gas in the Nigerian Offshore Licence area OML 114.**
- **The Group negotiated a revised agreement on its gas project in Equatorial Guinea.**
- **Successfully secured £4 million of financing in the financial year, which was used to refinance approximately £2.2 million of existing debt plus interest and to provide new working capital.**

- **Continue negotiations to secure OML 114 gas in Nigeria**
- **Build on the revised agreement in Equatorial Guinea**
- **Continue development of gas to power business plan**
- **Raise sufficient funding to continue to meet our project and corporate expense needs**
- **Acquire further gas assets in the Gulf of Guinea**

**2010-2011 Key Activities****2011-2012 Key Objectives**

## Chief Operating Officer's Statement

### Operating and Financial Review

Whilst the economic environment and the energy/LNG sector have been challenging over the last few years and the short-term gas economics are relatively weak, Gasol believes that the longer term gas fundamentals are robust. Gasol expects to show further progress in the development of its business the coming year.



Focus and *value*

**Equatorial Guinea**

At the end of May 2011, Gasol also announced that it had negotiated a revised agreement with Sociedad Nacional de Gas, GE ("SONAGAS"), the national gas company of Equatorial Guinea, in respect of the associated gas from the Zafiro field which was being developed by SONAF, a joint venture between Gasol and SONAGAS. The Zafiro gas will now be utilised by a new entity in which Gasol will have a small equity investment, whilst under the terms of the amended agreement Gasol, through SONAF, has, inter alia, been appointed as an agent for the purpose of developing a market in West and Central Africa for purchasers of liquefied natural gas produced by the EG LNG project.

This revised agreement complements Gasol's new strategy, in particular the Company's aim to see, and be involved in, the development of a West African focussed LNG market, whilst also ensuring greater likelihood of a successful gas project based on the Zafiro gas.

**Financial Results:**

The financial statements reflect the fact that Gasol remains a development company and whilst it is investing time and money in accessing gas monetisation projects, it has no material source of income. As noted last year, following the change of management in 2009 much attention has been paid to managing costs and reducing expenditure, and the full benefit of this has only now been felt in the current year. The loss after tax for the financial year is £2.38 million (2010: loss of £5.08 million), equating to a loss of 0.22 pence per share (2010: loss of 0.47 pence), which principally represents the administrative costs of undertaking the project development.

Net cash expenditure on operating activities during the year was £1.73 million (2010: £3.84 million). Whilst management continues to monitor all costs closely, we are also now investing in resources to move our projects forward and these costs will be reflected in the 2012 financial accounts.

During the year the Group has raised approximately £1.75 million of new funds through debt instruments, and a further £1 million shortly after the financial year had ended. In April 2010, £1 million was raised through a loan from our major shareholder African Gas Development Corporation. In December 2010, the Company entered into a £3 million convertible loan facility that was used to repay approximate £2.18 million of existing debts together with accrued interest, and the balance was used for new working capital. This facility was provided by African Gas Development Corporation Ltd and Banque Benedict Hentsch et Cie. Since the year end, Gasol has entered into a new £1 million convertible loan facility, also with African Gas Development Corporation. The £10 million equity line of credit with GEM Global Yield Fund remains in place but the illiquidity in the trading of the Company's shares makes the ability to use this facility very difficult.

**Investments**

The Directors reviewed the value of the investments of the Company at 31 March 2011 and came to a valuation of £3,000,000. In forming this valuation, the directors have considered both the price at which an independent unsolicited bid for the project rights would be rejected by the Board and assessed the net present value of the project future cash flows, which have been risk adjusted to reflect the probabilities of success at each stage of the project. This led to an impairment write down of £285,488 in the Group and £31,948,633 in the Company during the year.

**Management & Staff**

After the changes of both Board members and Management in 2009, staffing in 2010 has been constant. I would like to thank everyone who has continued to work hard throughout the year, turning the Gasol strategy into a reality. As our projects progress we are recruiting to expand our management and project development capabilities.

**Outlook and Challenges**

Whilst Gasol remains in its development phase it needs, and continues to seek, sources of funding in order to progress the development of its projects and bring them to the position of final investment decision, and beyond. As the projects achieve greater certainty, we expect to be able to access alternative sources of funds. Gas projects, of the type that Gasol is developing, are large scale and capital intensive. Whilst much of the project cost will be met by bank finance, Gasol will need to find finance for the remaining funding requirements and it is likely that some of the risk and reward of the projects will be shared with other parties.

As Gasol sets about developing its projects in line with the new strategy, the management believes that the business model is sound and that the future prospects of the gas market are positive, particularly those available in the gas-to-power sector within West Africa. Much will depend on the ability of Gasol to successfully raise funding for project development and execution, but we are confident that by developing robust projects within the chosen strategy we will have a good opportunity of doing so.

**Ewen Wigley**

Chief Operating Officer

6 September 2011

**Being a project developer, Gasol provides monetisation solutions to gas assets owners by developing projects which provide a route to domestic and export markets.**



**We are actively developing key relationships and alliances with companies along the value chain in order to progress our business development activities.**

**We have a focused strategy and a strong team - these will stand us in good stead to face current challenges and to deliver long term value to our shareholders.**

## Board of Directors and Strategic Advisor

### **Haresh Kanabar (53) Non-Executive Director**

Haresh Kanabar has 20 years' experience in senior management of various companies and industries, including many AIM – listed companies. He is currently a director of Aurum Mining plc, Indian Restaurants Group plc, Silentpoint plc, Silentpoint Property Limited, International Mining and Infrastructure Corporation plc and Venteco plc. Prior to this Mr. Kanabar held a number of management and senior finance positions in five companies since 1997.

### **Ewen Wigley (50) Chief Operating Officer**

Ewen Wigley is currently Head of Corporate Development for African Gas Development Corporation, which is the largest shareholder in Gasol Plc. He has more than 20 years experience in the City of London.

Prior to his recent work with both private and AIM listed companies, Ewen spent 5 years as a director of a corporate finance boutique that specialised in advising small cap companies on mergers, acquisitions and restructuring. Before that, he was at Union Plc for 15 years, latterly as Chief Operating Officer, where he gained broad experience in banking, leasing and financing.

Ewen is a Fellow of the Association of Corporate Treasurers.



**Haresh Kanabar** Chairman



**Ewen Wigley** Chief Operating Officer

**Osman Shahenshah (49) Non-Executive Director**

Osman Shahenshah has 20 years' experience in oil and gas finance, developing and implementing projects worldwide, working with the Major and National Oil Companies.

He is the Chief Executive Officer of Afren plc, the Africa-focused oil independent. His career has included senior positions at the International Finance Corporation, Dresdner Kleinwort Wasserstein and Mediocredito Centrale.

**Paul Biggs (45) Non-Executive Director**

Paul Biggs, a project finance specialist with a focus on emerging markets, is a Senior Partner of the specialised law firm Trinity International LLP.

Prior to joining Trinity, Mr Biggs was head of the Project Finance Group at Cadwalader, Wickersham & Taft LLP, and before that a partner at CMS Cameron McKenna. Mr Biggs also spent five years at the Commonwealth Development Corporation.

**Ethelbert J L Cooper (57) Strategic Advisor to the Board**

Mr Cooper has been active in the African natural resources sector for over 25 years.

During the 1980s he devised and led an initiative to restructure what, at the time, was Liberia's biggest industrial project – an iron ore mining company with capital investment of over \$600m. Mr Cooper also formed Liberia's mining parastatal, whose management, marketing and financing requirements were contracted to Mr Cooper's companies.

Mr Cooper is a founding member and Chairman of the Liberian International Development Foundation and a Founder and Director of the African's African American Foundation. Mr Cooper is also a member of the National Advisory Board of WEB Du Bois Institute of African Studies at Harvard University.



**Osman Shahenshah** Non-Executive Director



**Paul Biggs** Non-Executive Director

## Directors' Report

for the year ended 31 March 2011

The Directors' present their annual report on the affairs of the Group, together with the financial statements and auditor's report for the year ended 31 March 2011.

### Principal activities of the business

The principal activity of the Group is to seek, evaluate and capitalise on acquisition and investment opportunities in the gas sector.

### Business review and future developments

A review of the Group's operations and future developments is set out in the Chief Operating Officer's report.

### Key performance indicators

Key performance indicators include:

- Meeting articulated milestones on existing project opportunities
- Control of costs to budgets
- Identifying and securing gas assets
- Delivery of binding strategic alliances and project development agreements
- Securing finance to support business development activities
- Exploration of regional gas monetisation projects with shorter lead times

The above key performance indicators are monitored by the board to ensure that they are progressing as planned in a timely manner. At this stage the board is confident that these targets are being met.

As discussed in the Chairman and COO statements, Gasol continues to develop its strategy of seeking to aggregate and monetise stranded gas assets in the Gulf of Guinea. The principal risks and uncertainties associated with the Group and its funding requirements for the foreseeable future are discussed below.

### Principal risks and uncertainties

The activities of the Group are subject to a number of risks; if any of these risks were to materialise the Group's business, financial condition and results of future operations could be materially adversely affected. The principal risks are as follows:

- **Insufficient gas:** whilst the gas reserve potential of the Gulf of Guinea is well known, it may not be possible for the Group to gain access to suitable fields or economically viable to exploit them if the costs of extraction are too high or reserve levels are too low to justify investment in gas transportation or processing facilities.
- **Upstream partners:** the Group is reliant on upstream partners to secure sufficient gas reserves on acceptable terms, but there can be no assurance that such arrangements will be secured or on terms satisfactory to the Group.
- **Cost of project:** the cost of projects varies widely according to demand and geographic location. Project costs such as pipelines, LNG plants, regasification facilities, ships, exploration rigs, contractors and drilling staff may be difficult to predict, all of which if increased will have a negative impact on the economics of a project.
- **Funding:** the business of the Group currently represents early stage opportunities rather than defined projects and these opportunities may lead to large capital intensive long-term projects which it is anticipated will not generate revenue for several years. As a result, the Group is likely to be required to raise significant capital in the future. There is no assurance that it will be able to raise such capital when it is required or that the terms associated with providing such capital will be satisfactory to the Group. In addition, further short-term financing is required to meet operating needs.
- **Political, regulatory and economic instability:** the Group will be exposed to various levels of political risk and regulatory uncertainties including government regulations, policies or directives relating to exploration, foreign investors, restrictions on production, price controls, export controls, income and other taxes, nationalisation or expropriation of property, partner carry, repatriation of income, royalties and environmental legislation.
- **Other risks** arise from changes in demand for LNG, fluctuating LNG prices, ability to secure customers, timely project delivery and the ability to maintain Gasol's desired level of equity in the projects.

**Going concern**

The Directors have prepared these financial statements on a going concern basis. The Board is also confident that it retains the continuing support from its major shareholders to provide additional funding should other sources not be forthcoming.

During the prior year, the Group secured a £10 million credit facility although the ability to draw upon this is dependent upon certain share trading volumes and prices and this facility therefore cannot be relied upon on its own to provide sufficient working capital for at least the next 12 months.

The Board acknowledges that the ability of Gasol and its subsidiary companies to continue as a going concern is inextricably linked to the success of its efforts to raise finance both to meet day to day operating needs and to fund Gasol's participation in gas monetisation projects. This situation represents a material uncertainty regarding Gasol's ability to continue as a going concern.

Whilst these financial statements are prepared on a going concern basis, the Board also acknowledges that the valuation of certain assets on the Consolidated and Company Statement of Financial Position would differ under a break-up valuation. Notably, goodwill at both Company and Group level would be likely to carry a £nil value under a break-up valuation.

Further information regarding going concern is provided in note 1 to these financial statements.

**Result and dividend**

The results of the Group for the year ended 31 March 2011 are set out on page 23.

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

**Directors**

The names of individuals who served as directors of the Company from 1 April 2010 are as follows:

Name of Director

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Haresh Kanabar  
Osman Shahenshah  
Ewen Wigley  
Paul Biggs

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**Directors' remuneration and Directors' interests**

Details of the Directors' remuneration and their interests in the equity share capital of Gasol are set out in the Report of the Remuneration Committee on pages 19 to 20.

**Related Party transactions**

Details of related party transactions are contained in note 24 to the consolidated financial statements.

**Financial instruments and treasury policy**

Information on the Group's use of financial instruments and management of financial risks is discussed in note 22 to the consolidated financial statements.

**Creditor payment policy**

The Group has no formal code or standard which deals specifically with the payment of suppliers. However, the Group's policy on the payment of all creditors is to ensure that the terms of payment, as specified and agreed with the supplier, are not exceeded. The average credit period taken for trade purchases is 23 days (2010: 53 days).

**Share capital**

No ordinary shares were issued during the year ended 31 March 2011 (2010: 75,555,504 ordinary shares). Warrants issued as part of the loan financing received in April 2010 are further disclosed in note 19.

## Directors' Report

for the year ended 31 March 2011 continued

### Substantial shareholdings

As at the date of this report, so far as the Directors are aware, the only persons who are directly or indirectly interested in 3% or more of the nominal value of the Company's ordinary share capital are as follows:

	Number of ordinary shares held	Ordinary shares as % of issued share capital
African Gas Development Corporation Limited	564,733,649	52.11
Afren Plc	226,421,354	20.89
Synergy Asset Management Limited	75,000,000	6.92

### Charitable and political donations

No charitable or political donations were made during the year (2010: £nil).

### Disclosure of information to auditors

So far as each Director at the date of approval of this report is aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all steps that he or she ought to have taken to make himself or herself aware of any relevant audit information and to establish that the auditors are aware of that information.

### Auditor

BDO LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

### Recommendation

The Board considers that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and it is their unanimous recommendation that shareholders support them.

On behalf of the Board of Directors:

### Ewen Wigley

Chief Operating Officer

6 September 2011

## Corporate Governance Statement

for the year ended 31 March 2011

The Directors are committed to maintaining high standards of corporate governance. Whilst AIM companies are not obliged to comply with the Combined Code, the Board intend, so far as is practicable given the Group's size and nature, to comply with the Combined Code. The Group also intends to comply with the principles of the Corporate Governance Guidelines for AIM Companies published by the Quoted Companies Alliance in 2005, so far as it is practical for a Group of Gasol's size.

### Risk Management and Corporate Governance

The Directors have established an Audit Committee, Remuneration Committee, Investment Committee and Nominations Committee, each with formally delegated rules and responsibilities.

The Group has adopted a model code for Directors' and certain employee share dealings which the Directors believe is appropriate for an AIM quoted company. The Directors will comply with Rule 21 of the AIM Rules relating to Directors' dealings and in addition will take all reasonable steps to ensure compliance by the Group's applicable employees (as defined in the AIM Rules).

### The Board of Directors

The Board of Directors is responsible for formulating, reviewing and approving the Group's strategy, budgets, major items of capital expenditure and acquisitions, and reporting to the shareholders.

All Non-Executive Directors are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

The Company intends to hold at least four Board meetings throughout each year.

*The Audit Committee* ensures that financial reporting procedures, internal controls, corporate governance practices and risk management systems are thoroughly reviewed and adhered to, and reviews the Group's external audits. The committee comprises Paul Biggs (Chairman) and Haresh Kanabar. It will meet as appropriate and when required. The Company's external auditors are invited to attend these meetings.

*The Nominations Committee* is responsible for reviewing the structure, size and composition of the Board, arranges succession planning for directors and senior executives, and nominates potential candidates to the Board. It aims to meet at least once each year and comprises Paul Biggs (Chairman) and Haresh Kanabar.

*The Remuneration Committee* is responsible for determining and agreeing with the Board the remuneration of the Executive, and ensuring that the Group's management team are appropriately incentivised to encourage enhanced performance. It aims to meet twice a year and comprises Osman Shahenshah (Chairman) and Paul Biggs. Further details on the Remuneration Committee are detailed in the Report of the Remuneration Committee on pages 19 to 20.

*The Investment Committee* is responsible for reviewing capital expenditure, project appraisals and final investment decisions. It aims to meet twice a year and comprises of Haresh Kanabar (Chairman), Paul Biggs and Osman Shahenshah.

### Attendance at Board Meetings

Gasol Plc	Full Board	Audit	EGM	AGM
No. of Meetings	4	1	–	1
Haresh Kanabar	4	1	–	1
Ewen Wigley	4	1	–	1
Osman Shahenshah	4	1	–	1
Paul Biggs	3	1	–	–

### Internal financial control and reporting

The Board is responsible for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness. The procedures, which include financial, compliance and risk management, are reviewed on an on-going basis. The Board approves the annual budget and performance against budget is monitored and reported by the Board. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has considered the need for an internal audit function but does not consider it necessary at the current time with the current controls in place and external accountant monitoring of processes. Gasol's financial management team is currently reviewed and approved by Ewen Wigley, COO.

## Corporate Governance Statement

for the year ended 31 March 2011 continued

### Relations with shareholders

The Company reports to shareholders twice a year. The Company dispatches the notice of its Annual General Meeting, together with a description of the items of special business, at least 21 days before the meeting. Each substantially separate issue is the subject of a separate resolution and all shareholders have the opportunity to put questions to the Board at the Annual General Meeting. The chairmen of the Audit and Remuneration Committees normally attend the Annual General Meeting and will answer questions which may be relevant to their responsibilities.

### Compliance with the Bribery Act

At Gasol we uphold all laws relevant to countering bribery and corruption in all jurisdictions in which we operate, including the Bribery Act 2010 which came into force on 1 July 2011. In order to comply with the Bribery Act 2010, the Company engaged external professionals to advise on implementing adequate procedures, including training its staff at all levels on anti-bribery policies and communicating internally and externally its zero-tolerance approach to bribery and corruption within our business and indeed within the businesses of those we work with.

## Report of the Remuneration Committee

for the year ended 31 March 2011

### Statement of compliance

This report does not constitute a Directors' Remuneration Report in accordance with the Directors' Remuneration Report Regulations 2002, which do not apply to AIM-listed companies.

The Group has applied the principles relating to Directors' remuneration as set out below.

### Remuneration Committee

The Remuneration Committee reviews the performance of the Executive Directors and sets and reviews the scale and structure of their remuneration and the terms of their service agreements with due regard to the interests of shareholders. In determining the remuneration of executive Directors, the Remuneration Committee seeks to attract and retain executives of the highest calibre. The Remuneration Committee also makes recommendations to the Board concerning the allocation of share options to employees. No Director is permitted to participate in discussions or decisions concerning his own remuneration. At the date of this document, the Remuneration Committee comprises two Non-Executive Directors and is chaired by Mr Osman Shahenshah. The Remuneration Committee has formal terms of reference.

At the invitation of the committee chairman, Executive Directors may attend the proceedings.

None of the committee members has any personal financial interests (other than as shareholders) or conflicts of interest arising from cross-directorships that are not disclosed. The committee has access to professional advice from internal and external advisors where relevant.

The Remuneration Committee is responsible for determining the remuneration of the Executive Directors, and the grant of share options.

### Policy on Executive Directors' remuneration

Remuneration packages are designed to motivate and retain Executive Directors to ensure the continued development of the Group and to reward them for enhancing value to shareholders. The main elements of the remuneration package for Executive Directors are basic salary or fees, benefits and share option incentives.

### Share incentives

The Directors believe that attracting, motivating and retaining employees of appropriate calibre is vital to the continued success of the Group. The continued incentivisation of key employees is very important, as their skills and experience, and their supplier and customer relationships, are key to the continued success of the Group.

### Directors' remuneration

The remuneration of the Directors for the year ended 31 March 2011 is shown below:

	2011	2010
	£	£
Haresh Kanabar	30,000	30,000
Ewen Wigley	144,000	36,000
Paul Biggs	30,000	30,000
Osman Shahenshah	30,000	30,000
Theo Oerlemans	–	65,215
Soumo Bose	–	1,134,421
Charles Osezua	–	46,250
	234,000	1,371,886

A summary of remuneration is as follows:

	Year ended 31 March 2011	Year ended 31 March 2010
	£	£
Aggregate emoluments of Executive Directors	144,000	663,115
Payments to Non-Executive Directors	90,000	136,250
Director's termination payment for loss of office	–	565,021
Pension	–	7,500
Total Directors' remuneration	234,000	1,371,886

## Report of the Remuneration Committee

for the year ended 31 March 2011 continued

There were no pension benefits accruing to Directors under defined benefit schemes in the year (2010: £nil). The aggregate emoluments for Executive Directors include £nil (2010: £7,500) of contributions to a personal pension plan.

The key management personnel of the Group are the Directors of Gasol.

No Director exercised any share options during the year (2010: £nil). Details of Directors' shareholdings can be found below.

Share-based payments as remuneration totalled £nil for Executive Directors (2010: £413,004) and totalled £nil for Non-Executive Directors (2010: £nil).

The highest paid Director received total emoluments in the year in respect of service of £144,000 (2010: £582,376). £nil termination payments for loss of office were paid during the year (2010: £544,545). During the year Directors salaries deferred and due at the year end totalled £59,400 (2010: £37,500).

The comparative figures for directors salaries have been amended to reflect the deferred salaries that were owed to the directors to ensure directors remuneration is disclosed on an accruals basis.

Gasol has purchased an insurance policy to protect Directors and Officers of Gasol in the event of any legal action being taken against them relating to the period that they hold office. In the year ended 31 March 2011, the cost of this insurance was £21,077 (2010: £19,309) and was borne entirely by Gasol.

### Directors' interests

The beneficial interests of the Directors in the ordinary shares of the Company at 31 March 2011 are as follows:

	Ordinary shares of 0.5p each	
	At 31 March 2011	At 31 March 2010
Haresh Kanabar	Nil	Nil
Ewen Wigley	250,000	250,000
Osman Shahenshah	Nil	Nil
Paul Biggs	413,776	413,776

The Directors' interests in options over the equity share capital of the Company at 31 March 2011 are as follows:

	At 31 March 2010	Granted	Lapsed	At 31 March 2011	Exercise Price	Exercisable	
						From	To
Paul Biggs	500,000	–	(500,000)	–	15p	27/06/2007	05/06/2010

The market price of the ordinary shares of the Company at 31 March 2011 was 0.8 pence (2010: 2.1 pence) and the range during the year was 0.7 pence to 2.2 pence (2010: 1.6 pence to 4.9 pence).

This report was approved by the Board of Directors and signed on its behalf by:

### Osman Shahenshah

Chairman, Remuneration Committee

6 September 2011

## Statement of Directors' Responsibilities

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 the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 group and company and of the profit or loss of the group for that year. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, 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 requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Website publication**

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

# Independent Auditors' Report

for the year ended 31 March 2011

## Independent auditors' report to the members of Gasol plc

We have audited the financial statements of Gasol Plc for the year ended 31 March 2011 which comprise the group and company statement of financial position, the group statement of comprehensive income, the group and company statement of cash flows, the group and company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 auditors

As explained more fully in the statement of directors' responsibilities, 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 an 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 website at [www.frc.org.uk/apb/scope/private.cfm](http://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 group's and the parent company's affairs as at 31 March 2011 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Group's and the Company's ability to continue as a going concern. The Group and Company are dependent on successfully securing further financing. Although access to a £10million line of credit obtained in June 2009 remains in place, the ability to draw on the facility is dependent on certain conditions outside the control of the Group, including share price and share trading volumes. Although the Directors are confident of being able to obtain further sources of funding to enable the Group to progress projects to positive cash generation, this cannot be guaranteed and indicates the existence of a material uncertainty, which may cast significant doubt on the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

We also draw your attention to notes 1 and 27. The realisation of these assets is dependent upon the successful ability to generate adequate cash inflows from a gas project including the ability of the Group to raise sufficient finance as noted above. The financial statements do not include any adjustments relating to these uncertainties.

## Opinion on other matters 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.

## 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

## Scott Knight (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom  
6 September 2011

## Consolidated Statement of Comprehensive Income

for the year ended 31 March 2011

	Note	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Other operating income		68,000	68,000
Administrative expenses	5	(1,798,055)	(4,622,768)
Intangible asset impairment	10	(285,488)	–
<b>Loss from operations</b>		<b>(2,015,543)</b>	<b>(4,554,768)</b>
Finance income	7	35	3,673
Finance costs	8	(363,986)	(532,147)
<b>Loss before tax</b>		<b>(2,379,494)</b>	<b>(5,083,242)</b>
Income tax expense	9	–	–
<b>Loss for the year</b>		<b>(2,379,494)</b>	<b>(5,083,242)</b>
<b>Other comprehensive income:</b>			
Currency translation differences		(890)	25,826
<b>Total comprehensive income for the year</b>		<b>(2,380,384)</b>	<b>(5,057,416)</b>
<b>Loss per ordinary share</b>			
Basic and diluted loss per share	11	(0.22p)	(0.47p)

All results relate to continuing activities.

All losses and other comprehensive income for the year are attributable to equity shareholders of the parent.

The notes on pages 32 to 56 form part of these financial statements.

## Consolidated Statement of Changes in Equity

for the year ended 31 March 2011

	Share capital £	Share premium £	Reverse acquisition reserve £	Convertible loan reserve £	Capital contribution reserve £	Translation reserve £	Warrant reserve £	Retained losses £	Total equity £
<b>At 1 April 2010</b>	5,524,445	72,574,560	(63,104,556)	–	83,787	13,157	1,473,719	(14,460,973)	2,104,139
<b>Comprehensive income</b>									
Loss for the year	–	–	–	–	–	–	–	(2,379,494)	(2,379,494)
<b>Other comprehensive income</b>									
Currency translation differences	–	–	–	–	–	(890)	–	–	(890)
<b>Total comprehensive income for the year ended 31 March 2011</b>	–	–	–	–	–	(890)	–	(2,379,494)	(2,380,384)
Warrants issued on lines of funding	–	–	–	–	–	–	152,086	–	152,086
Credit to equity due to the convertible loan	–	–	–	260,870	–	–	–	–	260,870
<b>At 31 March 2011</b>	<b>5,524,445</b>	<b>72,574,560</b>	<b>(63,104,556)</b>	<b>260,870</b>	<b>83,787</b>	<b>12,267</b>	<b>1,625,805</b>	<b>(16,840,467)</b>	<b>136,711</b>

### Share capital account

Share capital records the nominal value of shares in issue.

### Share premium account

Share premium records the receipts from issue of share capital above the nominal value of the shares. Share premium is stated net of direct issue costs.

### Capital contribution reserve

Contributions provided to entities by shareholders that are not intended by either party to be repaid are accounted for as capital contributions.

### Translation reserve

Translation gains and losses arising on the retranslation of net assets of subsidiaries whose presentational currency is not sterling are recognised directly in equity in the translation reserve.

### Reverse acquisition reserve

A reverse acquisition reserve is established to take account of acquisitions that are deemed to be reverse acquisitions under International Financial Reporting Standards.

### Retained earnings

The accumulated loss reserve records the cumulative profits less losses recognised in the Statement of Comprehensive Income, net of any distributions and share-based payments made.

### Warrant reserve

The warrant reserve records the fair value charge of warrants issued by the Group.

### Convertible loan reserve

The convertible loan reserve records the equity component of the convertible loan instrument.

The notes on pages 32 to 56 form part of these financial statements.

## Consolidated Statement of Changes in Equity

for the year ended 31 March 2010

	Share capital £	Share premium £	Reverse acquisition reserve £	Capital contribution reserve £	Translation reserve £	Warrant reserve £	Retained losses £	Total equity £
<b>At 1 April 2009</b>	5,146,668	71,695,196	(63,104,556)	74,156	(12,669)	–	(9,800,154)	3,998,641
<b>Comprehensive income</b>								
Loss for the year	–	–	–	–	–	–	(5,083,242)	(5,083,242)
<b>Other comprehensive income</b>								
Currency translation differences	–	–	–	–	25,826	–	–	25,826
<b>Total comprehensive income for the year ended 31 March 2010</b>	–	–	–	–	25,826	–	(5,083,242)	(5,057,416)
Issue of share capital	377,777	879,364	–	–	–	–	–	1,257,141
Capital contribution received	–	–	–	9,631	–	–	–	9,631
Warrants – on share issues	–	–	–	–	–	839,248	–	839,248
Warrants – on lines of funding	–	–	–	–	–	634,471	–	634,471
Share-based payments	–	–	–	–	–	–	422,423	422,423
	377,777	879,364	–	9,631	–	1,473,719	422,423	3,162,914
<b>At 31 March 2010</b>	<b>5,524,445</b>	<b>72,574,560</b>	<b>(63,104,556)</b>	<b>83,787</b>	<b>13,157</b>	<b>1,473,719</b>	<b>(14,460,973)</b>	<b>2,104,139</b>

## Company Statement of Changes in Equity

for the year ended 31 March 2011

	Share capital £	Share premium £	Shares to be issued reserve £	Warrant reserve £	Retained losses £	Total equity £
<b>At 1 April 2010</b>	5,524,445	72,574,560	–	1,473,719	(45,851,536)	33,721,188
<b>Other comprehensive income</b>						
Loss for the year	–	–	–	–	(34,050,937)	(34,050,937)
<b>Other comprehensive income</b>						
Currency translation differences	–	–	–	–	(890)	(890)
<b>Total comprehensive income for the year ended 31 March 2011</b>	–	–	–	–	(34,051,827)	(34,051,827)
Warrants issued on lines of funding	–	–	–	152,086	–	152,086
Credit to equity due to the convertible loan	–	–	260,870	–	–	260,870
<b>At 31 March 2011</b>	<b>5,524,445</b>	<b>72,574,560</b>	<b>260,870</b>	<b>1,625,805</b>	<b>(79,903,363)</b>	<b>82,317</b>

### Share capital account

Share capital records the nominal value of shares in issue.

### Share premium account

Share premium records the receipts from issue of share capital above the nominal value of the shares. Share premium is stated net of direct issue costs.

### Retained earnings

Retained earnings records the cumulative profits less losses recognised in the Statement of Comprehensive Income, net of any distributions and share-based payments made.

### Warrant reserve

The warrant reserve records the fair value charge of warrants issued by the Company.

### Deferred consideration reserve

The deferred consideration reserve records the fair value charge of shares expected to be issued in relation to the reverse acquisition of African LNG Holdings Limited.

The notes on pages 32 to 56 form part of these financial statements.

## Company Statement of Changes in Equity

for the year ended 31 March 2010

	Share capital £	Share premium £	Warrant reserve £	Retained earnings £	Total equity £
<b>At 1 April 2009</b>	5,146,668	71,695,196	–	(41,723,510)	35,118,354
<b>Comprehensive income</b>					
Loss for the year	–	–	–	(4,550,449)	(4,550,449)
<b>Total comprehensive income for the year ended 31 March 2010</b>	–	–	–	(4,550,449)	(4,550,449)
Issue of share capital	377,777	879,364	–	–	1,257,141
Warrants – on share issues	–	–	839,248	–	839,248
Warrants issued on lines of funding	–	–	634,471	–	634,471
Share-based payments	–	–	–	422,423	422,423
	377,777	879,364	1,473,719	422,423	3,153,283
<b>At 31 March 2010</b>	<b>5,524,445</b>	<b>72,574,560</b>	<b>1,473,719</b>	<b>(45,851,536)</b>	<b>33,721,188</b>

## Consolidated Statement of Financial Position

as at 31 March 2011

	Note	31 March 2011 £	31 March 2010 £
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	12	3,000,000	3,285,488
Property, plant and equipment	13	7,595	134,729
<b>Total non-current assets</b>		<b>3,007,595</b>	3,420,217
<b>Current assets</b>			
Trade and other receivables	14	143,929	242,099
Cash and cash equivalents	21	174,795	245,189
<b>Total current assets</b>		<b>318,724</b>	487,288
<b>Total assets</b>		<b>3,326,319</b>	3,907,505
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	426,425	605,690
Borrowings	16	2,763,183	1,197,676
<b>Total current liabilities</b>		<b>3,189,608</b>	1,803,366
<b>Net assets</b>		<b>136,711</b>	2,104,139
<b>Equity</b>			
Share capital	18	5,524,445	5,524,445
Share premium account		72,574,560	72,574,560
Reverse acquisition reserve		(63,104,556)	(63,104,556)
<b>Total issued equity</b>		<b>14,994,449</b>	14,994,449
Convertible loan reserve		260,870	–
Capital contribution reserve		83,787	83,787
Translation reserve		12,267	13,157
Warrant reserve		1,625,805	1,473,719
Retained losses		(16,840,467)	(14,460,973)
<b>Total equity attributable to equity holders of the parent</b>		<b>136,711</b>	2,104,139

The notes on pages 32 to 56 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 6 September 2011.

**Ewen Wigley**  
Chief Operating Officer

Registered Number 5350159

## Company Statement of Financial Position

as at 31 March 2011

	Note	31 March 2011 £	31 March 2010 £
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	27	3,000,000	34,948,633
Property, plant and equipment	28	7,595	134,729
<b>Total non-current assets</b>		<b>3,007,595</b>	35,083,362
<b>Current assets</b>			
Trade and other receivables	29	112,477	196,187
Cash and cash equivalents	32	148,908	235,506
<b>Total current assets</b>		<b>261,385</b>	431,693
<b>Total assets</b>		<b>3,268,980</b>	35,515,055
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	30	423,480	596,191
Borrowings	31	2,763,183	1,197,676
<b>Total current liabilities</b>		<b>3,186,663</b>	1,793,867
<b>Net assets</b>		<b>82,317</b>	33,721,188
<b>Equity</b>			
Share capital	18	5,524,445	5,524,445
Share premium account		72,574,560	72,574,560
Convertible loan reserve		260,870	-
Warrant reserve		1,625,805	1,473,719
Retained losses		(79,903,363)	(45,851,536)
<b>Total equity attributable to equity holders of the parent</b>		<b>82,317</b>	33,721,188

The notes on pages 32 to 56 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 6 September 2011.

**Ewen Wigley**

Chief Operating Officer

Registered Number 5350159

## Consolidated Statement of Cash Flows

for the year ended 31 March 2011

	Note	Year ended 31 March 2011 £	Year ended 31 March 2010 £
<b>Loss before taxation</b>		<b>(2,379,494)</b>	(5,083,242)
Adjustments for:			
Finance income	7	(35)	(3,673)
Finance costs	8	363,986	532,147
Depreciation charges	13	84,360	114,885
Impairment of goodwill	10	285,488	–
Equity settled expense		–	96,389
Loss on disposal of property, plant and equipment		427	11,239
Share-based payment charge		–	422,423
Operating cash flows before movements in working capital		<b>(1,645,268)</b>	(3,909,832)
Decrease in receivables	14	98,170	26,503
(Decrease)/increase in payables	15	(179,265)	42,559
<b>Net cash absorbed by operating activities</b>		<b>(1,726,363)</b>	(3,840,770)
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		42,347	–
Interest received		35	3,673
<b>Net cash received from investing activities</b>		<b>42,382</b>	3,673
<b>Cash flows from financing activities</b>			
Interest paid		(19,701)	–
Repayment of loan		(100,807)	–
Proceeds from issue of share capital net of issue costs		–	2,000,000
Proceeds from issue of unsecured loan		–	300,000
Proceeds from issue of convertible loan note		1,734,985	1,000,000
<b>Net cash generated from financing activities</b>		<b>1,614,477</b>	3,300,000
<b>Net decrease in cash and cash equivalents</b>		<b>(69,504)</b>	(537,097)
Cash and cash equivalents at beginning of year		245,189	782,286
Effect of foreign exchange rates		(890)	–
<b>Cash and cash equivalents at end of year</b>	21	<b>174,795</b>	245,189

The notes on pages 32 to 56 form part of these financial statements.

## Company Statement of Cash Flows

for the year ended 31 March 2011

	Note	Year ended 31 March 2011 £	Year ended 31 March 2010 £
<b>Loss before taxation</b>		<b>(34,050,937)</b>	(4,550,449)
Adjustments for:			
Finance income		(35)	(108)
Finance costs		363,096	521,476
Depreciation of property, plant and equipment	28	96,122	114,885
Impairment of goodwill	26	31,948,633	–
Equity settled expenses		–	96,389
Loss on disposal of property, plant and equipment		1,465	–
Share-based payment charge		–	422,423
Operating cash flows before movements in working capital		<b>(1,641,656)</b>	(3,395,384)
Decrease in receivables	29	83,710	5,364
Decrease in payables	30	(172,711)	(421,418)
<b>Net cash absorbed by operating activities</b>		<b>(1,730,657)</b>	(3,811,438)
<b>Cash flows from investing activities</b>			
Interest received		35	108
Proceeds from sale of property, plant and equipment		29,547	–
<b>Net cash generated from investing activities</b>		<b>29,582</b>	108
<b>Cash flows from financing activities</b>			
Interest paid		(19,701)	–
Repayment of loan		(100,807)	–
Proceeds from issue of share capital net of issue costs		–	2,000,000
Proceeds from issue of unsecured loan		–	300,000
Proceeds from issue of convertible loan note		1,734,985	1,000,000
<b>Net cash generated from financing activities</b>		<b>1,614,477</b>	3,300,000
<b>Net decrease in cash and cash equivalents</b>		<b>(86,598)</b>	(511,330)
Cash and cash equivalents at start of year		235,506	746,836
<b>Cash and cash equivalents at end of year</b>	32	<b>148,908</b>	235,506

The notes on pages 32 to 56 form part of these financial statements.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2011

## 1. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs"), and are in accordance with IFRS as issued by the IASB.

The consolidated financial statements have been prepared under the historical cost basis, except for the revaluation of financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies are set out in note 2.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgment in the most appropriate application in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

### Going concern

Gasol does not currently hold sufficient cash or liquid assets in order to meet its commitments as they fall due for the next 12 months or to fund the expenditure required to progress the gas projects to cash generation. Access to a £10 million line of credit was secured in June 2009 but the ability to draw down on the facility is dependent upon certain conditions outside of the control of the Group including share prices and volumes. Gasol is currently involved in discussions with external investors and advisors to secure future financing arrangements. The Board is also confident that it retains the continuing support from its major shareholders to provide additional funding should other sources not be forthcoming. The directors believe that based on the preliminary discussions the outcome will be positive. The directors appreciate that this lack of formally negotiated funding may cast significant doubt on the Group's ability to continue as a going concern. Nevertheless, with the expectation of Gasol formally agreeing new funding from its major shareholders and other financial investors, the directors have a reasonable expectation that the Group has adequate resources to continue trading for the foreseeable future and have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern. Certain assets on the Consolidated and Company Statement of Financial Position would differ under a break up valuation. Notably, goodwill at both Company and Group level would be likely to carry a £nil value under a break up valuation.

### Adoption of new and revised standards

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2010, but are not currently relevant to the Group.

- IFRS 3 (revised) – business combinations and consequential amendments to IAS 27, Consolidated and separate financial statements, IAS 28 Investments in associates and IAS 31 Interests in joint ventures.

The following standards and amendments to existing standards have been published and are mandatory for the first time for the financial year beginning 1 April 2010 but are not currently relevant to the Group (although they may affect the accounting for future transactions and events).

- IFRS 2 – Group settled share-based payment transactions – The amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.
- IFRS 5 – Non-current assets held for sale and discontinued operations – The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets held for sale or discontinued operations.
- IAS 1 – Presentation of financial statements – The amendment that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.
- IAS 36 – Impairment of Assets — The amendment clarifies that the largest cash-generating unit to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by IFRS 8.
- IFRIC 9 – Reassessment of embedded derivatives – The amendment requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category.
- IFRIC 16 – Hedges of a net investment in a foreign operation.
- IFRIC 17 – Distribution of non cash assets to owners – The interpretation provides guidance on accounting for arrangements whereby an entity distributes non cash assets to shareholders either as a distribution of reserves or as dividends.
- IFRIC 18 – Transfers of assets from customers.

## 1. Basis of preparation continued

### Standards issued but not yet effective

The International Accounting Standards Board and the International Financial Reporting Interpretations Committee (IFRIC) have issued the following standards and interpretations with effective dates as noted below:

- IFRS 1 – amendments relating to (a) accounting policy changes in year of adoption fall outside the scope of IAS 8, (b) permits the use of revaluation carried out after the date of transition as a basis for deemed cost (c) carrying amount under previous GAAP as deemed cost for operations subject to rate regulation, (d) additional exemptions for first time adopters, and (e) limited exemption from comparative IFRS 7 disclosure for first-time adopters. The amendments apply for financial periods beginning on or after 1 January 2011.
- IFRS 3 – amendments relating to (a) transition for contingent consideration from business combination that occurred before the effective date of the revised IFRS 3 (2004), (b) measurement of Non-Controlling Interests, and (c) un-replaced and voluntarily replaced Share-based Payment awards. The amendments apply for financial periods beginning on or after 1 January 2011.
- IFRS 7 – clarification of disclosures. The amendments are applicable for periods beginning on or after 1 January 2011 and emphasise the interaction between quantitative and qualitative disclosures about the nature and extent of risks associate with financial instruments. For accounts beginning on or after 1 July 2011 amendments require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.
- IFRS 9 – Financial Instruments – Classification and Measurement. The standard is applicable for periods beginning on or after 1 January 2013 and introduces new requirements for classifying and measuring financial assets.
- IAS 1 – clarification of the Statement of Changes in Equity ('SOCE'). The amendments are applicable for periods beginning on or after 1 January 2011 and clarify that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.
- IAS 21 – consequential amendments from changes to IAS 27 Consolidated and separate financial statements clarifying the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation. The standard is applicable for period beginning on or after 1 July 2010.
- IAS 24 – revised definition of related parties. The IAS is applicable for periods beginning on or after 1 January 2011. It clarifies and simplifies the definition of a related party.
- IAS 27 – describing the transition for amendments resulting from IAS 27 (2008). The amendments are applicable for periods beginning on or after 1 July 2010.
- IAS 28 – consequential amendments from changes to IAS 27 Consolidated and separate financial statements clarifying the transition rules in respect of disposal or partial disposal of an interest of a foreign operation. The standard is applicable for period beginning on or after 1 July 2010.
- IAS 34 – the amendments are applicable for periods beginning on or after 1 January 2011 and clarify disclosure requirements around significant events and transactions including financial instruments.
- IFRIC 13 – customer loyalty programmes – The amendments are applicable for periods beginning on or after 1 January 2011 and clarify the meaning of fair value on award credits.
- IFRIC 14 – prepayments of a minimum funding requirement. The amendments are effective for periods beginning on or after 1 January 2011.
- IFRIC 19 – Extinguishing liabilities with equity instruments. The IFRIC is applicable for periods beginning on or after 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company when the relevant standards and interpretations come into effect.

## Notes to the Consolidated Financial Statements

for the year ended 31 March 2011 continued

### 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

#### Basis of consolidation

The consolidated financial statements consist of the financial statements of the Company and entities controlled by the Company (the subsidiaries) made up to 31 March 2011. Control is achieved where the Company has the power to govern the financial and operational policies of an entity so as to gain benefit from its activities. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

As at 31 March 2011, the Company's subsidiary undertakings included in the consolidated Group financial information were:

- African LNG Holdings Limited
- African LNG Services Limited
- Afgas Infrastructure Limited
- Afgas Nigeria Limited; and
- SONAF G.E.S.A. (a joint venture incorporated using the proportional consolidation method).

Non-controlling interests in the net assets or liabilities of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. For this reason, no non-controlling interests are recognised in these financial statements.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The Company has taken advantage of the exemption under section 408 (3) of the Companies Act 2006 and has not presented its Statement of Comprehensive Income in these financial statements. The Company's Statement of Comprehensive Income for the year ended 31 March 2011 includes a loss after tax of £34,050,937 (2010: £4,550,449).

#### Joint ventures

Joint ventures are entities in which the Group holds an interest on a long-term basis and which are jointly controlled by the Group and other venturers under a contractual agreement. The Group's share is accounted for using the proportionate consolidation method. The consolidated Statement of Comprehensive Income and Statement of Financial Position include the Group's share of the income, expenses, assets and liabilities.

#### Investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

#### Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill arising on consolidation represents the excess of the consideration paid on acquisition over the Group's interest in the fair value of the identifiable assets (including any intangible assets), liabilities and contingent liabilities acquired. Goodwill is not amortised but is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

#### Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

## 2. Significant accounting policies continued

### Foreign currencies

The individual financial records of each group company are recorded in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of producing consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling (£), which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In maintaining the financial records of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. When consolidated results are produced, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the date of the Statement of Financial Positions. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, including those arising on investments in subsidiaries and associates and interest in joint ventures, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset or liability is realised or settled.

### Property, plant and equipment

Office equipment and fixtures and fittings are stated at cost of acquisition less accumulated depreciation and any recognised impairment loss. Depreciation of these assets is calculated on a straight line basis as follows:

Office equipment	2 years
Fixtures and fittings	4 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

## Notes to the Consolidated Financial Statements

for the year ended 31 March 2011 continued

### 2. Significant accounting policies continued

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#### **Impairment of non-financial assets**

The Group reviews the carrying amounts of its non-financial assets at each year end to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where there has been a change in economic conditions that indicate a possible impairment in a cash generating unit, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted cash flows based on management's expectations.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any depreciation that would have been charged since the impairment.

#### **Financial instruments**

Financial assets and financial liabilities are recognised at fair value in the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

#### **Trade receivables**

Trade receivables are generally carried at original invoice amount less a provision for bad and doubtful debts (if any) and do not bear interest. They are initially recognised at fair value, and are subsequently measured at amortised cost.

#### **Trade payables**

Trade payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

#### **Equity instruments**

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

#### **Cash and cash equivalents**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly-liquid investments that are readily convertible to known amounts of cash with three months or less remaining to maturity from the date of acquisition and that are subject to an insignificant risk of change in value.

#### **Financial liabilities and equity**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

## 2. Significant accounting policies continued

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### **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Loans from other group companies are provided at zero interest. Gasol has the option to repay these loans at any time. Gasol can only be required to repay the loans on the receipt of 12 months notice. Therefore these loans are classified as non-current liabilities. They are initially measured at fair value and subsequently at amortised cost.

### **Compound Financial Instruments**

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder. The number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to their initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition, except on conversion or expiry.

### **Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at managements' best estimate of the expenditure required to settle the obligation at the year end date, discounted to present value where the effect is material.

### **Share-based payments and warrants**

The Group issues equity-settled share-based payments to certain employees and warrants to institutional investors as part of funding activities. Equity-settled share-based payments and warrants are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

## 3. Critical accounting judgements and key sources of estimation uncertainty

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The preparation of the Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period. Actual results may vary from the estimates used to produce these Financial Statements.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant items subject to such estimates and assumptions include, but are not limited to:

## Notes to the Consolidated Financial Statements

for the year ended 31 March 2011 continued

### 3. Critical accounting judgements and key sources of estimation uncertainty continued

#### Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The goodwill represents project negotiation rights and the value is underpinned by the expected future cash flows generated through the development of the early stage gas monetisation opportunity in West Africa.

The targeted commercial start of the project is 2012 and cash flows have been projected to 2025 as this is the expected life of the project. Gas projects generally by their nature require a period greater than 5 years to recover the significant upfront capital investment.

The main risks and sensitivities impacting the valuation of the goodwill relate to the following:

- Ability of upstream partners to secure the gas assets;
- Obtaining government approvals;
- Reaching a binding Project Development Agreement between the parties;
- Securing sufficient funding to meet expected project development costs; and
- Delivering production within the projected timeframe.

For discounting purposes, a rate of 15% has been used, to reflect the cost of capital associated with this type of development. Discounting back to a present value, the carrying value of goodwill is supported entirely.

The directors' economic assessment of the project at 31 March 2011 is £3,000,000. In forming this valuation, the directors have considered the price at which an independent unsolicited bid for the project rights would be rejected by the Board. In addition and in determining the supporting net present value of the project future cash flows, the relevant probabilities of success at each stage of the project and have been assessed and the risk factored in to the valuation.

The directors acknowledge that the use of estimates is inherently judgemental but believe they have been relatively prudent in forming their views and utilised the significant experience of the Board and Management in determining the values used. Whilst there is the possibility that the projects will yield a lower than expected value, there remains significant up-side potential.

The directors will continue to monitor the valuation of the cash generating units that support the goodwill.

#### Other areas

Other estimates include but are not limited to the allowance for doubtful accounts; future cash flows associated with assets; useful lives for depreciation, depletion and amortisation and fair value of financial instruments.

### 4. Segment information

The Group complies with IFRS 8 Operating Segments, which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief executive to allocate resources to the segments and to assess their performance.

In the opinion of the directors, the operations of the Group comprise one class of business, being the exploration for opportunities to aggregate and monetise stranded gas assets in West Africa.

**5. Expenses by nature and auditor's remuneration**

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Staff costs	553,670	1,870,440
Depreciation of property, plant and equipment	84,360	114,885
Operating lease payments	246,686	246,686
Share-based payments	–	422,423
Provision against joint venture receivable	43,069	116,910
Other expenses	870,270	1,851,424
<b>Total administrative expenses</b>	<b>1,798,055</b>	<b>4,622,768</b>
<b>Audit fees</b>		
– As auditors (parent and consolidation)	23,100	22,000
– As auditors (subsidiaries)	3,500	3,500
<b>Other services</b>		
– other	–	3,500

**6. Staff costs**

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Directors' fees and emoluments	234,000	764,365
Director's termination payment for loss of office	–	565,021
Wages, salaries and pension payments	268,192	811,770
Social security costs	51,478	129,493
	<b>553,670</b>	<b>2,270,649</b>

The average number of employees (including executive directors) employed by the Group during the year was:

	Number	Number
Management and finance	4	12
Administrative and support	3	1
	<b>7</b>	<b>13</b>

In the year ended 31 March 2011, employee remuneration included £20,666 defined contribution pension schemes payments (2010: £22,214).

Further information regarding the remuneration of directors is included in the Report of the Remuneration Committee on pages 19 to 20.

## Notes to the Consolidated Financial Statements

for the year ended 31 March 2011 continued

### 7. Finance income

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Interest received on bank deposits	35	3,673

### 8. Finance costs

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Convertible loan note interest	133,089	12,466
Cost of borrowing – warrant award	230,897	519,681
	<b>363,986</b>	532,147

### 9. Taxation

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Loss before taxation	(2,379,494)	(5,083,242)
Loss before taxation at the standard rate of corporation tax in the UK of 28% (2010: 28%)	(666,258)	(1,423,308)
Effects of:		
Expenses not deductible for tax purposes	38,981	327,724
Unutilised tax losses	627,277	1,095,584
Current tax charge	–	–

The Group has incurred tax losses for the period and a corporation tax charge is not anticipated. The amount of the unutilised tax losses has not been recognised in the financial statements as the recovery of this benefit is dependent on the future profitability of certain subsidiaries, the timing of which cannot be reasonable foreseen.

If the Group makes profits in the future, unrecognised timing differences of approximately £15.99m at 31 March 2011 (2010: £13.91m) would be recognised at a rate of 28%.

## 10. Intangible asset impairment

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Impairment of goodwill	285,488	–

The directors' economic assessment of the project at 31 March 2011 is £3,000,000.

In forming this valuation, the directors have considered the price at which an independent unsolicited bid for the project rights would be rejected by the Board. In addition and in determining the supporting net present value of the project future cash flows, the relevant probabilities of success at each stage of the project and have been assessed and the risk factored in to the valuation.

The directors acknowledge that the use of estimates is inherently judgemental but believe they have been sufficiently prudent in forming their views and utilised the significant experience of the Board and Management in determining the values used. Whilst there is the possibility that the projects will yield a lower than expected value, there remains significant up-side potential.

## 11. Loss per ordinary share

The calculation of a basic loss per share of 0.22 pence for the year (2010: 0.47 pence) is based on the loss for the period attributable to equity holders of Gasol Plc of £2,379,494 (2010: £5,083,242) and on the weighted average number of shares in issue during the period of 1,104,889,234 (2010: 1,074,900,117).

The options are considered antidilutive as inclusion would reduce the loss per share. As such, no diluted loss per share is reported.

At 31 March 2011, there were 131,866,667 potentially dilutive shares (2010: 114,394,667) as part of a share-based payment scheme and outstanding warrants.

## 12. Goodwill

	£
<b>Cost</b>	
At 1 April 2009 and 1 April 2010	3,394,911
Additions	–
At 31 March 2010 and 31 March 2011	3,394,911
<b>Accumulated impairment losses</b>	
At 1 April 2009 and 1 April 2010	109,423
Impairment for the year	285,488
At 31 March 2010 and 31 March 2011	394,911
<b>Carrying amount</b>	
<b>At 31 March 2011</b>	<b>3,000,000</b>
At 31 March 2010	3,285,488

The value of the majority of the goodwill is underpinned by the future cash flows expected to be generated through the development of early stage gas monetisation opportunities (note 3).

The impairment is disclosed in note 10.

## Notes to the Consolidated Financial Statements

for the year ended 31 March 2011 continued

### 12. Goodwill continued

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Purchase of subsidiary through reverse acquisition	3,000,000	3,285,488

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. Details of key assumptions and variables used are outlined in note 3.

### 13. Property, plant and equipment

	Office equipment £	Fixtures and fittings £	Total £
<b>Cost</b>			
At 1 April 2009	112,840	436,879	549,719
Disposals	(634)	(17,879)	(18,513)
At 31 March 2010	112,206	419,000	531,206
Disposal	–	(75,694)	(75,694)
<b>At 31 March 2011</b>	<b>112,206</b>	<b>343,306</b>	<b>455,512</b>
<b>Depreciation</b>			
At 1 April 2009	100,803	188,063	288,866
Charge for the year	11,075	103,810	114,885
Disposal	(525)	(6,749)	(7,274)
At 31 March 2010	111,353	285,124	396,477
Charge for the year	853	83,507	84,360
Disposal	–	(32,920)	(32,920)
<b>At 31 March 2011</b>	<b>112,206</b>	<b>335,711</b>	<b>447,917</b>
<b>Carrying amount</b>			
<b>At 31 March 2011</b>	<b>–</b>	<b>7,595</b>	<b>7,595</b>
At 31 March 2010	853	133,876	134,729

No impairment losses have been realised on any property, plant and equipment during the year (2010: £nil).

**14. Trade and other receivables**

	<b>31 March 2011 £</b>	31 March 2010 £
VAT recoverable	<b>31,812</b>	25,853
Prepayments and accrued income	<b>74,214</b>	158,368
Other receivables	<b>31,470</b>	51,445
Amounts owed by related parties	<b>6,433</b>	6,433
	<b>143,929</b>	242,099

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

**15. Trade and other payables**

	<b>31 March 2011 £</b>	31 March 2010 £
Other taxes and social security	<b>30,248</b>	22,049
Accruals	<b>315,750</b>	138,619
Trade payables	<b>74,761</b>	259,355
Other payables	<b>5,666</b>	185,667
	<b>426,425</b>	605,690

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 23 days (2010: 53 days)

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe and no interest has been charged by any suppliers as a result of late payment of invoices during the period.

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

## Notes to the Consolidated Financial Statements

for the year ended 31 March 2011 continued

### 16. Borrowings

Borrowings	31 March 2011 £	31 March 2010 £
Group		
Other unsecured borrowing	–	300,000
Convertible loan note	2,798,980	1,012,466
Loan fees – warrant charge (note 19)	(35,797)	(114,790)
	<b>2,763,183</b>	<b>1,197,676</b>

On 30 December 2010, a new loan agreement was entered into. The proceeds from the issue was used to repay the borrowings from the previous year.

The repayment date is 30 December 2011, interest accrues at 5% compounded annually and is payable in full on conversion or repayment.

Subject to prior conversion or prepayment, repayment of the loan at the Company's option can be:

- In cash; or
- In shares – calculated as the aggregate loan plus accrued interest divided by the mid-market closing price at the repayment date less a 10% discount.

Conversion, at the option of the loan note holder, can occur at any time prior to the repayment date. The number of conversion shares is determined by dividing the aggregate of the loan to be converted plus any accrued interest by a price which is the lower of:

- £0.01; or
- The price per share applicable to any capital raising after the date of issue of the convertible loan note.

Included within the terms of borrowing is a change to the strike price of the warrants issued as part of the 2009 convertible loan. The strike price has changed from 2.96875 pence to 1.25 pence. This amendment has increased the incremental fair value at the modification date and has resulted in an incremental increase of £47,972.

## 17. Operating lease arrangements

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<b>31 March 2011 £</b>	31 March 2010 £
Group and company		
Within one year	<b>246,686</b>	246,686
In the second to fifth years	<b>226,129</b>	226,129
	<b>472,815</b>	472,815

At the balance sheet date, the Group had no outstanding commitment for future minimum operating lease payments after the next five years.

A sub-lease is in place with IMIC plc who paid £63,248 in rent and service charges during the year ended 31 March 2011.

The operating leases relate to the lease of office premises at 40 New Bond Street, London. Under the terms of the lease agreement Gasol, as tenant, have an option to give 6 months notice and terminate the lease in February 2012. Should this option be exercised, the lease payments falling due in the second to fifth years may differ from those stated above.

## 18. Share capital

	<b>31 March 2011 Number</b>	31 March 2010 Number	<b>31 March 2011 £</b>	31 March 2010 £
Authorised:				
Ordinary shares of 0.5p each	<b>2,000,000,000</b>	2,000,000,000	<b>10,000,000</b>	10,000,000
Issued and fully paid:				
Ordinary shares of 0.5p each	<b>1,104,889,234</b>	1,104,889,234	<b>5,524,445</b>	5,524,445

The Company has one class of ordinary share which carries no right to fixed income.

There were no shares issued during the year ended 31 March 2011.

Shares reserved under warrants and employee share schemes are disclosed in note 19.

## Notes to the Consolidated Financial Statements

for the year ended 31 March 2011 continued

### 19. Share options and other share based payments

In April 2010, an additional 20,000,000 warrants were issued as part of the £1,000,000 loan facility.

In December 2010, the exercise price of the 20,000,000 warrants issued in December 2009 was amended from 2.96875 pence to 1.25 pence.

Ordinary shares resulting from the exercise of any such rights will rank pari passu in all respects with the Gasol ordinary shares in issue at the time of such exercise.

The following illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options and warrants during the period.

	Number of share options and warrants year ended 31 March 2011	WAEP pence 2011	Number of share options and warrants year ended 31 March 2010	WAEP pence 2010
Outstanding at beginning of the year	114,394,667	5.45	48,344,667	24.01
Granted during the period	20,000,000	2.47	110,500,000	4.34
Exercised during the period	–	n/a	–	n/a
Lapsed during the period	(2,528,000)	46.34	(44,450,000)	22.83
Outstanding at end of the year	131,866,667	4.22	114,394,667	5.45
Exercisable at end of the year	131,713,332	4.19	112,754,929	4.72

The weighted average remaining contractual life of the options and warrants outstanding at the balance sheet date was 0.95 years (2010: 2 years)

The following table lists the inputs to the model used to determine the fair value of options and warrants granted:

	Year ended 31 March 2011	Year ended 31 March 2010
Pricing model used	<b>Black-Scholes</b>	Black-Scholes
Weighted average share price at grant date (pence)	<b>3.11</b>	3.31
Weighted average exercise price (pence)	<b>2.47</b>	4.34
Weighted average contractual life (years)	<b>2.74</b>	2.74
Share price volatility (%)	<b>71.6%</b>	76%
Dividend yield	<b>0%</b>	0%
Risk-free interest rate (%)	<b>4.0%</b>	4.0%

In forming the volatility assumptions the directors have considered the volatility of the share price since the date of listing. The volatility of companies operating in the same sector has also been reviewed.

The range of share options and warrants in issue is from 2.6p to 40.0p.

The total share based payment expense for the year ended 31 March 2011 was £230,897 (2010: £1,896,142) in relation to share options and warrants.

Of the total share based payment expense, £nil (2010: £422,423) related to share options and £230,897 (2010: £519,681) related to the warrants issued. Warrants costs are held as a debit balance against the loan issued and released to the income statement over the term of the loan. As at 31 March 2011 £35,797 (2010: £114,790) is deferred against the loan to match the life of the borrowings (note 16).

All share based payments are equity settled.

## 20. Subsidiaries and joint ventures

Details of the Company's subsidiaries and joint ventures at 31 March 2011 are as follows:

Name	Place of incorporation (or registration) and operation	Activity	Proportion of ownership interest %	Proportion of voting power held %
African LNG Holdings Limited	The Republic of Seychelles	LNG operations	100%	100%
African LNG Services Limited	United Kingdom	Services company	100%	100%
Afgas Infrastructure Limited	The Republic of Seychelles	Infrastructure development	75%	75%
Afgas Nigeria Limited	Nigeria	Energy research	75%	75%
SONAF G.E.S.A	Equatorial Guinea	Energy research	50%	50%

The investment in the 50% of SONAF has been consolidated using the proportional consolidation method. During the year a provision has been made against amounts due from the joint venture. This amount totalled £43,069 and is included within administrative expenses.

### Acquisition of joint venture

On 26 June 2009, African Gas Development Corporation, the majority shareholder in Gasol, novated its 50% holding in SONAF G.E.S.A. ("SONAF") to Gasol for £nil consideration. The assets recognised at fair value upon transfer were as follows:

	£
Cash and cash equivalents	1,687
Trade and other receivables	7,944
	<b>9,631</b>

No liabilities existed on transfer and there were no identifiable intangible assets or goodwill as the joint venture is currently in its very early stages of operation, has not secured access to gas fields and it is believed the market to dispose of the 50% interest would be very limited. As these assets were received for £nil consideration from a shareholder, the credit of £9,631 has been treated as a capital contribution.

For the year ended 31 March 2011, the results and assets/(liabilities) of SONAF consolidated into these Group financial statements are as follows:

	£
Statement of financial position	
Current assets	32,077
Current liabilities	(169,442)
Net liabilities	(137,365)
<b>Statement of comprehensive income</b>	
Income	14,906
Expense	(46,272)
<b>Loss for the year ended 31 March 2011</b>	<b>(31,366)</b>

Income for the year included profit on disposal of fixed assets.

The numbers in the Statement of Comprehensive Income represents only activity following the 26 June 2009 transfer of interest to Gasol.

There were no capital commitments with respect to the joint venture at the year end. SONAF has the same year end as the parent company being 31 March 2011. Joint management is based on a signed joint venture agreement in place.

The SONAF funding has been impaired in full.

## Notes to the Consolidated Financial Statements

for the year ended 31 March 2011 continued

### 21. Cash and cash equivalents

	31 March 2011 £	31 March 2010 £
Cash at hand and in bank	174,795	245,189

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with an original maturity of three months or less.

The majority of the cash balances are held at banks with a Standard and Poor's credit rating of at least AA- and registered in the United Kingdom. Balances held with foreign banks are insignificant.

There is no significant difference between the carrying value and fair value of cash and cash equivalents.

### 22. Financial instrument risk exposure and management

The Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

#### Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- trade receivables
- cash at bank
- trade and other payables
- borrowings

#### General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The Board receives monthly reports from the Group Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

#### Credit risk

The Group's principal financial assets are bank balances and trade and other receivables.

Credit risk arises principally from the Group's cash balances with further risk arising due to its trade receivables. Credit risk is the risk that the counterparty fails to repay its obligation in respect of the amounts owed.

The concentration of the Group's credit risk is considered by counterparty, geography and by currency. The Group has a significant concentrations of cash held on deposit with large banks in the United Kingdom with A ratings and above (Standard and Poor). At 31 March 2011 the concentration of credit risk was as follows:

Counterparty	31 March 2011 £	31 March 2010 £
HSBC Bank Plc	686	–
Barclays Bank Plc	114,902	227,354
Other banks	59,207	17,835
	174,795	245,189

There are no other significant concentrations of credit risk at the balance sheet date.

## 22. Financial instrument risk exposure and management continued

### Trade receivables

The exposure to trade receivables is not currently extensive and no formal procedure is in place for monitoring and collecting amounts owed to Gasol. A risk management framework will be developed over time, as appropriate to the size and complexity of the business.

No trade and other receivables are past their due settlement date. The Directors consider that the carrying amount of trade and other receivables approximates to their fair value and no impairment has been deemed necessary in the year (2010: £nil).

The total estimated credit risk of the Group at 31 March 2011 was £212,692 (2010: £303,067).

### Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

The Group monitors its cash balance on a daily basis and produces forecasts of its required expenditure over the coming year for review by management. Management can then take action to secure the right amount of funding at the appropriate time. At the period end the projections indicate that the Group expects to have sufficient access to liquid resources to meet its obligations.

There is no significant difference between the carrying value and fair value of the current and non-current financial liabilities recorded in the Group's balance sheet.

	Due within 30 days £	Due between 30 days and one year £	Due after one year £
<b>Maturity of financial liabilities</b>			
<b>At 31 March 2011</b>			
Accruals	315,750	–	–
Trade and other payables	80,427	–	–
Borrowings	–	2,763,183	–
<b>Total financial liabilities</b>	<b>396,177</b>	<b>2,763,183</b>	<b>–</b>
<b>At 31 March 2010</b>			
Accruals	138,619	–	–
Trade and other payables	445,022	–	–
Borrowings	–	1,197,676	–
<b>Total financial liabilities</b>	<b>583,641</b>	<b>1,197,676</b>	<b>–</b>

## Notes to the Consolidated Financial Statements

for the year ended 31 March 2011 continued

### 22. Financial instrument risk exposure and management continued

#### Market risk

With the exception of cash and cash equivalents and borrowings, the Group has no interest bearing assets or liabilities or significant amounts held in foreign currencies. The Group therefore has no sensitivity to foreign exchange rates at either period end.

A 1% increase in interest rates across the period would have led to an insignificant increase in net interest income (2010: £3,900).

A 1% increase in interest rates across the period would have led to an insignificant increase in net interest payable (2010: £2,493).

Financial instruments by class and by category	Loans and Receivables	
	31 March 2011 £	31 March 2010 £
Current financial assets		
Trade and other receivables	37,903	57,878
Cash and cash equivalents	174,795	245,189
<b>Total current financial assets</b>	<b>212,698</b>	<b>303,067</b>

	Financial liabilities measured at amortised cost	
	31 March 2011 £	31 March 2010 £
<b>Current financial liabilities</b>		
Borrowings	2,763,183	1,197,676
Accruals	315,750	138,619
Trade and other payables	80,427	445,022
<b>Total financial liabilities</b>	<b>3,159,360</b>	<b>1,781,317</b>

### 23. Capital management

The Group's objective when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio, being net debt (borrowings less cash and cash equivalents) divided by total capital (equity plus net debt). In previous periods the Group funded itself primarily through equity funding on the AIM market.

	31 March 2011 £	31 March 2010 £
Total borrowings (note 16)	2,763,183	1,197,676
Less: cash and cash equivalents	(174,795)	(245,189)
Net debt	2,588,388	952,487
Total equity	262,969	2,104,139
Total capital	2,851,357	3,056,626
<b>Gearing ratio</b>	<b>91%</b>	<b>31%</b>

The increase in borrowing and therefore gearing ratio is to ensure the Group has sufficient resources to continue exploring commercial opportunities.

## 24. Related party transactions

In addition to the transactions detailed in the Directors' Report, the Group entered into the following related party transactions.

Mr Ethelbert Cooper, a director and shareholder (through an intermediary company) in African Gas Development Corporation Limited ('AfGas') is a special advisor to the Gasol Board of Directors. He has received £120,000 (2010: £120,000) in respect of his services to Gasol in the year to 31 March 2011, of which £70,597 was due at the year end.

Amounts due to Directors relating to deferred salaries totalled £59,000 (2010: £37,500) and the related national insurance contribution totalled £7,603 (2010: £4,320).

Gasol have an agreement with Afrtrade SA ('Afrtrade' formally African Gas Trading & Services SA), a wholly-owned subsidiary of AfGas to provide office space and general admin and support services. Gasol have a licence agreement with Afrtrade for which £68,000 (2010: £68,000) was paid during the year ended 31 March 2011. Amounts receivable at the year end were offset against amounts due to Mr Ethelbert Cooper.

Payments totalling £26,490 were made to Afrtrade for administration services provided to the Group (2010: £2,720). £4,415 was due at the year end (2010: £6,433).

Rent and service charges receivable in respect of the sub-lease to IMIC plc, of which Mr Haresh Kanabar is non-executive chairman, amounted to £63,248 (2010: £nil). This is netted against the rental expense in administration expenses.

Assets with a net book value of £21,466 were sold to IMIC plc for a cash consideration of £20,000.

Rent deposits held at 31 March 2011 are:

- Afrtrade SA                      £5,667; and
- IMIC plc                            £23,267.

On 19 February 2009, Gasol entered into an agreement with Trinity International LLP ("Trinity"), a law firm in which, Paul Biggs is partner. Under the agreement, Trinity have undertaken to advise Gasol with regard to future funding arrangements. Trinity will incur costs on an "at risk" basis, whereby they will only be reimbursed for these costs if their work leads to securing direct funding for Gasol. If Trinity help Gasol to secure finance, they will also be entitled to 3% of any of the funds raised upon completion of the financing. This contract remains unchanged.

Gasol have loan facilities from African Gas Development Corporation Limited, a majority shareholder. The terms of the facility are summarised in note 16, £3,011,924 was utilised and is outstanding at the year end.

### Substantial shareholdings

Gasol is a public limited company listed on AIM and has a diverse shareholder base. That said, due to owning a holding of greater than 50% in Gasol, AfGas is deemed to be the ultimate controlling party.

## 25. Subsequent events

In April 2011, Gasol secured an additional £1,000,000 in funding from AfGas through a convertible loan facility. The terms of the loan are the same as those disclosed in note 16 to the accounts. As part of the funding cost, Gasol has undertaken to issue AfGas 20,000,000 warrants with a strike price of 1.25p.

In May 2011, Gasol entered into an exclusive Project Option Agreement with Moni Pulo (Petroleum Development) Limited ('Moni Pulo') in respect of all gas in Nigerian offshore licence area OML 114. During the exclusivity, Gasol has the opportunity to make a proposal to Moni Pulo regarding the development of OML 114.

In May 2011, Gasol negotiated a revised agreement with Sociedad Nacional de Gas, GE ("SONAGAS"), the national gas company of Equatorial Guinea, in respect of the associated gas from the Zafiro field ("Zafiro gas").

Under the terms of the amended agreement, the Zafiro gas will now be used by SONAGAS in a newly structured entity for the production of ammonia/urea based fertilizer and/or other similar gas derived products, which is being developed with international investors.

Gasol and SONAGAS have agreed that, as compensation for giving up the rights to the original gas project, Gasol will receive some benefits including the appointment of Gasol, through SONAF, has been appointed as an agent for the purpose of developing a market in West and Central Africa.

## Notes to the Company Financial Statements

for the year ended 31 March 2011

The following notes are in respect of the Gasol plc company only financial statements.

### 26. Impairment of goodwill

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Impairment of goodwill (note 27)	<b>31,948,633</b>	–

The directors' economic assessment of the project at 31 March 2011 is £3,000,000.

In forming this valuation, the directors have considered the price at which an independent unsolicited bid for the project rights would be rejected by the Board. In addition and in determining the supporting net present value of the project future cash flows, the relevant probabilities of success at each stage of the project and have been assessed and the risk factored in to the valuation.

The directors acknowledge that the use of estimates is inherently judgemental but believe they have been sufficiently prudent in forming their views and utilised the significant experience of the Board and Management in determining the values used. Whilst there is the possibility that the projects will yield a lower than expected value, there remains significant up-side potential.

### 27. Investments in subsidiary undertakings and goodwill

The value of the subsidiaries owned by the Company at 31 March 2011 is as follows:

	Investments £
<b>Cost</b>	
At 31 March 2010 and 31 March 2011	400,000
<b>Impairment</b>	
At 31 March 2010 and 31 March 2011	400,000
<b>Carrying amount</b>	
At 31 March 2010 and 31 March 2011	–

The investment in the SONAF joint venture has been fully provided for. Receivables from the joint venture totalling £43,069 were provided for during the year.

The value of the goodwill owned by the Company at 31 March 2011 is as follows:

	Goodwill £
<b>Cost</b>	
At 1 April 2010	34,948,633
Additions	–
At 31 March 2011	34,948,633
<b>Accumulated impairment losses</b>	
At 1 April 2009 and 1 April 2010	–
Impairment for the year (note 26)	31,948,633
At 31 March 2010 and 31 March 2011	31,948,633
<b>Carrying amount</b>	
<b>At 31 March 2011</b>	<b>3,000,000</b>
At 31 March 2010	34,948,633

This goodwill was transferred from investments during the period ended 31 March 2009 due to the hive up of the trade of African LNG Holdings to Gasol and represents the Company's project negotiation rights.

## 28. Property, plant and equipment

	Office equipment £	Fixtures and fittings £	Total £
<b>Cost</b>			
At 1 April 2009 and 31 March 2010	112,206	407,238	519,444
Disposals	–	(63,932)	(63,932)
At 31 March 2011	112,206	343,306	455,512
<b>Depreciation</b>			
At 1 April 2009	93,528	176,302	269,830
Charge for the period	13,075	101,810	114,885
At 31 March 2010	106,603	278,112	384,715
Charge for the year	5,603	90,519	96,122
Disposals	–	(32,920)	(32,920)
At 31 March 2011	112,206	335,711	447,917
<b>Carrying amount</b>			
<b>At 31 March 2011</b>	<b>–</b>	<b>7,595</b>	<b>7,595</b>
At 31 March 2010	5,603	129,126	134,729

No impairment losses have been realised on any property, plant and equipment during the year (2010: nil).

## 29. Trade and other receivables

	31 March 2011 £	31 March 2010 £
VAT recoverable	31,811	25,853
Other receivables	19	5,533
Prepayments and accrued income	74,214	158,368
Amounts owed by related parties	6,433	6,433
	<b>112,477</b>	196,187

Due to the uncertainty within projects the amounts owed by subsidiaries have been fully provided for. A total provision of £2,696,660 has been made (2010: £2,609,908) against outstanding receivables from subsidiaries. The directors will continue to assess the recoverability of these receivables.

The directors consider that the carrying amount of the remaining trade and other receivables approximates to their fair value.

## Notes to the Company Financial Statements

for the year ended 31 March 2011 continued

### 30. Trade and other payables

	31 March 2011 £	31 March 2010 £
Other taxes and social security	30,248	21,787
Amounts owed to subsidiary undertakings	–	–
Accruals	312,806	129,120
Trade payables	73,424	258,332
Other payables	7,002	186,952
	<b>423,480</b>	596,191

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 23 days (2010: 52 days).

The accruals balance includes amounts relating to Directors salaries deferred totalling £59,000 (2010: £37,500), the related national insurance contribution of £7,603 (2010: £4,320) and deferred employee pension contribution totalling £19,167 (2010: £nil).

The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. No interest has been charged by any suppliers as a result of late payment of invoices during the period.

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

### 31. Borrowings

#### Borrowings

	31 March 2011 £	31 March 2010 £
Other unsecured borrowing	–	300,000
Convertible loan note	2,798,980	1,012,466
Loan fees – warrant charge (note 19)	(35,797)	(114,790)
	<b>2,763,183</b>	1,197,676

### 32. Cash and cash equivalents

	31 March 2011 £	31 March 2010 £
Cash at hand and in bank	148,908	235,506

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with an original maturity of three months or less.

The majority of the cash balances are held at banks with a Standard and Poor's credit rating of at least AA- and registered in the United Kingdom.

### 33. Financial instrument risk exposure and management

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

#### Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- trade receivables
- amounts owed by subsidiaries
- cash at bank
- trade and other payables
- borrowings

#### General objectives, policies and processes

The Company's risk management objectives and policies are aligned with those of the Group and are outlined in note 22 to the consolidated financial statements.

Further details regarding the Company's exposure to risks from the use of financial instruments are set out below:

#### Credit risk

Credit risk arises principally from the Company's cash balances and amounts owed from subsidiaries. Credit risk is the risk that the counterparty fails to repay its obligation in respect of the amounts owed.

#### Cash and cash equivalents

The exposure to credit risk arising from cash and cash equivalents is discussed in note 23.

There is no significant difference between the carrying value and fair value of cash and cash equivalents.

#### Trade receivables

The exposure to trade receivables is not currently extensive and no formal procedure is in place for monitoring and collecting amounts owed to Gasol. A risk management framework will be developed over time, as appropriate to the size and complexity of the business.

Following provisions for impairment of £2,696,660 (2010: £2,609,908) being made against receivables from subsidiaries, there is no significant difference between the carrying value and fair value of trade receivables.

#### Amounts owed by subsidiaries

Gasol lends money to subsidiaries to fund their working capital requirements. These amounts are repayable on demand at the request of Gasol, although due to the long term nature of the projects being funded, it is intended that repayment will not be requested until the subsidiaries generate sufficient revenues.

#### Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy in relation to liquidity risk is aligned with that of the Group and is outlined in note 22 to the consolidated financial statements.

There is no significant difference between the carrying value and fair value of the current and non-current financial liabilities recorded in the Company's balance sheet.

## Notes to the Company Financial Statements

for the year ended 31 March 2011 continued

### 33. Financial instrument risk exposure and management continued

	Due within 30 days £	Due between 30 days and one year £	Due after one year £
<b>Maturity of financial liabilities</b>			
<b>At 31 March 2011</b>			
Borrowings	–	2,763,183	–
Accruals	312,806	–	–
Trade and other payables	80,426	–	–
<b>Total financial liabilities</b>	<b>393,232</b>	<b>2,763,183</b>	<b>–</b>
<b>At 31 March 2010</b>			
Borrowings	–	1,197,676	–
Accruals	129,120	–	–
Trade and other payables	445,284	–	–
<b>Total financial liabilities</b>	<b>574,404</b>	<b>1,197,676</b>	<b>–</b>

#### Market risk

With the exception of cash and cash equivalents, the Company has no interest bearing assets or liabilities or significant amounts held in foreign currencies. The Company therefore has no sensitivity to foreign exchange rates at either period end.

A 1% increase in interest rates across the period would have led to an insignificant increase in net interest income (2010: £3,900).

A 1% increase in interest rates across the period would have led to an insignificant increase in net interest payable (2010: £2,493).

Financial instruments by class and by category	Loans and Receivables	
	31 March 2011 £	31 March 2010 £
<b>Current financial assets</b>		
Trade and other receivables	6,452	11,966
Cash and cash equivalents	148,908	235,506
<b>Total current financial assets</b>	<b>155,360</b>	<b>247,472</b>

Trade and other receivables are stated inclusive of amounts owed by subsidiaries and other related parties of £2,703,093 (2010: £2,616,341). A provision for non-recoverability of £2,696,660 (2010: £2,609,908) has been made against the amounts owed by subsidiaries and other related parties and is included in trade and other receivables.

Financial instruments by class and by category	Financial liabilities measured at amortised cost	
	31 March 2011 £	31 March 2010 £
<b>Current financial liabilities</b>		
Borrowings	2,763,183	1,197,676
Accruals	312,806	129,120
Trade and other payables	80,426	445,284
<b>Total financial liabilities</b>	<b>3,156,415</b>	<b>1,772,080</b>

### 34. Capital management

The Company's capital management objectives and policies are aligned with those of the Group and are outlined in note 23 to the consolidated financial statements.

## Officers and Professional Partners

as at 6 September 2011

<b>Country of incorporation and domicile</b>	United Kingdom	
<b>Legal form</b>	Public Limited Company	
<b>Directors</b>	Haresh Kanabar	Non-Executive Chairman
	Ewen Wigley	Chief Operating Officer
	Paul Biggs	Non-Executive Director
	Osman Shahenshah	Non-Executive Director
<b>Company Secretary &amp; Registered Office</b>	Miles Thomas 40 New Bond Street London W1S 2RX	
<b>Company Number</b>	05350159	
<b>Nominated Advisor and Broker</b>	Panmure Gordon (UK) Limited 155 Moorgate London EC2M 6XB	
<b>Accountants</b>	Whale Rock Accounting Limited 15 Basinghall Street London EC2V 5BR	
<b>Auditor</b>	BDO LLP 55 Baker Street London W1U 7EU	
<b>Solicitors</b>	K & L Gates LLP One New Change London EC4M 9AF	
<b>Registrars</b>	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA	

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2011

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