

Company registration number: 06409712

InfraStrata plc

Annual Report & Financial Statements 2017

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Directors, secretary, advisers and shareholder information

Directors	Graham Victor Lyon (<i>Non-executive Chairman</i>) Adrian Richard Pocock (<i>Chief Executive Officer</i>) Matthew Paul Beardmore (Non-Executive Director) Karen Campbell (Non-Executive Director) Also Known as Karen Jenner
Company secretary	Simon Holden, Kerman & Co.
Registered office	200 Strand London, WC2R 1DJ
Auditor	Nexia Smith & Williamson Audit Limited 1 Bishops Wharf, Walnut Tree Close Guildford Surrey, GU1 4RA
Tax advisers	Smith & Williamson LLP 1 Bishops Wharf, Walnut Tree Close Guildford Surrey, GU1 4RA
Registrars	Link Market Services Limited The Registry 34 Beckenham Road Beckenham Kent, BR3 4TU
Nominated adviser and broker	Allenby Capital Limited 5 St Helen's Place London, EC3A 6AB
Solicitors	Kerman & Co LLP 200 Strand London, WC2R 1DJ
Bankers	Bank of Scotland plc 33 Old Broad Street London, EC2N 1HZ

Chairman's statement

It is a privilege to serve as Chairman of InfraStrata plc (the "Company"). Since joining our Chief Executive, Adrian Pocock, on the Company's board of directors (the "Board") we have established a very pro-active Board with the addition of Matt Beardmore and Karen Campbell as non-executive directors.

The four of us are committed to taking the Company forwards and completing the necessary actions to commence the construction of the Islandmagee gas storage project in County Antrim, Northern Ireland (the "Project"). I must thank the previous Board for establishing the groundwork for the Project and a smooth handover to the new team. I would also thank all those involved in maintaining the very positive local support we retain in Northern Ireland. More importantly I must thank our Shareholders for their patience. We now must take this Company forward. We look forward rather than back, although by necessity the accounts reported today show activities before the new Board was appointed.

There is an indisputable need for the Project. The fundamentals of energy security and supply for the island of Ireland are in no doubt and we believe that Islandmagee can be the central energy hub providing the energy resource to help 'keep the lights on' in the foreseeable future. The announced decommissioning of the Rough gas storage facility in the UK, which has provided the majority of the country's gas storage capacity over recent years, has emphasised the UK's lack of natural gas storage. In due course, once constructed, this will be partially offset by Islandmagee. The unfortunate fire at Baumgarten in Austria during December 2017 highlighted the delicate supply and demand balance of gas resource throughout Europe. Gas prices spiked considerably and states of energy emergencies were announced. Islandmagee will therefore not only provide Shareholders with a return on their investment but also importantly to provide security of energy supply to the island of Ireland and the UK.

This fact was recognised and reaffirmed by the European Union confirming the extension of the EU Grant, originally set to expire in December 2017, for an additional year until December 2018, together with the renewal of our status as a Project of Common Interest (PCI).

The EU Grant provides 50%, up to a maximum of €4.024m, of the costs associated with the Front End Engineering & Design ("FEED") for Islandmagee. Utilisation of the EU Grant is subject to the Company obtaining matched funding from other sources. The Board is therefore focused on establishing this match funding. Under the terms of the EU Grant, certain activity milestones are required to be met, including completion of the FEED engineering report by 28 September 2018 and completion of the FEED by 20 December 2018.

In December 2017, we were pleased to announce that our wholly-owned subsidiary, InfraStrata UK Limited acquired the remaining 10% interest in the Islandmagee gas storage project company, Islandmagee Storage Limited ("IMSL") from Moyle Energy Investments Limited. Following this acquisition, we now own 100% of IMSL. The acquisition allows the Company to go forward with complete ownership and enhances our flexibility and decision-making processes.

Moyle has confirmed its commitment to enable the SNIP (Scotland to Northern Ireland) gas pipeline to facilitate gas flow in either direction between Northern Ireland and Scotland, thereby allowing IMSL to be of major interest to gas suppliers in Scotland, in England and Wales and further afield into Europe.

The Board has very tight control on the Company's funds and aims to be one of the most cost-efficient boards on the AIM market. Ongoing salary costs have been reduced by over 50% compared with those prior to the restructuring of the Board. The Board rely heavily on its own expertise to realise this project.

The Company has recently announced a placing to raise £375,000 before costs. Once completed, the funds from this placing will fund the Company's minimum levels of corporate costs and care and maintenance costs on the Project to the end of November 2018.

The further progression of the FEED will require the securing of additional funding, however, the Board currently believes that the FEED can be commenced on an overall budget that represents a significant reduction on previous estimates published by InfraStrata.

The Board has established good ongoing discussions with those that wish to potentially utilise the facility once built, and many major international organisations that wish to participate in the development of the Project.

We have created strong relationships with existing and newly interested parties and intend to build on these to deliver financial close for the FEED programme in the near future.

We look forward to a positive year for the Company.



Graham Lyon
Non-executive Chairman, 29th January 2018

Strategic Report

OPERATIONAL REVIEW – ISLANDMAGEE GAS STORAGE PROJECT

Review of the stages required to achieve shareholder value:

- a. Concept Evaluation, FEED and commercialisation programme
- b. Monetisation of the Project
- c. Future Funding – UK Guarantees Scheme

a. Concept Evaluation, FEED and commercialisation programme

InfraStrata plc (“InfraStrata” or the “Company”) is in the process of seeking to secure pre-contracted revenue agreements in relation to the Project’s future storage capacity to support further project finance.

The demise of the Rough storage facility has focused the attention of some International and major gas traders to the fact that there has been a dramatic change in the UK Gas Storage and Trading Markets, and these are predicted to become more volatile due to factors such as lowered capacity, the impact of Brexit and recent problems with the European Gas Network.

We have an active dialogue with a number of potential ‘Tenants’ for the storage space that we hope to finalise in the near term, which will add a strong degree of assistance to our discussions with other institutions, in order to gain further funding.

We have examined the FEED and other costs in great detail, and anticipate that there may be cost efficiencies available to the project, which should become more apparent once we have the findings of the FEED. The Board is focused on completing the FEED Funding with a number of prospective partners, and hopes to reach a conclusion to this as soon as possible, bearing in mind that we can only progress at the rate of external parties. Further details are highlighted in the Review of the Year and Subsequent Events section of this report.

The extension of the EU Grant for a further year has assisted us greatly in seeking to finalise the funding package for the FEED, as the EU Grant gives the Company and its providers of prospective finance a greater degree of comfort in relation to the overall deliverability of the FEED.

This grant from the EU under the Connecting Europe Facility (“CEF”) for 50% of the cost of FEED and related *in situ* downhole testing is for up to a maximum of €4.024m. An advance payment of €1.6m (£1.4m) was received in July 2016 and has since been held in a Euro denominated bank account pending completion of the remaining 50% funding required to both match the grant for FEED and also to complete the commercialisation programme. The balance of the grant will be received from the EU following completion of the FEED.

The new Board has generated many new initiatives and potential routes to market for the Project.

We are in discussion with a number of global gas producers keen to increase their ability to import and store gas into the UK. By participating in the Islandmagee project, this offers them the chance to increase volume, maximise their gas sale price, and take advantage of positive fluctuations in the gas price that are not currently available to them.

The potential increase in demand for gas both in Northern Ireland and the Republic of Ireland is predicted to grow strongly over the next few years.

The ‘Gas to the West’ Northern Ireland project is being carried out by Mutual Energy and has the support of the Northern Ireland Government, and is targeted to deliver gas to domestic and commercial customers that do not currently have access to mains gas.

The Island of Ireland does not currently have large scale gas storage facilities, and the current infrastructure still relies on oil-fired and coal-fired power stations, which means that without a storage facility, there will be the distinct possibility that the gas infrastructure is unable to satisfy demand, resulting in the need to rely on oil and coal-fired electricity generation, which is not a preference, from an environmental perspective. Wind Energy has grown over recent years, but when there is no wind there is greater demand for conventionally generated electricity, and the recent announcement concerning the proposed closure of the oil and coal-fired Kilroot Power Station is likely to increase the demand for gas-fired generation.

There is a new initiative from the Department for the Economy in Northern Ireland to support projects that provide Environmental benefits and Energy Security.

CBRE Capital Advisors has been appointed to manage a new Northern Ireland fund which was established in November 2017. The £100m fund will provide debt finance for real estate, regeneration, low carbon and infrastructure projects and will be managed on behalf of the Department of Finance and the Northern Ireland Strategic Investment Board. The Board has engaged with the Fund and hopes that its application will be favourably viewed, having already satisfied the high demands and standards required for the Project of Common Interest and EU INEA.

Strategic Report

Monetisation of the Project

A number of events have taken place over the last twelve months in relation to the value of InfraStrata's interest in the Islandmagee Gas storage Project.

The post year-end purchase of Moyle Energy Investments Limited's remaining 10% shareholding interest in IMSL now gives InfraStrata complete ownership over the Project and 100% of its value.

The imminent closure of Centrica's storage facility at Rough in the North Sea has resulted in a major focus on the future importance of Islandmagee as a key component of the UK's overall gas storage facilities.

Rough is no longer categorised as a storage facility, and is now regarded as a production facility, with licenses issued to produce all remaining gas into the network, subject of course to leaving sufficient gas within the facility to ensure that safety pressures are maintained.

Once the UK has left the European Union, it may no longer have a right to demand gas from EU member states during times of gas shortage. Whilst free market mechanisms are likely to mean that gas will still be available, the potential for price volatility is likely to increase, resulting in greater interest in the Project from gas traders.

The continued reduction in gas production from the UK Continental Shelf also increases our reliance on imports from Europe and Liquid Natural Gas imports from further afield.

In December 2017, there was an unexpected series of events that resulted in major price volatility in the gas price, with prices spiking 49% and this is perhaps an indication of what could reoccur in the future.

The Company is in discussions with a number of major gas traders and producers that can see the future benefit of acquiring access to a large storage facility to enhance their ability to store and trade larger energy volumes in an increasingly restricted and unpredictable market.

We look forward to making announcements on the above themes in due course.

b. Future Funding - UK Guarantees Scheme

IMSL is pre-qualified to participate in the UK Guarantees Scheme. This is a UK Government supported scheme to provide support of up to 65% of the capital cost of important infrastructure projects, including: Drax B Power; Northern Line Extension; Mersey Gateway Bridge; Ineos Grangemouth Ethane Import and Storage Facilities; and Hinkley Point C.

This is carried out by the Government underwriting the principal sum and interest on sums advanced by the Government's banking partners.

InfraStrata's board has met with the Government's legal advisers and two of the participating banks.

The UK Guarantees Scheme is now administered by the Infrastructure and Projects Authority, which is part of HM Treasury.

Additional funding opportunities are available to the Project as a result of its status as a Project of Common Interest of the European Union.

REVIEW OF THE YEAR AND SUBSEQUENT EVENTS

On the 27th June at the General Meeting called by certain requisitioning shareholders, there was a vote in favour of changing the composition of the Board. All members of the previous Board were removed and in their place, Adrian Pocock and Peter Wale, being the requisitioning shareholders, were appointed.

Subsequently, further additions to the Board were made with the addition of Graham Lyon as Non-Executive Chairman and Matthew Beardmore and Karen Campbell as Non-Executive Directors. Due to his increasing commitments on other projects, Peter Wale resigned from the Board in November 2017.

Following a review of the shortest route to achieving progress for the Company, the Board established firm working relationships with many key players in the gas storage and energy trading markets.

The Board has worked hard with various partners to ensure that the European Union Project of Common Interest ("PCI") status was renewed and also to extend the INEA Grant for one year, to retain the ability to call on these funds to partially fund the FEED process. The PCI status was reconfirmed in December 2017 for a further two years.

Strategic Report

The Board has consolidated the relationships with proposed Project contractors and is moving closer to concluding the final elements of the required funding, having regard to the best interests of the Shareholders in the medium and long term. It has been very difficult to balance the objective of ensuring the financial security of the Company against the short-term share price performance.

The announcement by Centrica of the closure of the Rough storage facility in the North Sea has highlighted the importance of the Islandmagee Project and has resulted in substantial new interest from energy traders and suppliers.

The Board is moving ahead in negotiations for forward commitments for the gas storage space and will make announcements once these become contractual.

In addition, the Board is also pursuing negotiations with gas producers that may wish to increase their ability to import liquefied natural gas into the UK and the European gas network. This has the potential to further enhance the energy security of the island of Ireland and the UK as a whole.

It is reassuring that the investors have backed InfraStrata with new investment in the Company and the additional working capital has enabled us to pursue our short and longer term objectives.

The Board has drastically cut costs, and the current overall Board costs are less than half of those expended previously, which makes a key contribution to the overall running costs of the Company.

Having reviewed all of the options available to the Company, the Board has decided that the best way to ensure the Company is able to utilise the European Union grant funding is to commence the FEED in order to comply with the prescribed timescales.

We are progressing contracts and the final elements of the funding and will report on this when we are in a position to do so.

On 4 November 2016, InfraStrata announced that following the completion of a tendering process, the Company had selected FEED contractors for the Project's Islandmagee above-ground facilities and for the sub-surface elements. The FEED will include a detailed plant design specification for the Project, a detailed project plan and cost estimate. The FEED contractors have international reputations and experience of working on many existing salt cavern storage projects, including in the UK.

The FEED contractors will provide loans in aggregate of up to £1.1m based on a total anticipated engineering budget of around £4m. These loans, which are subject to contracts being agreed and upon InfraStrata securing the remaining funding for the FEED, will be repayable at the Financial Investment Decision date ("FID"), when a decision will be made as to whether to proceed to construction, or on 31 December 2018, whichever is earlier. The loans will be secured on the assets of IMSL and attract interest at 10% per annum, which will be rolled up and paid on the loan repayment date.

On 16 March 2017, the Company announced that it had commenced the first phase of FEED, known as Concept Evaluation, funded using part of the net proceeds of the placing completed on 3 March 2017. Concept Evaluation involved the FEED contractors undertaking a value enhancement exercise on the Project's current design basis. The objective was to identify opportunities through which the current design and phasing could be optimised, to enhance the overall project value and in particular, to assess the potential for accelerating the delivery of capacity (or part thereof) to the gas markets. The Company commissioned a Concept Evaluation Report from Costain. This report was issued in June 2017 and contains commercially confidential information. However, the report does conclude that a phased approach to the construction of the facility is viable, economical and may offer the best value for money to the Company and its Shareholders.

The report highlights that a capital requirement of £200m based on approx. 200mcm of storage space has the potential to achieve first gas within three years of the FID. This enables the facility to be commercialised much quicker and to generate revenues earlier than it has previously been envisaged.

The remainder of the facility could then be constructed for an additional £85m to deliver the full operational capacity.

In addition to the capital and time requirements, the report also identifies the potential to save up to 30% on the cost of injection and withdrawal costs compared to the projections previously assumed for the Islandmagee Project.

The findings in this report are extremely positive for the Company and its Shareholders. The detailed FEED will build on these findings and test all of the assumptions and data to categorically evidence the feasibility of all items.

Strategic Report

In connection with the placing to raise £810,000 (approximately £754,000 after expenses) that was completed in March 2017, the Company stated that part of the net proceeds would be used to provide additional working capital and cover the anticipated costs of the Project until the end of the year, depending on progress with the Concept Evaluation phase of the FEED. Having commenced the Concept Evaluation process and having seen the early results from the process, the Board was of the view that it was important that Concept Evaluation was completed in order to receive the full benefit of the outcome of the process (as described above) and to add value to the Project as a whole. The Company therefore committed to finance the entire Concept Evaluation phase. On 1 June 2017 and 19 October 2017, £130,000 and £500,000, respectively, were raised via a share placing to progress the ongoing work. A further placing to raise £375,000 for corporate costs and care and maintenance costs of its Project was announced just prior to the issue of this report.

Following the completion of the FEED and commercialisation programme the Project will be ready to move into construction and delivery. At that time the Company will further evaluate the optimum way to structure the funding of the initiation and delivery of that programme for Shareholders and will evaluate the available sources of funding, including both debt and equity participation, to fund the continuing operations of the Company and the commencement of construction. The full project construction is expected to be delivered over a number of years at an aggregate cost of approximately £300m and to be delivered on a phased basis.

The Board remains confident that the Islandmagee Project is economically viable and that following the completion of the FEED and commercialisation programme, the Company should be capable of attracting new investment for the Project.

OPERATIONAL REVIEW – FINANCE

Petroleum exploration and evaluation operations have been classified as discontinued. The Group recognised cash revenue from continuing operations of £Nil (2016: £500,000). (The 2016 revenue arose from the sale of data, which was a one off item). Management and administrative expenses totalled £895,404 (2016: £932,635) of which £725,820 (2016: £677,735) was attributable to continuing operations. The Group incurred a loss of £964,131 (2015: profit of £66,955) including a loss of £180,672 (2016: profit of £244,569) from discontinued operations. The profit in 2016 was stated after crediting a profit on the disposal of Exploration and Evaluation assets of £453,945. The loss for 2017 when added to the cumulative losses of £26,761,093 brought forward leaves a retained loss of £27,725,224 to be carried forward. Management and administrative expenditure is further analysed in note 5 to the financial statements.

Gross capital expenditure on the Islandmagee gas storage project during the year ended 31 July 2017 was £475,188, comprising costs associated with the completion of the Concept Evaluation phase of FEED, renewal of land options and other general Project costs. Net Exploration and Evaluation capital expenditure during the year ended 31 July 2017 was £6,902. All of the Company's petroleum exploration licence interests have now been assigned or relinquished and no further expenditure is expected.

In May 2015, the Company concluded a Convertible Loan Facility Agreement with Baron Oil Plc ("Baron") under which Baron provided a loan for €1.8m (approximately £1.4m) to InfraStrata which was used as working capital to bridge the receipt of the CEF grant, 70% of which amounting to €1.75m (approximately £1.35m) was received from the EU in May 2016 and placed into an escrow arrangement as security for the loan. In August 2016, the loan was repaid in full by release to Baron of the £1,358,063 held in escrow, a payment of £42,301 and a further payment of £136,134 for the interest on the loan which had been accrued and capitalised to intangible gas storage development costs at 31 July 2016. Following a revision to the terms of the Convertible Loan Facility Agreement announced on 26 September 2016, Baron had an accompanying option to acquire the number of ordinary shares in InfraStrata that represented 16.666% of the enlarged ordinary share capital of the Company (from time to time) for a payment of £1,536,498. This option expired on 31 March 2017 without being exercised.

On 5 January 2017, the Company entered into a new secured loan agreement with Baron for a facility of up to £300,000 to provide working capital for the Group and £200,000 of this facility was drawn down during January 2017. On 29 March 2017, the Company announced that following the completion of the placing to raise £810,000 before expenses (see below) it had repaid the £200,000 drawn down on the loan facility with Baron. The loan facility has been cancelled and its various security arrangements have been released.

Baron remains entitled to receive an additional £200,000 (the "Additional Payment") in the event of a sale or disposal by InfraStrata or its subsidiaries of substantially all of their assets, which comprise interests in the Islandmagee Project, and/or a change in control of InfraStrata or its subsidiaries within two years from the date of the loan agreement. In the event of a partial disposal of InfraStrata's or its subsidiaries' interests in the Islandmagee Project (whereby InfraStrata and InfraStrata UK Limited retain control of IMSL), the Additional Payment will be reduced to £100,000, with the remaining £100,000 payable in the event of a subsequent disposal or change in control of IMSL or the Islandmagee gas storage project during the two-year period. The accounting treatment of this contingent settlement financial liability is described in note 20 to the financial statements.

Strategic Report

On 3 March 2017, the Company issued 162,000,000 shares of 0.01 penny at 0.5 pence each to raise £754,420 after expenses and on 1 June 2017 the Company issued 26,000,000 shares of 0.01 penny at 0.5 pence each to raise £120,809 after expenses.

The Group's cash and cash equivalents at 31 July 2017 were £1,548,169 (2016 - £3,812,069) including approximately £1.4 million (€1.6 million) received in advance from the EU in respect of the FEED programme grant which is held in a Euro denominated bank account pending completion of the remaining 50% funding required to match the grant for FEED.

On 20 October 2017, InfraStrata completed a placing of 125,000,000 new ordinary shares of 0.0001 penny at an issue price of 0.4 pence each to raise £457,586 after expenses. This was made in order to meet working capital expenses. A further placing to raise £375,000 for corporate costs and care and maintenance costs of its Project was announced just prior to the issue of this report. Once completed, the funds from this placing will fund the Company's minimum levels of corporate costs and care and maintenance costs on the Project to the end of November 2018

KEY PERFORMANCE INDICATORS

Key performance indicators ("KPIs"), both financial and non-financial, are used by the Board to monitor progress against predetermined objectives and our strategy:

The new Board has reviewed and revised these, and at the date of this report they are being achieved.

Objective	Definition	KPIs
We endeavour to develop projects in accordance with project schedules	Predetermined and agreed project development schedules adhered to including renewal of EU Grants and PCI status	Delivery of projects to comply with projected timescales..
We aim to manage Group working capital prudently	Management and control of working capital ensuring liquidity in order to satisfy Company Act and AIM Rules requirements	Maintenance of capital to ensure liquidity and to meet Audit requirements.

The KPIs are reported at Board meetings. Measurement entails analysing variance between expected and actual progress, financial position and financial performance

Since the appointment of the new Board, the KPIs have been met.

PRINCIPAL RISKS & UNCERTAINTIES

The Board is responsible for the effectiveness of the Group's risk management activities and internal control processes. As a participant in the gas storage development industry, the Group is exposed to a wide range of business risks in the conduct of its operations. The Group is exposed to financial, operational, strategic and external risks which are further described below. These risks are not exhaustive and additional risks or uncertainties may arise or become material in the future. Any of these risks, as well as other risks and uncertainties in this document, could have a material effect on the Group's business.

Financing – the risk of not obtaining sufficient financing

Access to adequate working capital is critical to our ability to pursue our existing and future projects and to continue as a going concern. A deterioration of the capital markets may reduce our ability to raise new equity funding. We work closely with our professional advisers and brokers to identify the optimum approach and timing to secure new equity financing to provide working capital.

As detailed in Note 2, the Group needs to raise funds to enable it to meet its liabilities after November 2018 and for the balance of the FEED costs not covered by agreed in principle loans and the EU grant. Although the EU grant has been extended to December 2018, as the United Kingdom will be leaving the European Union, this is unlikely to be extended further. To the extent that the grant cannot be used by the deadline and the grant funding is reduced, additional funding will be needed to cover the shortfall.

The Group seeks to manage risk for our shareholders by attracting investment through quality partners where possible thereby minimising our own commitments to pay project development costs. We do not make financial commitments unless such funding has been secured through joint venture partners or otherwise new investment in our projects or we have a high degree of confidence that it will be secured.

Strategic Report

Strategic and external risks - failure to manage and grow the business while creating shareholder value

There is no assurance that the Group's gas storage development will be successful. We place a premium on recruitment and retention of suitably skilled personnel, compliance with applicable legislation and careful management of cash resources and requirements.

The successful progression of the Group's activities depends not only on technical success, but also on the ability of the Group to obtain appropriate financing through equity or debt financing or disposing of interests in projects or via other means.

We place great emphasis on regular communication with shareholders, including the release of announcements for the interim and annual results, and after significant developments. We seek to ensure that through such communication our shareholders are aware of our strategy and operations and that management has their continuing support. The Company's system of Corporate Governance is set out in the Report of the Directors on pages 11 to 13.

Operational risks - damage to shareholder value, environment, personnel or communities caused by operational failures

InfraStrata has recruited a new Board of Directors with relevant skills to manage the operational risks of our projects and ensure they are progressed in the shortest possible timescales in a cost effective manner. We have built up our core competencies in project development and have developed excellent relationships with government and public stakeholders in the geographical areas in which we operate.

Our management team works alongside strong and experienced joint venture partners in all projects and is supported by a highly effective network of carefully selected service delivery specialists such as environmental consultants and drilling engineering services. In this way we seek to mitigate the potential risk that we fail to be seen to be acting in a socially responsible manner and/or fail to maintain good local community relations.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Adrian Pocock', with a horizontal line underneath.

Adrian Pocock
Chief Executive Officer
29th January 2018

Report of the Directors for the year ended 31 July 2017

The directors have pleasure in presenting their report and audited financial statements for the year ended 31 July 2017.

GENERAL

InfraStrata plc is incorporated and domiciled in England and Wales.

HEALTH, SAFETY AND ENVIRONMENT

There were no reportable health, safety or environmental incidents during the financial year.

SHARE CAPITAL

At the date of this report 501,041,599 ordinary shares are issued and fully paid. Details of movements in share capital during the year are given in note 24 to the financial statements; post year end movements are detailed in note 29

RESULTS AND DIVIDENDS

Petroleum exploration and evaluation operations have been classified as discontinued. The Group recognised cash revenue from continuing operations of £Nil (2016: £500,000). Management and administrative expenses totalled £895,404 (2016: £932,635) of which £725,820 (2016: £677,735) was attributable to continuing operations. The Group incurred a loss of £964,131 (2015: profit of £66,955) including a loss of £180,672 (2016: profit of £244,569) from discontinued operations. The profit in 2016 was stated after crediting a profit on the disposal of Exploration and Evaluation assets of £453,945. The loss for 2017 when added to the cumulative losses of £26,761,093 brought forward leaves a retained loss of £27,725,224 to be carried forward.

The directors do not recommend the payment of a dividend (2016: £nil).

RISK MANAGEMENT

The financial risk management objectives and policies of the Company in relation to the use of financial instruments, and the exposure of the Company and its subsidiary undertakings to its main risks, credit risk and liquidity risk, are set out in note 23 to the financial statements. The principal risks and uncertainties relating to the Group's business and how we mitigate them are detailed in the Strategic Report on pages 7 and 8.

DIRECTORS

The directors, who served during the year and subsequently, were as follows:

A R Pocock (appointed 27 June 2017)
G V Lyon (appointed 7 November 2017)
M P Beardmore (appointed 7 November 2017)
K Campbell (appointed 9 November 2017)

P V Wale (appointed 27 June 2017 resigned 9 November 2017)
K M Ratcliff (ceased 27 June 2017)
S McGarrity (ceased 27 June 2017)
A E Gardiner (resigned 25 June 2017)
A D Hindle (ceased 27 June 2017)
M E Hazzard (ceased 27 June 2017)

All directors benefit from the provisions of individual directors' Personal Indemnity insurance policies. Premiums payable to third parties are as described in note 7 to the financial statements. None of the current directors have been granted share options in the Company.

Report of the Directors for the year ended 31 July 2017

The directors of the Company at the date of this Annual Report and their abridged CVs are as follows:

Graham Lyon - Non-Executive Chairman

Graham is a senior energy, oil and gas executive with over 30 years' experience encompassing global technical, operational and commercial leadership roles.

He is currently a Director of Soncer Limited, a private Oil and Gas leadership consulting firm, undertaking board and executive positions for private and listed companies. He has actively led and advised on major M&A transactions and the financing and restructuring of companies and projects throughout the world.

Graham is Executive Chairman at Comet Energy, a private Canadian oil and gas company and is Non-Executive Chairman of Pearland Energy, a Nigerian oil and gas company. Graham also Chairs the Technical Advisory Committee and is a Board Adviser to Sirius Petroleum plc (AIM: SRSP). As adviser to Sirius Petroleum, Graham has contributed in structuring the vendor financing consortia that Sirius has put together to develop its Nigerian oil production assets.

Graham has recently held a number of board level positions at private and listed companies including; Non-Executive Director at Tarbagatay Munay LLP, a private Kazakhstani oil and gas company where he also chaired the Corporate Governance committee, Hawkley Oil & Gas Limited (ASX: HOG), Range Resources Limited (AIM: RRL, ASX: RRS) where he chaired the Reserves committee and was a member of Remuneration, Nomination and Corporate Governance committees, and MENA Hydrocarbons (TSX: MNH) as CEO. Before establishing Soncer, Graham was Vice President of Petro-Canada (TSX: PCA), where he led business development for its international business unit, which was formerly the international company Veba Oil and Gas GmbH. In his earlier technical career he worked for Shell and Chevron.

Adrian Richard Pocock - Chief Executive Officer

Adrian spent many years practising as a Chartered Surveyor, working for some of the largest property companies and partnerships in the UK at Director level. He holds an MBA from Strathclyde Business School and studied Master's level Contract and Construction Law at the Glasgow School of Law. He has extensive property asset management experience, having led and been a member of a diverse range of project support teams, ranging from small companies to companies with property portfolios valued in excess of £3 billion. He has worked with some of the largest organisations in the UK, including the NHS, the Bank of England and British Land. He ran his own commercial property development company for 10 years and has held Senior positions with Knight Frank, Conrad Ritblat and others.

Matthew Beardmore - Non-Executive Director

Matthew is a practising solicitor and quantity surveyor who has been primarily focused on the delivery of major built environment and infrastructure projects from conception to completion. During the last 20 years Matthew has had responsibility for the contractual, operational and commercial performance of a portfolio of projects worth in aggregate over £3bn. This has ranged from power plants to football stadia as well as major urban regeneration schemes. Within the last five years Matthew has obtained significant experience and knowledge through working in a role as Head of Capital Projects for a UK regional government authority. He therefore, has significant experience with the EU funding framework. The Board believes that these skills are going to be very beneficial to InfraStrata and will ensure the Company maximises its potential in this area.

Karen Campbell - Non-Executive Director

Karen Campbell is a highly experienced, well connected senior property and infrastructure development executive, with extensive leadership experience in major complex London, national and international infrastructure, rail, mixed commercial and residential development programmes. Since 2015, she worked as Senior Development Manager and subsequently Head of Oversight Development for Crossrail Limited to develop its extensive property portfolio including prime office, retail and residential space. Karen has recently been appointed as Head of Commercial Development for Euston & Old Oak Common at High Speed Two (HS2) Limited, the company responsible for developing and promoting the UK's new high-speed rail network. Karen is a member of the Royal Institution of Chartered Surveyors. She has held senior level positions with organisations such as Montagu Evans LLP, BT Group plc and Manchester Airport Group.

DIRECTORS EMOLUMENTS

The directors' emoluments are disclosed in note 7 to the Financial Statements.

Report of the Directors for the year ended 31 July 2017

DIRECTORS AND SUBSTANTIAL SHAREHOLDINGS

The directors of the Company held the following beneficial shareholdings as at 21 January 2018.

Ordinary shares of 0.01p each	Number	%
Graham Lyon	914,085	0.18
Matthew Beardmore	1,500,903	0.30
Adrian Pocock	12,655,055	2.53
Karen Campbell	-	-

The directors of the Company held the following beneficial shareholdings as at 31 July 2017.

Ordinary shares of 0.01p each	Number	%
Peter Wale	9,889,000	2.63
Adrian Pocock	12,655,055	3.37

The Company has also received notification of the following interests in 3% or more of the Company's issued share capital at 31 July 2017. The holdings and percentages presented are at the date of notification.

Ordinary shares of 0.01p each	Number	%
AXA Investment Managers S.A.	37,500,000	9.97
Eugene Whyms	5,659,725	3.72

CORPORATE GOVERNANCE

The UK Corporate Governance Code

The directors recognise the value of the UK Corporate Governance Code ("the Code") and whilst under the AIM Rules compliance with the Code is not required the directors have regard to the recommendations of the Code in so far as is appropriate for a public company of its size.

The Board

At the financial year end the Board comprised one Executive Director and one Non-executive director whose background and experience are relevant to the Company's activities. The directors are of the opinion that the Board has a suitable balance. The Board, through the directors, maintain regular contact with its professional advisers to ensure that the Board develops an understanding of the views of major shareholders about the Company. All directors have access to the advice and services of the company secretary who is responsible to the Board for ensuring that the Board procedures are followed and that the applicable rules and regulations are complied with. In addition, the company secretary will ensure that the directors receive appropriate training as necessary. The appointment and removal of the company secretary is a matter for the Board as a whole.

The table below contains details on the number of meetings held during the period and individual director attendance.

	Board	Audit Committee	Remuneration Committee
	No. of meetings attended	No. of meetings attended	No. of meetings attended
Number of meetings held during the 2017 financial year	21	1	2
<i>Executive Directors</i>			
Adrian Pocock (appointed 27 June 2017)	1	-	-
Andrew Hindle (ceased 27 June 2017)	19	-	-
Stewart McGarrity (ceased 27 June 2017)	19	-	-
Anita Gardiner (resigned 25 June 2017)	19	-	-
<i>Non-executive Directors</i>			
Peter Wale (appointed 27 June 2017)	1	-	-
Ken Ratcliff (ceased 27 June 2017)	19	1	2
Maurice Hazzard (ceased 27 June 2017)	19	1	2

Report of the Directors for the year ended 31 July 2017

CORPORATE GOVERNANCE *(continued)*

Audit Committee

The members of the Audit Committee are currently Karen Campbell (Chair) and Adrian Pocock. For the financial period to which this Annual Report relates, the members were comprised of Kenneth Ratcliffe (Chairman) and Maurice Hazzard. There was one meeting of the Audit Committee during the financial year which was attended by all members of the Committee. Senior representatives of the external auditor attend these meetings if considered appropriate. The external auditor has unrestricted access to the Chairman of the committee.

The role of the Audit Committee includes:

- Consideration of the appointment of the external auditor and the audit fee.
- Reviewing the nature, scope and results of the external audit.
- Monitoring the integrity of the financial statements and interim report.
- Discussing with the auditors any problems and reservations arising from the interim and final results.
- Reviewing the auditor's management letter and management's response.
- Reviewing on behalf of the Board the Group's system of internal control and making recommendations to the Board.

The Committee also keeps under review the necessity for establishing an internal audit function but considers that, given the size of the Group and the close involvement of senior management in day-to-day operations, there is currently no requirement for such a function. Notwithstanding the absence of an internal audit function, the Committee keeps under review the effectiveness of the Group's internal controls and risk management systems.

Remuneration Committee

The members of the Remuneration Committee are currently Graham Lyon (Chairman), Matthew Beardmore and Karen Campbell. For the financial period to which this Annual Report relates, the members comprised Maurice Hazzard (Chairman) and Kenneth Ratcliffe. The committee met twice in the year to 31 July 2017.

The Group's policy is to remunerate senior executives fairly in such a manner as to facilitate the recruitment, retention and motivation of staff. The Remuneration Committee recommends to the Board a framework for the remuneration of the Executive Directors and the senior management of the Group.

The principal objectives of the Committee include:

- Determining and recommending to the Board the remuneration policy for the Chief Executive and Executive Directors.
- Reviewing the design of share incentive plans for approval by the Board and determining the annual award policy to Executive Directors under existing plans.

The Committee remains acutely aware of the need to balance the financial performance of the Company with the need to maintain incentive and motivation for the executive team.

Relations with Shareholders

Communication with Shareholders is given high priority and the Company therefore communicates regularly with Shareholders including the release of announcements for the interim and annual results and after significant developments. The Annual General Meeting, which this year is being held on 31 January 2018, is normally attended by all directors. Shareholders are invited to ask questions on matters including the Group's operations and performance and to meet with the directors after the formal proceedings have ended.

The Company maintains a website (www.infrastrata.co.uk) for the purpose of improving information flow to Shareholders as well as potential investors. The website contains all regulatory and press announcements and financial reports as well as extensive operational information about the Group's activities and enquiries from Shareholders on matters relating to their holdings and the business of the Group are welcomed. The Board encourages Shareholders to attend the Annual General Meeting, at which members of the Board are available to answer questions.

Report of the Directors for the year ended 31 July 2017

CORPORATE GOVERNANCE *(continued)*

Internal controls

The directors are responsible for the Group's system of internal controls, the setting of appropriate policies on those controls, and regular assurance that the system is functioning effectively and that it is effective in managing business risk. Internal control systems are designed to meet the particular needs of the Group and to manage rather than eliminate the risk of failure to meet business objectives. The internal controls cover financial, operational and compliance matters and are reviewed on an on-going basis.

The directors consider that the frequency of Board meetings and the information provided to the Board in relation to Group operations assists the identification, evaluation and management of significant risks relevant to its operations on a continuous basis.

The Group's internal controls can only provide reasonable and not absolute assurance against material misstatement or loss or the risk of failure to meet business objectives. Having thus monitored risk management and internal control processes in place, the Board considers that the Company's internal control systems operated appropriately during the year and up to the date of signing of the Annual Report and Financial Statements.

GOING CONCERN

The directors have prepared the financial statements on the going concern basis which assumes that the Group will continue in operational existence for the foreseeable future. The basis of this assumption is detailed in the Strategic Report and the accounting policies in note 2 to the financial statements.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Applicable company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law the directors have elected (as required by the rules of the AIM market of the London Stock Exchange) to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006 (the "CA 2006").

The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the Group; the CA 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the 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 to enable them to ensure that the financial statements comply with the CA 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report of the Directors for the year ended 31 July 2017

DISCLOSURE OF INFORMATION TO THE AUDITOR

In the case of each person who was a director at the time this report was approved: so far as the director was aware there was no relevant audit information of which the Company's auditor was unaware; and the director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor was aware of that information. This information is given and should be interpreted in accordance with the provisions of section 418 of the CA 2006.

AUDITOR

A resolution to re-appoint the Company's auditor, Nexia Smith & Williamson Audit Limited, will be proposed at the Annual General Meeting to be held on 31 January 2018. This resolution, together with the proxy form and notes for voting, was previously circulated to Shareholders on 5 January 2018.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'A. Pocock', with a long horizontal flourish extending to the right.

A Pocock
Director
29 January 2018

Independent auditor's report to the members of InfraStrata plc



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INFRASTRATA PLC

Opinion

We have audited the financial statements of InfraStrata plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 July 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statement of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows, and the notes to the financial statements, including a summary of significant accounting policies. 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 parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 July 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which indicates that as at 31 July 2017, the group and parent company were dependent upon the receipt of future funding to continue as going concerns. If such funding is not available, the group and parent company would need to seek alternative sources of funding to enable them to meet their liabilities as they fall due for the foreseeable future.

As stated in note 2, these conditions indicate that a material uncertainty exists that may cast significant doubt on the group's and parent company's ability to continue as going concerns. Our opinion is not modified in respect of this matter.

Key Audit Matters

We identified the key audit matters described below as those that were of most significance in the audit of the financial statements of the current year. Key audit matters include the most significant assessed risks of material misstatement, including those risks that had the greatest effect on our overall strategy, the allocation of resources in the audit and the direction of efforts of the audit team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The two key audit matters are related, and are therefore addressed together in this report.

Independent auditor's report to the members of InfraStrata plc

Carrying value of the group's development assets relating to the Islandmagee gas storage facility and the amounts due to the parent company from its subsidiaries

Description of the risks

The carrying value of the proposed Islandmagee gas storage project of £6,591,302 and the balance of £7,113,671 due to the parent company from its subsidiaries are significant in the financial statements of the group and the parent company, respectively. As explained in note 2 to the financial statements, the group is seeking further funding to complete the Front End Engineering and Design ("FEED"); thereafter, the group will be seeking funding for the full project construction. If the group cannot obtain funding, the carrying value of the project is likely to be impaired.

Assuming that the project is ultimately constructed, the value of the project is dependent on a number of estimates and factors, including the construction costs, the construction time frame, the revenue able to be generated from the project, the cost of capital applicable to the project and the discount rate to be applied. Any adverse variations in these factors could result in the project becoming impaired in value.

Additionally, if the group and parent company are unable to continue as going concerns, it is likely that the project will become impaired in value.

If the project value is impaired, the subsidiaries may not be able to earn sufficient funds in order to repay the intercompany balances owed.

The Group's impairment assessments requires significant judgement, in particular regarding the availability of funding for both group's recurring running costs and the project, the capital cost of the project, the construction timeframe, the cost of capital required to fund the project, the discount rate to be applied and the revenue to be earned from the gas storage facility. The revenue that can be earned depends on the future demand for gas storage facilities, future gas prices and the volatility of those gas prices.

Our Response to the risk

We challenged the assumptions used in the client's impairment assessment. As part of our procedures we:

- reviewed the directors' assumptions relating to the availability of funding for the FEED and for the longer term, including reviewing documentation relating to the funding already agreed and funding provisionally agreed
- compared the directors' commercial assumptions with available third party evidence, such as expert reports commissioned by the directors, market data and communications with potential commercial partners
- re-performed a discounted cash flow analysis based on the directors' assumptions and compared the results of this with the directors' own analysis
- performed a sensitivity analysis on the discounted cash flow analysis
- assessed if the uncertainties inherent in the project were correctly disclosed in the financial statements

Material uncertainties

The directors' assessment is that no impairment is required to the project value and the balances due from subsidiaries, but that conclusion is dependent upon the availability of future funding and other uncertain future events. Therefore, as more fully explained in note 2, there are material uncertainties regarding the carrying value of the project and the balances due to the parent company from its subsidiaries. The financial statements do not include the impairment of the project or the impairment of the parent company's balances due from its subsidiaries that would result if the group were unable to raise such funds.

Our opinion is not modified in respect of this matter.

Our application of materiality

The materiality for the group financial statements as a whole was set at £350,000. This has been determined with reference to the benchmark of the group's net assets, which we consider to be the one of the principal considerations for members of the parent company in assessing the performance of the group. Materiality represents 5% of the group's net assets as presented on the face of the Group Statement of Financial Position.

The materiality for the parent company financial statements as a whole was set at £280,000. This has been determined with reference to the benchmark of the parent company's net assets as the parent company exists primarily as a holding company for the group. Materiality represents 5% of net assets as presented on the face of the Parent Company Statement of Financial Position, capped at 80% of group materiality.

Independent auditor's report to the members of InfraStrata plc

An overview of the scope of our audit

At the end of the year, the Group comprised of three companies. We are appointed auditor and have performed audits of the financial statements of each company. All of the Group's assets and liabilities are located in the UK. All group entities have common management and centralised process and controls. Therefore our audit work was all conducted solely in the UK.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of InfraStrata plc

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Guy Swarbreck
Senior Statutory Auditor,
for and on behalf of

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants
1 Bishops Wharf
Walnut Tree Close
Guildford, GU1 4RA

30 January 2018

Consolidated statement of comprehensive income for the year ended 31 July 2017


	Notes	2017 £	2016 £
Continuing operations			
Revenue	4	-	500,000
Cost of sales		-	-
Gross profit		-	500,000
Management and administrative expenses	5	(725,820)	(677,735)
Operating loss		(725,820)	(177,735)
Finance expense	20	(58,000)	-
Finance income	10	361	121
Loss before taxation		(783,459)	(177,614)
Taxation	11	-	-
Loss for the year from continuing operations	3	(783,459)	(177,614)
(Loss) profit for the year from discontinued operations	3	(180,672)	244,569
(Loss) profit for the year attributable to the equity holders of the parent		(964,131)	66,955
Other comprehensive income		-	-
Total comprehensive (loss) profit for the year attributable to the equity holders of the parent		(964,131)	66,955
Basic and diluted earnings per share			
Continuing operations	12	(0.30)p	(0.10)p
Discontinued operations		(0.07)p	0.14p
Continuing and discontinued operations		(0.37)p	0.04p


Consolidated statement of financial position as at 31 July 2017

	Notes	2017 £	2016 £
Non-current assets			
Intangible fixed assets:			
Gas Storage Development	14	6,591,302	6,116,114
Exploration & Evaluation	15	-	19,459
Property, plant and equipment	16	440,100	440,744
Deferred liability	20	42,000	-
Total non-current assets		7,073,402	6,576,317
Current assets			
Trade and other receivables	18	98,718	1,182,572
Deferred liability	20	100,000	-
Restricted cash	19	-	1,358,063
Cash and cash equivalents	21	1,548,169	2,454,006
Total current assets		1,746,887	4,994,641
Current liabilities			
Trade and other payables	22	(149,625)	(1,693,055)
Grant received in advance	19	(1,440,913)	(1,358,886)
Short-term borrowings	19	-	(1,400,364)
Total current liabilities		(1,590,538)	(4,452,305)
Net current assets		156,349	542,336
Financial liability	20	(200,000)	-
Net assets		7,029,751	7,118,653
Shareholders' funds			
Share capital	24	10,853,460	10,834,660
Share premium		14,297,307	13,440,878
Merger reserve	25	8,988,112	8,988,112
Share based payment reserve	26	616,096	616,096
Retained earnings		(27,725,224)	(26,761,093)
Total equity		7,029,751	7,118,653

Company registration number: 06409712

Approved and authorised for issue by the Board on 29 January 2018


 29/1/18
 Graham Lyon
 Director


 Adrian Pocock
 Director

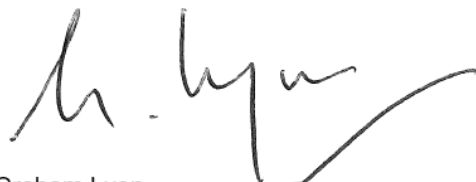
Company statement of financial position as at 31 July 2017


	Notes	2017 £	2016 £
Non-current assets			
Intangible exploration assets	15	-	19,459
Property, plant and equipment	16	-	644
Deferred liability	20	42,000	-
Total non-current assets		42,000	20,103
Current assets			
Trade and other receivables	18	7,211,230	7,049,850
Deferred liability	20	100,000	-
Restricted cash	19	-	1,358,063
Cash and cash equivalents	21	1,545,779	2,442,818
Total current assets		8,857,009	10,850,731
Current liabilities			
Trade and other payables	22	(117,186)	(1,631,577)
Grant received in advance	19	(1,440,913)	(1,358,886)
Short-term borrowings	19	-	(1,400,364)
Total current liabilities		(1,558,099)	(4,390,827)
Net current assets		7,298,910	6,459,904
Financial liability	20	(200,000)	-
Net assets		7,140,910	6,480,007
Shareholders' funds			
Share capital	24	10,853,460	10,834,660
Share premium		14,297,307	13,440,878
Merger reserve	25	8,466,827	8,466,827
Share based payment reserve	26	616,096	616,096
Retained earnings		(27,092,780)	(26,878,454)
Total equity		7,140,910	6,480,007

Company registration number: 06409712

The company's loss for the period was £214,325 (2016 profit: £722,481).

Approved and authorised for issue by the Board on 29 January 2018.


Graham Lyon
Director
29/1/18


Adrian Pocock
Director

Consolidated statement of changes in equity for the year ended 31 July 2017

	Share capital £	Share premium £	Merger reserve £	Share based payment reserve £	Retained earnings £	Total equity £
Balance at 31 July 2015	10,474,160	13,379,415	8,988,112	603,626	(26,828,048)	6,617,265
Profit for the year	-	-	-	-	66,955	66,955
Total comprehensive profit for the year	-	-	-	-	66,955	66,955
Shares issued	360,500	90,125	-	-	-	450,625
Share issue costs		(28,662)				(28,662)
Share based payments	-	-	-	12,470	-	12,470
Balance at 31 July 2016	10,834,660	13,440,878	8,988,112	616,096	(26,761,093)	7,118,653
Loss for the year	-	-	-	-	(964,131)	(964,131)
Total comprehensive loss for the year	-	-	-	-	(964,131)	(964,131)
Shares issued (Note 24)	18,800	921,200	-	-	-	940,000
Share issue costs		(64,771)				(64,771)
Balance at 31 July 2017	10,853,460	14,297,307	8,988,112	616,096	(27,725,224)	7,029,751

Company statement of changes in equity for the year ended 31 July 2017

	Share capital £	Share premium £	Merger reserve £	Share based payment reserve £	Retained earnings £	Total equity £
Balance at 31 July 2015	10,474,160	13,379,415	8,466,827	603,626	(27,600,935)	5,323,093
Profit for the year	-	-	-	-	722,481	722,481
Total comprehensive profit for the year	-	-	-	-	722,481	722,481
Shares issued	360,500	90,125	-	-	-	450,625
Share issue costs		(28,662)				(28,662)
Share based payments	-	-	-	12,470	-	12,470
Balance at 31 July 2016	10,834,660	13,440,878	8,466,827	616,096	(26,878,454)	6,480,007
Loss for the year	-	-	-	-	(214,326)	(214,326)
Total comprehensive loss for the year	-	-	-	-	(214,326)	(214,326)
Shares issued (Note 24)	18,800	921,200	-	-	-	940,000
Share issue costs		(64,771)				(64,771)
Balance at 31 July 2017	10,853,460	14,297,307	8,466,827	616,096	(27,092,780)	7,140,910

Consolidated statement of cash flows for the year ended 31 July 2017

	Notes	2017 £	2016 £
Operating activities			
Operating loss for the year		(725,820)	(177,735)
Depreciation		644	167
Decrease (Increase) in trade and other receivables		1,083,854	(882,164)
(Decrease) increase in trade and other payables		(1,543,430)	938,264
Share option expense		-	12,470
Exchange differences		82,027	33,301
Cash (used in) discontinued operations		(154,311)	(180,933)
		<hr/>	<hr/>
Net cash (used in) continuing and discontinued operating activities		(1,257,036)	(256,630)
		<hr/>	<hr/>
Investing activities			
Interest received		361	121
Purchase of intangible assets:			
Gas Storage Development		(475,188)	(608,760)
Exploration and Evaluation (discontinued)		(6,902)	(43,158)
Proceeds from Exploration and Evaluation assets (discontinued):			
Disposals		-	626,459
Receipt of back costs under farmout agreements		-	252,481
Grants received		-	2,689,852
Purchase of equipment		-	(458)
		<hr/>	<hr/>
Net cash (used in) generated from investing activities		(481,729)	2,916,537
		<hr/>	<hr/>
Financing activities			
Proceeds on issue of ordinary shares		875,229	421,963
Drawdown of short-term borrowings		200,000	300,000
Repayment of short-term borrowings		(1,600,364)	-
		<hr/>	<hr/>
Net cash (used in) generated from financing activities		(525,135)	721,963
		<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents		(2,263,900)	3,381,870
Cash and cash equivalents at beginning of year		3,812,069	430,199
		<hr/>	<hr/>
Cash and cash equivalents at end of year		1,548,169	3,812,069
		<hr/>	<hr/>
Cash and cash equivalents consist of:			
Restricted cash	19	-	1,358,063
Cash at bank	21	1,548,169	2,454,006
		<hr/>	<hr/>
		1,548,169	3,812,069
		<hr/>	<hr/>

Significant non-cash transactions

As disclosed in Note 20, the Group has recognised a financial liability in respect of contractual payments which may become due in any future disposal of its assets and a corresponding deferred asset which has been amortised. These transactions are non-cash items and do not appear in the statement of cash flows. In 2016 there were no material non-cash items.

Company statement of cash flows for the year ended 31 July 2017

	Notes	2017 £	2016 £
Operating activities			
Operating profit for the year		23,985	329,529
Depreciation		644	167
Increase in trade and other receivables		(161,380)	(1,870,246)
(Decrease) Increase in trade and other payables		(1,514,391)	973,141
Share option expense		-	12,470
Exchange differences		82,027	33,301
Cash (used in) discontinued operations		(154,311)	(180,933)
		<hr/>	<hr/>
Net cash (used in) continuing and discontinued operating activities		(1,723,426)	(702,571)
		<hr/>	<hr/>
Investing activities			
Interest received		361	121
Purchase of exploration intangible assets (discontinued)		(6,902)	(43,158)
Proceeds from Exploration and Evaluation assets (discontinued):			
Disposals		-	626,459
Receipt of back costs under farmout agreements		-	252,481
Grants received		-	2,689,852
Purchase of equipment		-	(458)
		<hr/>	<hr/>
Net cash (used in) generated from investing activities		(6,541)	3,525,297
		<hr/>	<hr/>
Financing activities			
Proceeds on issue of ordinary shares		875,229	421,963
Drawdown of short-term borrowings		200,000	300,000
Repayment of short-term borrowings		(1,600,364)	-
		<hr/>	<hr/>
Net cash (used in) generated from financing activities		(525,135)	721,963
		<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents		(2,255,102)	3,544,689
Cash and cash equivalents at beginning of year		3,800,881	256,192
		<hr/>	<hr/>
Cash and cash equivalents at end of year		1,545,779	3,800,881
		<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents consist of:			
Restricted cash	19	-	1,358,063
Cash at bank	21	1,545,779	2,442,818
		<hr/>	<hr/>
		1,545,779	3,800,881
		<hr/> <hr/>	<hr/> <hr/>

Significant non-cash transactions

As disclosed in Note 20, the Group has recognised a financial liability in respect of contractual payments which may become due in any future disposal of its assets and a corresponding deferred asset which has been amortised. These transactions are non-cash items and do not appear in the statement of cash flows.

Notes to the financial statements for the year ended 31 July 2017

1. General information

InfraStrata plc is a company incorporated in England & Wales under the Companies Acts 2006 and is domiciled in the United Kingdom and is listed on the AIM market of the London Stock Exchange. The company's registered office is 200 Strand, London, England, WC2R 1DJ.

2. Accounting policies

The financial statements are based on the accounting policies set out below which have been consistently applied.

Basis of preparation

InfraStrata plc adopted International Financial Reporting Standards (IFRS) as adopted by the European Union effective in July 2017, as the basis for preparation of its financial statements. The financial information has been prepared under the historical cost convention as modified by the revaluation of certain financial assets.

Going concern

The directors have prepared cash flow projections which indicate that, including the proceeds of the January 2018 placing, the Group and parent Company have sufficient funds to meet their corporate costs and the care and maintenance costs of Islandmagee gas storage project (the "Project") to the end of November 2018.

The next phase of the development of the Project is the completion of the FEED programme which will take to the end of December 2018 at a total estimated cost including all the Group's financial commitments during that period of £4.5 million. Of that total £3.1m is expected to be met by the grant from the EU and loans from the selected FEED contractors, leaving a further £1.4m additional funding requirement to complete not only the FEED but the commercialisation programme during 2018, and to cover corporate costs.

Under the terms of the EU Grant, certain activity milestones are required to be met, including completion of the FEED engineering report by 28 September 2018 and completion of the FEED by 20 December 2018. Failure to meet these milestones may result in the grant being reduced. The loans from the FEED contractors are subject to contracts being agreed and upon InfraStrata securing the remaining funding for the FEED. The loans are expected to be repayable at the Financial Investment Decision date ("FID"), when a decision will be made as to whether to proceed to construction, or on 31 December 2018, whichever is earlier.

The directors are in advanced discussions with potential key investors to the project and anticipate that the additional funding of £1.4m required to complete the FEED and commercialisation programme during 2018, and cover corporate costs, can be secured in the first quarter of 2018. However the timing and success of such fundraising cannot be guaranteed. After preparing cash flow forecasts, considering the cash currently on hand, and the progress towards gaining the additional funding as described above, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Following the completion of the FEED and commercialisation programme at the end of 2018 the project will be ready to move into the Financial Investment Decisions stage, where it will evaluate the available sources of funding, including both debt and equity participation, to fund both the continuing operations of the Company beyond December 2018, the repayment of the FEED contractor loans, and construction and delivery of the programme for our shareholders. The full project construction is expected to be delivered on a phased basis over a number of years at an aggregate cost of approximately £300 million.

Should the Project not proceed as expected, the ability of the parent Company's subsidiaries to repay inter-company debt due to the parent Company would be in doubt.

The directors remain confident that the project is economically viable and that following the completion of the FEED and commercialisation programme, further new investment for the Company and the project will be secured. Having reviewed the value of gas storage assets in accordance with the principles set out below, and the value of balances due to the parent Company from its subsidiaries, the directors are of the opinion that these assets are not impaired in value.

Notes to the financial statements for the year ended 31 July 2017

2. Accounting policies (continued)

Going concern (continued)

However the success of the 2018 fundraising is uncertain. The directors have concluded that a material uncertainty exists that may cast significant doubt upon the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Were the Group no longer a going concern, the Group's capitalised project development costs totalling £6,591,302 and amounts due to the Company from its subsidiaries amounting to £7,113,671 may become impaired in value, provision would be required for the future liabilities arising as a consequence of the Group ceasing business and assets and liabilities currently classified as non-current would be reclassified as current.

Adoption of new and revised standards

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been adopted by the EU and minor changes to other standards arising from annual improvements have been issued but are yet to be adopted. None of these standards are expected to have a material effect on the Group financial statements. IFRS 16 Leases has also been issued; as the Group currently has no material leases, this is not expected to have a significant impact. The Group will assess the impact of the new standard on the Group in due course.

Basis of consolidation

The financial information incorporates the financial information of the Company and entities controlled by the Company. Control is achieved where the Company has power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Business combinations and goodwill

On acquisition, the assets and liabilities and contingent liabilities of subsidiaries are measured at their fair values at the date of acquisition. Any excess of cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit or loss in the period of acquisition. Goodwill arising on consolidation is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss, and is not subsequently reversed.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker as required by IFRS 8 "Operating Segments". The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of directors. The accounting policies of the reportable segments are consistent with the accounting policies of the Group as a whole. Segment profit or loss represents the profit or loss attributable to equity holders of the parent attributable to each segment. This is the measure of profit that is reported to the Board of directors for the purpose of resource allocation and the assessment of segment performance. When assessing segment performance and considering the allocation of resources, the Board of directors review information about segment assets and liabilities.

Property plant and equipment

Property plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss. The initial cost of an asset comprises its purchase price or construction cost and any costs directly attributable to bringing the asset into operation.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, once the asset has been brought into use, on the following basis:

Office equipment	20-33%
Freehold land	0%

The carrying values of property plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Notes to the financial statements for the year ended 31 July 2017

2. Accounting policies (*continued*)

Capitalisation and impairment of intangible gas storage assets

Costs of development of gas storage facilities are capitalised as intangible assets once it is probable that future economic benefits that are attributable to the assets will flow to the Group and until consent to construct has been awarded, at which time the capitalised costs are transferred to plant and equipment provided there being reasonable certainty of construction proceeding. The nature of these costs includes all direct costs incurred in project development, including any directly attributable finance costs. No amortisation or depreciation is provided until the storage facility is available for use.

An impairment test is performed annually and whenever events or circumstances arising during the development phase indicate that the carrying value of a development asset may exceed its recoverable amount. The aggregate carrying value is compared against the expected recoverable amount of the cash generating unit, generally by reference to the present value of the future net cash flows expected to be derived from storage revenue. The present value of future cash flows is calculated on the basis of future storage prices and cost levels as forecast at the statement of financial position date.

The cash generating unit applied for impairment test purposes is generally an individual gas storage facility. Where the carrying value of the facility is greater than the present value of its future cash flows a provision is made. Any such provisions are charged to cost of sales.

Government grants

Government grants are recognised only when there is reasonable assurance that the Group will comply with the conditions attaching to the grant and that the grants will be received. Capital grants are recognised to match the related development expenditure and are deducted in arriving at the carrying value of the related assets.

Investments

Investments in subsidiaries are stated at cost less provision for impairments.

Taxation

Tax expense represents the sum of the tax currently payable and any deferred tax. The taxable result differs from the net result as reported in the statement of comprehensive income 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date. 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 liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences 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 taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position 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 calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current assets and liabilities on a net basis.

Notes to the financial statements for the year ended 31 July 2017

2. Accounting policies (*continued*)

Foreign currency

Transactions in foreign currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date and gains or losses are taken to operating profit.

Leases

Leases are classified as finance leases or hire purchase lease contracts 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.

Rental costs under operating leases are charged on a straight-line basis over the lease term.

Share based payment transactions

Employees (including senior executives) of the Group receive part of their remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity settled transactions).

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Retirement benefit costs

The Company has a defined contribution plan which requires contributions to be made into an independently administered fund. The amount charged to the statement of comprehensive income in respect of pension costs reflects the contributions payable in the year. Differences between contributions payable during the year and contributions actually paid are shown as either accrued liabilities or prepaid assets in the statement of financial position.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Trade, other receivables and cash and cash equivalents are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in the statement of comprehensive income. Cash and cash equivalents comprise cash held by the Group, short-term bank deposits with an original maturity of three months or less, and cash held in escrow ("restricted cash"). Restricted cash relates to amounts held in escrow which may only be used to repay the Baron Oil loan.

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

Notes to the financial statements for the year ended 31 July 2017

2. Accounting policies (*continued*)

Financial instruments (*continued*)

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Convertible financial instruments denominated in foreign currencies are not treated as compound financial instruments on initial recognition or subsequently, including when the repayment of the instrument is agreed at a specific sterling rate using funds held in escrow.

Interest bearing bank loans, overdrafts and other loans are recorded at the proceeds received, net of direct issue costs. Finance costs are accounted for on an accruals basis in the statement of comprehensive income using the effective interest method.

Revenue

Revenue is recognised as the fair value of the consideration received or receivable and represents the amounts receivable for services delivered during the normal course of business. Revenue is recognised as the services are delivered.

Data licensing

Revenue from licensing of data to other parties is recognised in full upon the delivery of the data to the licensee.

Judgements in applying accounting policies and key sources of estimation uncertainty

Amounts included in the financial statements involve the use of judgement and/or estimation. These estimates and judgements are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements, and the key areas are summarised below.

Capitalisation of gas storage costs

The assessment of whether costs incurred on gas storage development should be capitalised or expensed involves judgement. Any expenditure where it is not probable that future economic benefits will flow to the Group are expensed. Management considers the nature of the costs incurred and the stage of project development and concludes whether it is appropriate to capitalise the costs. The key assumptions depend on whether it is probable that the expenditure will result future economic benefits that are attributable to the assets.

Review of gas storage project asset carrying values

The assessment of capitalised project costs for any indications of impairment involves judgement. When facts or circumstances suggest that impairment exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that the carrying amount exceeds recoverable amount. Recoverable amount is determined to be the higher of fair value less costs to sell and value in use. The key assumptions are the net income expected to be generated from the facilities, the cost of construction and the date from which the facilities become operational. Management assigns values and dates to these inputs after taking into account market information, engineering design costing and the project programme. A discount rate of 8% is applied in determining gas storage project net present values. Salt cavern gas storage projects are long term investments and cash flows are therefore projected over periods greater than 5 years. Engineering design provides for a project life of 40 years. It is assumed that 100% of a project's capacity will be sold from the date that the capacity becomes operational.

Recognition of contingent financial liability

As detailed in note 20, the recognition or otherwise of the contingent liability arising from the January 2017 Baron Oil Plc loan agreement requires judgement as to whether the Group will dispose of an interest on the Islandmagee project prior to 4 January 2019. As at the date of approval of the financial statements it is not possible to reliably determine whether or not such a disposal will occur and therefore the contingent liability has been recognised in full.

Notes to the financial statements for the year ended 31 July 2017

3. Segment information

The directors have determined the Group's operating segments by reference to the risk profile of the Group's activities, which are affected predominately by location of the Group's assets. The Group's continuing gas storage operations are located in Northern Ireland. In both years presented petroleum exploration activities have been classified as discontinued operations.

2017

	Discontinued Operations -exploration Total	Continuing operations – gas storage		Total
		Northern Ireland	Central income and costs	
	£	£	£	£
Revenue	15,273	-	-	-
Management & administrative expenses	(169,584)	(541,942)	(183,878)	(725,820)
Impairment of Exploration & Evaluation assets	(26,361)	-	-	-
Finance expense	-	-	(58,000)	(58,000)
Finance income	-	-	361	361
Pre and post tax loss for the year	(180,672)	(541,942)	(241,517)	(783,459)
Analysis of:				
Assets by segment	44,702	8,466,155	309,432	8,775,587
Liabilities by segment	(44,702)	(1,454,689)	(291,147)	(1,745,836)
	-	7,011,466	18,285	7,029,751

Cash flows from discontinued operations

Cash flows arising from discontinued operations comprise net cash used in discontinued operations of £154,311, and net cash used in investing activities of £6,902.

2016

	Discontinued Operations -exploration Total	Continuing operations – gas storage		Total
		Northern Ireland	Central income and costs	
	£	£	£	£
Revenue	73,967	500,000	-	500,000
Management & administrative expenses	(254,900)	(494,146)	(183,589)	(677,735)
Profit on disposal of Exploration & Evaluation assets	453,945	-	-	-
Impairment of Exploration & Evaluation assets	(28,443)	-	-	-
Finance income	-	-	121	121
Pre and post tax profit / (loss) for the year	244,569	5,854	(183,468)	(177,614)
Analysis of:				
Assets by segment	1,497,566	9,266,058	807,334	10,073,392
Liabilities by segment	(1,426,217)	(2,922,841)	(103,247)	(3,026,088)
	71,349	6,343,217	704,087	7,047,304

Cash flows from discontinued operations

Cash flows arising from discontinued operations comprise net cash used in discontinued operations of £180,933, and net cash received from investing activities of £835,782.

Notes to the financial statements for the year ended 31 July 2017

4. Revenue	2017	2016
	£	£
Revenue comprises:		
Licensing of seismic data	-	500,000
	-	500,000
5. Profit or loss before taxation	2017	2016
	£	£
Fees payable to the Group's auditor and its associates:		
- for the audit of the Company's annual financial statements	17,050	17,050
- for the audit of the Company's subsidiaries	12,950	12,950
- other services relating to taxation	11,645	23,660
- all other services	3,400	3,825
Depreciation	644	167
Net foreign exchange loss	371	23,180
Operating lease rentals – land and buildings	14,275	30,000
Project management & company administrative expenditure	2017	2016
	£	£
Management & administrative expenditure paid in cash	820,714	853,850
Advisor costs relating to Islandmagee Storage	11,771	41,520
Advisor costs relating to Strategic Review and General Meeting	61,904	-
Non-cash items:		
Share options expense	-	12,470
Exchange differences	371	23,180
Depreciation	644	167
Pre-licence costs written off	-	1,448
	895,404	932,635
Attributable to:		
Continuing operations	725,820	677,735
Discontinued operations	169,584	254,900
	895,401	932,635
6. Employee information	2017	2016
	Number	Number
Average number of Executive Directors and staff	3	5
Staff costs for the above persons and Non-executive Directors:	£	£
Wages and salaries	446,282	467,848
Social security costs	48,093	54,111
Defined contribution pension plan expenditure and other costs	3,509	10,412
Other staff costs	14,020	14,710
Share based payments	-	12,470
Staff costs before recoveries and capitalisation	511,904	559,551

Notes to the financial statements for the year ended 31 July 2017

7. Directors' and key management emoluments and compensation

Group and Company

2017	Salary & fees £	Benefits £	Pension £	Total 2017 £
Executive Directors				
Adrian Pocock (appointed 27 June 2017)	7,404	-	-	7,404
Andrew Hindle (ceased 27 June 2017)	82,305	3,337	-	85,642
Stewart McGarrity (ceased 27 June 2017)	105,010	2,670	-	107,680
Anita Gardiner (resigned 25 June 2017)	104,635	750	-	105,385
Non-executive directors				
Peter Wale (appointed 27 June 2017)	2,468	-	-	2,468
Kenneth Ratcliff (ceased 27 June 2017)	28,385	-	-	28,385
Maurice Hazzard (ceased 27 June 2017)	13,979	-	-	13,979
	<u>344,186</u>	<u>6,757</u>	<u>-</u>	<u>350,943</u>
Share based payment				-
Employers national insurance contributions				42,314
				<u>393,257</u>

2016	Salary & fees £	Benefits £	Pension £	Total 2016 £
Executive Directors				
Andrew Hindle	121,667	3,684	-	125,351
Stewart McGarrity	113,333	2,947	-	116,280
Anita Gardiner	112,748	834	1,587	115,169
Non-executive directors				
Kenneth Ratcliff	29,969	-	-	29,969
Maurice Hazzard	11,875	-	-	11,875
Alan Booth (resigned 11 November 2015)	4,167	-	-	4,167
	<u>393,759</u>	<u>7,465</u>	<u>1,587</u>	<u>402,811</u>
Share based payment				9,928
Employers national insurance contributions				48,235
				<u>460,974</u>

On 1 October 2015, the Company implemented a Performance Incentive Scheme under which voluntary salary reductions were taken to preserve the Group's cash resources. The scheme ended on 30 September 2016 without the crystallisation of any incentive payments under the scheme.

Notes to the financial statements for the year ended 31 July 2017

7. Directors' and key management emoluments and compensation (*continued*)

Aggregate emoluments above include amounts for the value of options to acquire ordinary shares in the Company granted or held by directors. No director held any Enterprise Management Incentive or other options at 31 July 2017 and no options were exercised by any person who was a director at any time during the 2017 and 2016 financial years.

Executive Directors and directors' indemnity insurance premiums of £15,914 (2016: £15,624) were paid in respect of all directors. Since October 2015 no director has participated in the Group Stakeholder Pension Plan.

8. Share based payment plans

A share based payment plan was created in the year ended 31 July 2008. All directors and employees are entitled to a grant of options subject to the Board of directors' approval. The options do not have a cash settlement alternative. The options granted are Enterprise Management Incentive share options for qualifying employees. The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2017 Number	2017 WAEP £	2016 Number	2016 WAEP £
Outstanding at the beginning of the year	6,379,167	0.1807	6,379,167	0.1807
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Outstanding at the end of the year	<u>6,379,167</u>	<u>0.1807</u>	<u>6,379,167</u>	<u>0.1807</u>
Exercisable at the end of the year	<u>6,379,167</u>	<u>0.1807</u>	<u>6,379,167</u>	<u>0.1807</u>

The range of exercise prices for options outstanding at the end of the year was £0.10 - £2.28. The weighted average remaining option life for the share options outstanding at 31 July 2017 is 4 years (2016: 5 years). The fair value of equity settled options granted is estimated as at the date of the grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

9. Retirement benefits

The Group operates a defined contribution retirement plan for all qualifying employees who wish to participate. The assets of the scheme are held separately from those of the Group in funds under the control of independent trustees. The total cost charged to expenses of £3,509 (2016: £10,412) represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme for the year. As at 31 July 2017, employer and employee contributions of £Nil (2016: £585) due in respect of the current period had not been paid over to the scheme.

10. Finance income	2017 £	2016 £
Interest on bank deposits	361	121

Notes to the financial statements for the year ended 31 July 2017

11. Income tax	2017 £	2016 £
The major components of income tax expense for the years ended 31 July 2017 and 2016 are:		
a) Income tax recognised in profit or loss		
Continuing operations		
Current income tax charge/(credit)	-	-
Adjustments in respect of current income tax of previous years	-	-
	<hr/>	<hr/>
Total Current tax	-	-
	<hr/>	<hr/>
Deferred tax charge/(credit)		
- origination and reversal of timing differences	-	-
	<hr/>	<hr/>
Total deferred tax	-	-
	<hr/> <hr/>	<hr/> <hr/>
b) A reconciliation between tax expense and the product of accounting loss from continuing operations for the years ended 31 July 2017 and 2016 is as follows:		
Accounting loss before tax from continuing operations	(783,459)	(177,614)
	<hr/>	<hr/>
Loss on continuing activities multiplied by the standard rate of tax (19.67%; 2016: 20%)	(154,106)	(35,524)
Expenses not permitted for tax purposes	11,535	2,527
Tax losses carried forward	142,571	67,693
Items not subject to tax	-	(34,696)
	<hr/>	<hr/>
	-	-
	<hr/> <hr/>	<hr/> <hr/>

The accounting loss from discontinued operations is £180,672 (2016 – profit - £244,569). No tax charge / credit arises in 2017 due to expenses not permitted for tax purposes and losses carried forward. No tax charge arose on the 2016 profit as the profit was not subject to tax.

c) Factors that may affect the future tax charge

The Group has trading losses of £5,700,467 (2016: £4,821,243) which may reduce future tax charges. Future tax charges may also be reduced by capital allowances on cumulative capital expenditure. No balance is recognised due to the uncertainty of future results.

Notes to the financial statements for the year ended 31 July 2017

12. Earnings per share

	2017 £	2016 £
(Loss) profit		
The (loss) profit for the purposes of basic and diluted loss per share being the net (loss) profit attributable to equity shareholders		
Continuing operations	(783,459)	(177,614)
Discontinued operations	(180,672)	244,569
Continuing and discontinued operations	(964,131)	66,955
Number of shares		
Weighted average number of ordinary shares for the purposes of:		
Basic earnings per share	259,405,983	172,318,503
Basic and diluted earnings per share		
Continuing operations	(0.30)p	(0.10)p
Discontinued operations	(0.07)p	0.14p
Continuing and discontinued operations	(0.37)p	0.04p

For 2017, the share options were not dilutive as a loss was incurred. For 2016 the share options were not dilutive as the exercise price on all options in issue was in excess of the average price of the Company's shares throughout the year.

13. (Loss) profit attributable to InfraStrata plc

The loss for the period dealt with in the financial statements of InfraStrata plc was £214,326 (2016 profit: £722,481). As provided by s408 of the Companies Act 2006, no statement of comprehensive income is presented in respect of InfraStrata plc.

14. Intangible assets – Gas Storage Development

	Group £	Company £
Cost		
At 1 August 2015	5,704,951	-
Additions	608,760	-
Grant accrual during year (note 19)	(197,597)	-
	<hr/>	<hr/>
At 31 July 2016	6,116,114	-
Additions	475,188	-
Net book value	<hr/>	<hr/>
At 31 July 2017	6,591,302	-
	<hr/> <hr/>	<hr/> <hr/>

Capitalised finance costs

Additions during the year to 31 July 2017 include capitalised finance costs totalling £16,002 (2016 - £135,843).

Capital and other commitments

In the event that the project does not proceed to development IMSL would have an obligation to reinstate the area of the well-pad which has already been constructed. This is an unrecognised contingent liability estimated at £100,000 (2016: £100,000). At 31 July 2017 the Group had capital commitments of £nil (2016: £Nil relating to the project).

Notes to the financial statements for the year ended 31 July 2017

15. Intangible assets – Exploration & Evaluation

	Group £	Company £
Cost		
At 1 August 2015	429,139	280,877
Additions	43,158	43,158
Disposals	(424,395)	(276,133)
Impairments	(28,443)	(28,443)
	<hr/>	<hr/>
At 31 July 2016	19,459	19,459
Additions	6,902	6,902
Disposals	-	-
Impairments	(26,361)	(26,361)
	<hr/>	<hr/>
Net book value		
At 31 July 2017	-	-
	<hr/> <hr/>	<hr/> <hr/>

The Company's interest in exploration licence PL1/10 was assigned on 16 February 2017 with no consideration payable. The Company's interest in exploration licence P2123 was relinquished on 19 December 2016.

The Company has a retained Net Profits Interest in each of exploration licences P1918, P2222 and P2235. No value has been ascribed to the Net Profits Interests retained on each of the licence interests as it is not possible to determine a reliable fair value for these instruments.

16. Property, plant and equipment

Group	Freehold property £	Office equipment £	Total £
Cost			
At 1 August 2015	440,100	83,318	523,418
Additions	-	458	458
	<hr/>	<hr/>	<hr/>
At 31 July 2016	440,100	83,776	523,876
Additions	-	-	-
Written-off	-	(83,776)	(83,776)
	<hr/>	<hr/>	<hr/>
At 31 July 2017	440,100	-	440,100
Depreciation			
At 1 August 2015	-	82,965	82,965
Charge for the year	-	167	167
	<hr/>	<hr/>	<hr/>
At 31 July 2016	-	83,132	83,132
Charge for the year	-	644	644
Written-off	-	(83,776)	(83,776)
	<hr/>	<hr/>	<hr/>
At 31 July 2016	-	-	-
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 July 2017	440,100	-	440,100
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 July 2016	440,100	644	440,744
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements for the year ended 31 July 2017

16. Property, plant and equipment (continued)

Company	Freehold property £	Office equipment £	Total £
Cost			
At 1 August 2015	-	18,172	18,172
Additions	-	458	458
At 31 July 2016	-	18,630	18,630
Additions	-	-	-
Written-off		(18,630)	(18,630)
At 31 July 2017	-	-	-
Depreciation			
At 1 August 2015	-	17,819	17,819
Charge for the year	-	167	167
At 31 July 2016	-	17,986	17,986
Charge for the year	-	644	644
Written-off		(18,630)	(18,630)
At 31 July 2017	-	-	-
Net book value			
At 31 July 2017	-	-	-
At 31 July 2016	-	644	644

17. Investments

Company

Investment in subsidiaries

	2017 £	2016 £
Cost		
Balance at 1 August 2016 and 31 July 2017	15,247,011	15,247,011
Impairment		
Balance at 1 August 2016 and 31 July 2017	(15,247,011)	(15,247,011)
Net book value		
Balance at 31 July	-	-

Investment in subsidiaries

The Company's subsidiary undertakings at 31 July 2017**, all of which are wholly owned unless indicated otherwise, are as follows:

InfraStrata UK Limited	Holding and corporate	England
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InfraStrata UK Limited owns the following subsidiary undertakings:

Islandmagee Storage Limited (90% owned*)	Sub surface gas storage developer	Northern Ireland
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Infrastrata UK Limited's registered office address is 200 Strand, London, England, WC2R 1DJ. Islandmagee Storage Limited's registered office address is 8 Portmuck Road, Islandmagee, Larne, Co Antrim, Northern Ireland, BT40 3TW,

Notes to the financial statements for the year ended 31 July 2017

17. Investments (continued)

Company

Investment in subsidiaries

* In September 2016 InfraStrata UK Limited increased its interest in Islandmagee Storage Limited from 65% to 90% effected by the issue of new shares in Islandmagee Storage Limited which reduced Moyle's interest from 35% to 10%. The transaction will mean that when the construction and operation of the facility is certain or when the current shareholders' interests in the project are monetised Moyle will no longer have to advance IMSL approximately £2m plus interest to enable Islandmagee Storage Limited to partially repay shareholders loans paid to date by InfraStrata UK Limited. As detailed in note 29, after the year end InfraStrata UK Limited increased its ownership to 100%.

Under the terms of a preliminary shareholder agreement entered into by InfraStrata UK Limited and Moyle in January 2010, InfraStrata UK Limited continues to assume one hundred percent of the risks and rewards of ownership of Islandmagee Storage Limited (including voting rights) until such time as Moyle settles its share of the intercompany loan to Islandmagee Storage Limited when the construction and operation of the facility is certain or when the current shareholders' interests in the project are monetised. Therefore InfraStrata plc includes 100% of the results, assets and liabilities of Islandmagee Storage Limited in its financial statements.

** During the year the Company's subsidiaries Portland Gas Limited, Portland Gas Storage Limited and Portland Gas Transportation Limited were dissolved. These companies had no assets or liabilities other than loans from or to other group companies which had been fully impaired in the Company's financial statements at 31 July 2016.

The Company has impaired its investment in InfraStrata UK Limited and loan receivable from InfraStrata UK Limited as required.

18. Trade and other receivables	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Amounts due from Group undertakings	-	-	7,113,671	5,873,052
Trade receivables	44,702	1,104,115	44,702	1,104,115
Other receivables	32,708	37,587	31,549	37,462
Prepayments	21,308	40,870	21,308	35,221
	98,718	1,182,572	7,211,230	7,049,850

An element of the Company and Group's credit risk is attributable to its trade and other receivables. Based on prior experience and an assessment of the current economic environment, the directors did not consider any provision for irrecoverable amounts was required and consider that the carrying amounts of these assets approximates to their fair value.

Notes to the financial statements for the year ended 31 July 2017

19. Grants and short-term borrowings

Short-term borrowings and restricted cash

In May 2015, the Company concluded a Convertible Loan Facility Agreement with Baron Oil Plc (“Baron”) under which Baron provided a loan for €1.8 million (£1,400,364) to InfraStrata which was used as working capital to bridge the receipt of the CEF grant, 70% of which amounting to €1.75 million (£1,358,063) was received from the EU in May 2016 and placed into an escrow arrangement as security for the loan. In August 2016, the loan was repaid in full by release to Baron of the £1,358,063 held in escrow, a payment of £42,301 and a further payment of £136,134 for the interest on the loan which had been accrued and capitalised to intangible gas storage development costs at 31 July 2016. Following a revision to the terms of the Convertible Loan Facility Agreement announced on 26 September 2016, Baron had an accompanying option to acquire the number of ordinary shares in InfraStrata that represented 16.666% of the enlarged ordinary share capital of InfraStrata (from time to time) for a payment of £1,536,498. This option expired on 31 March 2017 without being exercised.

On 5 January 2017, the Company entered into a new secured loan agreement with Baron for a facility of up to £300,000 to provide working capital for the Group and £200,000 of this facility was drawn down during January 2017. On 29 March 2017, the Company repaid the £200,000 drawn down on the loan facility with Baron. The loan facility was cancelled and its various security arrangements were released. The Company is exposed to a contingent financial liability arising from this loan agreement – see note 20.

Grant received in advance

In May 2016, the Company signed a further grant agreement with the European Commission’s Connecting Europe Facility in relation to the Islandmagee gas storage project for a maximum of €4.024 million or up to 50% of the costs of Front End Engineering and Design (“FEED”) for the project. An advance of 40% of the maximum grant amounting to €1.6 million has since been held in a Euro denominated bank account (included in Cash and cash equivalents in the statement of financial position) pending completion of the remaining 50% funding required to match the grant and is included in the statement of financial position as a current liability.

At the prevailing year end exchange rate the cash balance included in the statement of financial position is £1,432,408 (2016: £1,350,781) and the grant received in advance is £1,440,913 (2016: £1,358,886).

20. Financial liability

Following repayment and cancellation of the 5 January 2017 loan (see note 19 above) Baron remains entitled to receive an additional £200,000 (the “Additional Payment”) in the event of a sale or disposal by InfraStrata or its subsidiaries, Islandmagee Storage Limited and InfraStrata UK Limited, of substantially all of their assets, which comprise interests in the Islandmagee gas storage project, and/or a change in control of the Company, Islandmagee Storage Limited or InfraStrata UK Limited, within two years from the date of the loan agreement. In the event of a partial disposal of the Company, Islandmagee Storage Limited or InfraStrata UK Limited's interests in the Islandmagee gas storage project (whereby the Company and InfraStrata UK Limited retain control of Islandmagee Storage Limited), the Additional Payment will be reduced to £100,000, with the remaining £100,000 payable in the event of a subsequent disposal or change in control of Islandmagee Storage Limited or the Islandmagee gas storage project during the two year period.

Under IAS 39 - Financial Instruments: Recognition and Measurement the Company is required to recognise the fair value of this contingent settlement financial liability at inception and to subsequently recognise the liability at its amortised cost, using the effective interest rate method, adjusting the expected future cash flows as required. Establishing the fair value of the liability and subsequently its amortised cost requires the determination of the expected future cash flows; if it is not possible to reliably estimate these, then the full contractual cash flows are used. The directors are currently unable to reliably determine whether a change in control of InfraStrata or a sale or partial disposal of its subsidiaries or their interests in the Islandmagee gas storage will take place in the period to 4 January 2019. Therefore, the full liability of £200,000 was recognised at inception as a financial liability in the consolidated statement of financial position. In establishing this fair value, discounting for the time value of money has been ignored as immaterial

At inception, IAS 39 requires that the liability initially recognised be deferred thus creating a corresponding asset which is amortised as an expense to the consolidated statement of comprehensive income over the two year period from 5 January 2017. The amortisation is undertaken on a straight line basis, save that if there is a reduction in the amortised cost of the corresponding liability arising from reductions in expected future cash flows, the amortisation will be accelerated accordingly.

Notes to the financial statements for the year ended 31 July 2017

20. Financial liability (continued)

Amortisation for the period 5 January to 31 July 2017 of £58,000 has been classified as a finance expense in the statement of comprehensive income. The remaining asset has been recognised as a deferred liability, with £42,000 included as a non-current asset and £100,000 as a current asset being the proportion of the liability which is expected to be amortised within twelve months.

The expected future cash flows will be reviewed at each period end and to the extent the future cash out flows are not expected to crystallise, the amortised cost of the liability will be adjusted, resulting in corresponding credits to the consolidated statement of comprehensive income. If the expected future cash flows are subsequently reinstated, the liability is increased and a debit to the consolidated statement comprehensive income will arise. As at the year end, it is still not possible to reliably determine if there will be a change in ownership of the subsidiaries and therefore the contingent liability continues to be recognised in full.

21. Cash and cash equivalents	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Restricted cash	-	1,358,063	-	1,358,063
Cash at bank	1,548,169	2,454,006	1,545,779	2,442,818
	1,548,169	3,812,069	1,545,779	3,800,881

The directors consider that the carrying amount of these assets approximates their fair value. The credit risk on liquid funds is limited because the counter-parties are banks with high credit ratings.

22. Trade and other payables

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade creditors	71,889	550,253	64,935	548,303
Preference shares (note 24)	12,500	12,500	12,500	12,500
Other taxation and social security	18,949	707,331	18,949	707,643
Accruals	46,287	422,971	20,802	363,031
	149,625	1,693,055	117,186	1,631,577

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

Notes to the financial statements for the year ended 31 July 2017

23. Financial assets and liabilities

The Group and Company's financial instruments comprise cash and cash equivalents, short-term borrowings and items such as trade and other receivables and trade and other payables which arise directly from the Group's operations. The Group's operations expose it to a variety of financial risks including credit risk, interest rate risk, foreign currency exchange risk and liquidity risk. Given the size of the Group, the directors have not delegated the responsibility of monitoring financial risk management to a subcommittee of the Board. The objectives of the financial instrument policies are to reduce the Group and Company's exposure to financial risk. The policies set by the Board of directors are implemented by the Company's finance department.

Credit risk

The credit risk on liquid funds is limited because the Group and Company policy is to only deal with counter parties with high credit ratings. With the exception of the funds held in an escrow account and classified as restricted cash at 31 July 2016, the Group has held all funds in Bank of Scotland during the last two years. In the directors' view there is a low risk of the bank holding the Group's funds at year end failing in the foreseeable future.

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

	Group 2017	Group 2016	Company 2017	Company 2016
	£	£	£	£
Trade and other receivables	70,349	1,141,702	70,349	1,141,577
Due from subsidiary undertakings	-	-	7,113,671	5,873,052
Restricted cash	-	1,358,063	-	1,358,063
Cash and cash equivalents	1,548,169	2,454,006	1,545,779	2,442,818

The reconciling items between the trade and other receivables presented above and that presented in note 18 are VAT receivable and prepayments. No receivables are past due but not impaired.

Interest rate risk

The Company and Group are exposed to interest rate risk as a result of positive cash balances, denominated in sterling and in euros, which earn interest at variable rates. Any surplus cash is held on deposit with Bank of Scotland. An effective interest rate increase or decrease by 1% on the cash and cash equivalents balance at year end would result in a before tax financial effect of an increase or decrease of £15,482 (2016: £24,540).

As disclosed in note 19, the Group and Company's short-term borrowings at 31 July 2016 bore interest at a fixed rate of 8% and were repaid in full with interest in August 2016.

Foreign currency risk

At 31 July 2017, €1.6 million (£1,440,913) received in advance in respect of a grant for the FEED study on Islandmagee gas storage project was held in a Euro denominated bank account pending completion of the remaining 50% funding required to match the grant. The value of the amount received will be converted into sterling when the match funding has been secured to pay for suppliers on the FEED study in sterling.

Notes to the financial statements for the year ended 31 July 2017

23. Financial assets and liabilities (continued)

The currency risk disclosures are as follows:

	Group 2017	Group 2016
	USD	USD
Cash and cash equivalents	-	£1,046
	Euros	Euros
Cash and cash equivalents	£1,432,408	£1,350,781
Grant received in advance	(£1,440,913)	(£1,358.886)
Short term convertible borrowings and accrued interest	-	(£178,435)

The book value of financial assets and liabilities disclosed is considered to be equal to fair value.

Liquidity risk

The total carrying value of Group and Company financial liabilities is disclosed in note 21 (trade and other payables) and in note 20 (financial liability). The Company seeks to issue share capital or dispose of assets when external funds are required. The reconciling items between the contractual maturities presented below and that presented in notes 21 and 20 are taxes and accruals. The following table shows the contractual maturities of the Group's and Company's financial liabilities, all of which are measured at amortised cost.

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade & other payables				
Within one month	71,889	550,253	64,935	548,303
More than one month less than one year	-	-	-	-
Short term Borrowings				
Within one month	-	1,400,364	-	1,300,364
More than one month less than one year	-	-	-	-
Financial liability (Note 20)				
Within one month	-	-	-	-
More than one month less than one year	-	-	-	-
More than one year	200,000	-	200,000	-

24. Share capital and redeemable preference shares

Share capital classed as equity	2017		2016	
	Number	£	Number	£
Ordinary shares of 0.01p	376,041,599	37,604	-	-
Ordinary shares of 1p	-	-	188,041,599	1,880,416
Deferred shares of 1p	895,424,391	8,954,244	895,424,391	8,954,244
Second deferred shares of 0.01p	18,616,118,301	1,861,612	-	-
		10,853,460		10,834,660

Notes to the financial statements for the year ended 31 July 2017

24. Share capital and redeemable preference shares (continued)

Allotted, called up and fully paid Ordinary shares	1p Ordinary Shares		0.01p Ordinary Shares		Total
	Number	£	Number	£	£
At 31 July 2015	151,991,599	1,519,916	-	-	1,519,916
Issue of 1p ordinary shares	36,050,000	360,500	-	-	360,500
At 31 July 2016	188,041,599	1,880,416	-	-	1,880,416
Share subdivision	(188,041,599)	(1,880,416)	188,041,599	18,804	(1,861,612)
Issue of 0.01p Ordinary shares	-	-	188,000,000	18,800	18,800
At 31 July 2017	-	-	376,041,599	37,604	37,604

Allotted, called and fully paid Deferred Shares	1p Deferred Shares		0.01p Second Deferred Shares		Total
	Number	£	Number	£	£
At 31 July 2015 and 31 July 2016	895,424,391	8,954,244	-	-	8,954,244
Share subdivision	-	-	18,616,118,301	1,861,612	1,861,612
At 31 July 2017	895,424,391	8,954,244	18,616,118,301	1,861,612	10,815,856

Redeemable preference shares of £1 each (classified as liabilities)

	Allotted called up and part paid	
	Number	£
At 31 July 2017, 2016 and 2015	50,000	12,500

On 31 January 2017, following approval at the Company's AGM, the existing ordinary shares of 1 pence each were subdivided into 1 New Ordinary Share of 0.01 penny and 99 Second Deferred Shares of 0.01 penny each.

Neither the Deferred Shares nor Second Deferred Shares carry any rights to vote or any dividend rights, are not admitted to AIM and holders will only be entitled to a payment on return of capital or winding up of the Company after each of the holders of the Ordinary Shares has received a payment of £10,000,000 on each such share.

On 3 March 2017, the Company issued 162,000,000 shares of 0.01 penny each at 0.5 pence to raise £810,000, before expenses, to institutional and other shareholders. The expenses of the issue totalled £55,580.

On 1 June 2017, the Company issued 26,000,000 shares of 0.01 penny each at 0.5 pence to raise £130,000, before expenses, to institutional and other shareholders. The expenses of the issue totalled £9,191.

Details of share issues post year end are given in note 29.

Notes to the financial statements for the year ended 31 July 2017

24. Share capital and redeemable preference shares (continued)

Preference shares

The preference shares carry the right to an annual dividend out of distributable profits of 0.00001% per annum on the amount for the time being paid up on each such share and do not carry any voting rights. The Company may redeem the shares at any time by giving preference shareholders one week's notice. Preference shareholders may require the Company to redeem their shares at any time by giving six months' notice. In each case, any redemption is at par and is subject to the provisions of the Companies Act. The preference shares are treated as short-term liabilities and included within trade payables.

Authorised share capital

The Company's articles do not specify an authorised share capital.

Objectives, policies and processes for managing capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to achieve its operational objectives.

The Group defines capital as being share capital plus reserves. The Board of directors monitors the level of capital as compared to the Group's forecast cash flows and long term commitments and when necessary issues new shares. Dilution of existing shareholder value is considered during all processes which may result in an alteration of share capital in issue.

Ordinary share capital in issue is managed as capital and the redeemable preference shares in issue are managed as current liabilities.

The Group is not subject to any externally imposed capital requirements.

25. Merger reserve

Company

The merger reserve arose on the demerger of the Portland Gas Group of companies from Egdon Resources Plc when the Company issued shares at a premium to their nominal value on acquisition of InfraStrata UK Limited. The reserve is not distributable.

Group

The merger reserve represents the difference between the nominal value of the shares issued on the demerger and the combined share capital and share premium of InfraStrata UK Limited at the date of the demerger.

26. Share based payment reserve

The reserve for share based payments is used to record the value of equity settled share based payments awarded to employees and transfers out of this reserve are made upon the exercise or expiration of the share awards. The transfer in of £12,470 in 2016 related to the share option expense for the year. There were no options forfeited or exercised during the year (2016: £nil). For further information on the share based payment scheme see note 8.

Notes to the financial statements for the year ended 31 July 2017

27. Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases as at 31 July are as follows:

	Land and buildings 2017 £	Land and buildings 2016 £
Amounts due:		
Within one year	-	15,000

Operating lease payments represent rentals payable by the Group for office premises. The lease was terminated in January 2017.

28. Related party transactions

Group and Company

Until January 2017 InfraStrata plc leased the Group's head office from Toffee Limited, a company of which Andrew Hindle (director of InfraStrata plc until 27 June 2017) is a director and shareholder. The rent and service charges paid during the period were £14,275 (2016: £32,500) and an additional £4,460 was paid for associated charges. The balance outstanding at 31 July 2017 was £nil (2016: £nil).

Company

The Company has related party relationships with its subsidiaries in the course of normal operations. InfraStrata plc recovered overhead, technical and project management costs from Islandmagee Storage Limited of £520,513 (2016: £468,539). Gross balances due to/from subsidiaries were £Nil (2016: £207,732) / £15,531,994 (2016: £14,499,107). The amounts due from Group undertakings, which are unsecured, are stated net of an impairment provision of £8,418,323 (2016: £8,418,323).

29. Events after the reporting period

On 20 October 2017, InfraStrata completed a placing of 125,000,000 new ordinary shares of 0.01 penny at an issue price of 0.4 pence each to raise £457,586 after expenses. This was made in order to meet working capital expenses.

The Company has recently announced a placing to raise £375,000 before expenses. Once completed, the funds from this placing will fund the Company's minimum levels of corporate costs and care and maintenance costs on the Project to the end of November 2018.

In November 2017 a new non-executive board were announced. The chairman's statement and the Strategic report note activities since the financial year close of 31st July 2017.

In December 2017, the Company's wholly-owned subsidiary, InfraStrata UK Limited increased its ownership in IMSL from 90% to 100% by acquiring the remaining 10% interest from Moyle Energy Investments Limited.

The European Union confirmed the extension of the EU Grant, originally set to expire in December 2017, for an additional year until December 2018, together with the renewal of the Project's status as a Project of Common Interest (PCI).

30. Control of the Group

There is no ultimate controlling party of InfraStrata plc.

Chairman's Letter of Notice of General Meeting

Directors:

Graham Lyon
Adrian Pocock
Matthew Beardmore
Karen Campbell

*(Non-Executive Chairman)
(Chief Executive Officer)
(Non-Executive Director)
(Non-Executive Director)*

Registered office:

200 Strand
London
WC2R 1DJ

29 January 2018

Dear Shareholder

1. Introduction

Notice of the Company's forthcoming general meeting to be held at 11:00 a.m. on 27 February 2018 ("GM" or "General Meeting") appears on the following pages.

2. Resolution to be proposed at the GM

There is only one resolution to be proposed at the GM, which is the tabling of the annual report and accounts.

A copy of the annual report and accounts (together with the Directors' and Auditor's reports on the annual report and accounts) for the Company for the financial year ended 31 July 2017 (the "Accounts") has been sent to you with this document. Shareholders will be asked to receive the Accounts at the General Meeting.

3. Recommendation

Your Directors consider the Resolutions to be proposed at the GM to be in the best interests of the Company and its shareholders as a whole. Consequently, the Directors recommend shareholders to vote in favour of the Resolutions as they intend to do in respect of their own beneficial holdings totalling 15,070,043 Ordinary shares (representing 3.01 per cent. of the Company's issued share capital as at the date of this letter).

A form of proxy is included for use at the GM. Forms of proxy should be completed, signed and returned as soon as possible and in any event so as to be received by Link Asset Services at PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF not less than 48 hours prior to the time appointed for the holding of the GM on 27 February 2018.

Completion of a proxy form will not prevent you from attending the GM in person if you so wish.

Yours sincerely



Graham Lyon
Non-Executive Chairman

Notice of General Meeting

Notice is hereby given that a General Meeting of InfraStrata plc (the "Company") will be held at the offices of Kerman & Co LLP, 200 Strand, London WC2R 1DJ on 27 February 2018 at 11:00 a.m., for the purpose of passing the following Resolution, which will be proposed as an ordinary resolution.

Ordinary Resolution

1. To receive the report of the Directors and the audited accounts of the Company for the year ended 31 July 2017, together with the report of the Auditor on those audited accounts.

By order of the Board

Simon W. Holden
Company Secretary

Registered office:
200 Strand
London
WC2R 1DJ

Dated: 29 January 2018

Notes:

- (1) A member entitled to attend, speak and vote is entitled to appoint a proxy to attend, speak and vote on his behalf. A proxy need not be a member of the Company.
- (2) A member must be registered as the holder of ordinary shares by 11:00 a.m. on 23 February 2018 in order to be entitled to vote at the meeting as a member in respect of those shares.
- (3) Forms of proxy, together with any power of attorney under which it is executed or a notarially certified copy thereof, must be completed and, to be valid must reach the Registrar of the Company at Link Asset Services, PXS1, 34 Beckenham, Kent BR3 4ZF by 11:00 a.m. on 23 February 2018. Your attention is drawn to the other notes on the proxy form.
- (4) If the appointer is a corporation, the form of proxy must be under its common seal or under the hand of an officer or attorney duly authorised.
- (5) The appointment of a proxy does not preclude a member from attending and voting at the meeting.
- (6) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote of the other registered holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members.
- (7) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 only those shareholders on the Register of Shareholders at close of business on 23 February 2018 shall be entitled to attend, speak and vote at the meeting in respect of the number of shares registered in their names at that time. If the meeting is adjourned by more than 48 hours, then to be so entitled, shareholders must be entered on the Company's Register of Members 48 hours before the time appointed for holding the adjourned meeting or if the Company gives notice of the adjourned meeting, at the time specified in that notice.
- (8) You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together.
- (9) As at the close of business on 26 January 2018 (the last business day prior to the publication of this notice), the Company's issued share capital comprised 501,041,599 ordinary shares of £0.0001 each. Each ordinary share carries the right to one vote at the annual general meeting of the Company and, therefore, the total number of voting rights in the Company as at the time and date given above is 501,041,599.
- (10) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message ("a CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent ("RA10") by 11:00 a.m. on 23 February 2018. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The issuer's agent ID is RA10.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Proxy Form



INFRASTRATA PLC

(Incorporated and registered in England with company number 06409712)

Form of Proxy for use at the General Meeting of InfraStrata plc to be held at 200 Strand, London WC2R 1DJ on 27 February 2018 at 11:00 a.m.

I/We, the undersigned, being (a) member/member(s) of InfraStrata plc, hereby appoint the Chairman of the GM or,

Name of Proxy

Number of shares as my/our proxy to vote for me/us and on my/our behalf at the General Meeting of the Company to be held at 11.00 a.m. on 27 February 2018 at 200 Strand, London WC2R 1DJ and at any adjournment thereof. I/We wish my/our proxy to vote as shown below in respect of the resolutions set out in the Notice of the Meeting.

Please indicate by ticking the box if this proxy appointment is one of multiple appointments being made

For the appointment of one or more proxy, please refer to explanatory note 3 below.

No.	Ordinary Resolutions	For	Against	Vote withheld*
1	To receive the report and accounts for the year ended 31 July 2017			

If you want your proxy to vote in a certain way on the resolutions specified, please place an "X" in the appropriate box. If you fail to select any of the given options your proxy can vote as he/she chooses or can decide not to vote at all. The proxy can also vote on any other resolution that is put to the meeting.

* The "Vote withheld" option is to enable you to abstain on any particular resolution. However, it should be noted that a "vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "For" and "Against" a resolution.

Signed

Dated this day of 2018

Name

Address

Notes:

- 1 A proxy need not be a member of the Company but must attend the meeting to represent you. If you wish to appoint as a proxy a person other than the Chairman of the General Meeting ("GM"), please delete the words "the Chairman of the GM" and insert the name of the other person. All alterations made to this Proxy Form must be initialled by the signatory. If you sign and return this Proxy Form with no name inserted in the box, the Chairman of the GM will be deemed to be your proxy. If the proxy is being appointed in relation to less than your full voting entitlement, please enter the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this Proxy Form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).
- 2 To be effective, this Proxy Form (together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such authority) must be received by post or (during normal business hours only) by hand at the office of the Company's Registrars, being Link Asset Services at PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, by no later than 11:00 a.m. on 23 February 2018.
- 3 You are entitled to appoint more than one proxy provided that each proxy is appointed to exercise rights attached to a different share or shares held by you. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional Proxy Form(s) may be obtained by contacting the Registrars helpline on +44 (0)871 664 0300 (calls cost 12p per minute plus network extras) or you may photocopy this form. Please indicate next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

- 4 Completion and return of this Proxy Form will not prevent you from attending in person and voting at the GM should you subsequently decide to do so.
- 5 If you wish your proxy to cast all of your votes "For" or "Against" a resolution you should insert an "X" in the appropriate box. If you wish your proxy to cast only certain votes "For" and certain votes "Against", insert the relevant number of shares in the appropriate box. In the absence of instructions, your proxy may vote or abstain from voting as he or she thinks fit on the specified resolution and, unless instructed otherwise, may also vote or abstain from voting as he or she thinks fit on any other business (including on a motion to amend a resolution to propose a new resolution or to adjourn the GM) which may properly come before the GM.
- 6 The "Vote Withheld" option is provided to enable you to instruct your proxy to abstain from voting on a particular resolution. A "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "For" or "Against" a resolution. The "Discretionary" option is provided to enable you to give discretion to your proxy to vote or abstain from voting on a particular resolution as he or she thinks fit.
- 7 In accordance with the permission in Regulation 41 of the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), only those holders of ordinary shares who are registered on the Company's share register at close of business on 23 February 2018 shall be entitled to attend the above GM (or at close of business on the day which is two days before the day of any adjourned meeting) and to vote in respect of the number of shares registered in their names at that time. Changes to entries on the share register after at close of business on 23 February 2018 shall be disregarded in determining the rights of any person to attend and/or vote at the GM.
- 8 This Proxy Form must be signed by the shareholder or his/her attorney. Where the shareholder is a corporation, the signature must be under seal or signed by a duly authorised representative stating their capacity (e.g. Director, secretary). In the case of joint shareholders, any one shareholder may sign this Proxy Form or may vote in person at the GM. If more than one joint shareholder is present at the GM either in person or by proxy, that one of them whose name stands first in the register of members in respect of the share shall alone be entitled to vote (whether in person or by proxy) in respect of it.
- 9 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
- 10 In order to revoke a proxy instruction you will need to inform the Company by sending notice in writing clearly stating your intention to revoke your proxy appointment to Company's Registrars, being Link Asset Services at PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the Company no later than 48 hours before the time of the holding of the GM or any adjournment thereof. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then your proxy appointment will remain valid. If you have appointed a proxy and attend the GM in person, your proxy appointment will automatically be terminated.

If you submit more than one valid proxy appointment in respect of the same share or shares, the appointment received last before the latest time for the receipt of proxies will take precedence. If the Company is unable to determine which was received last, none of the proxy appointments in respect of that share or shares shall be valid.