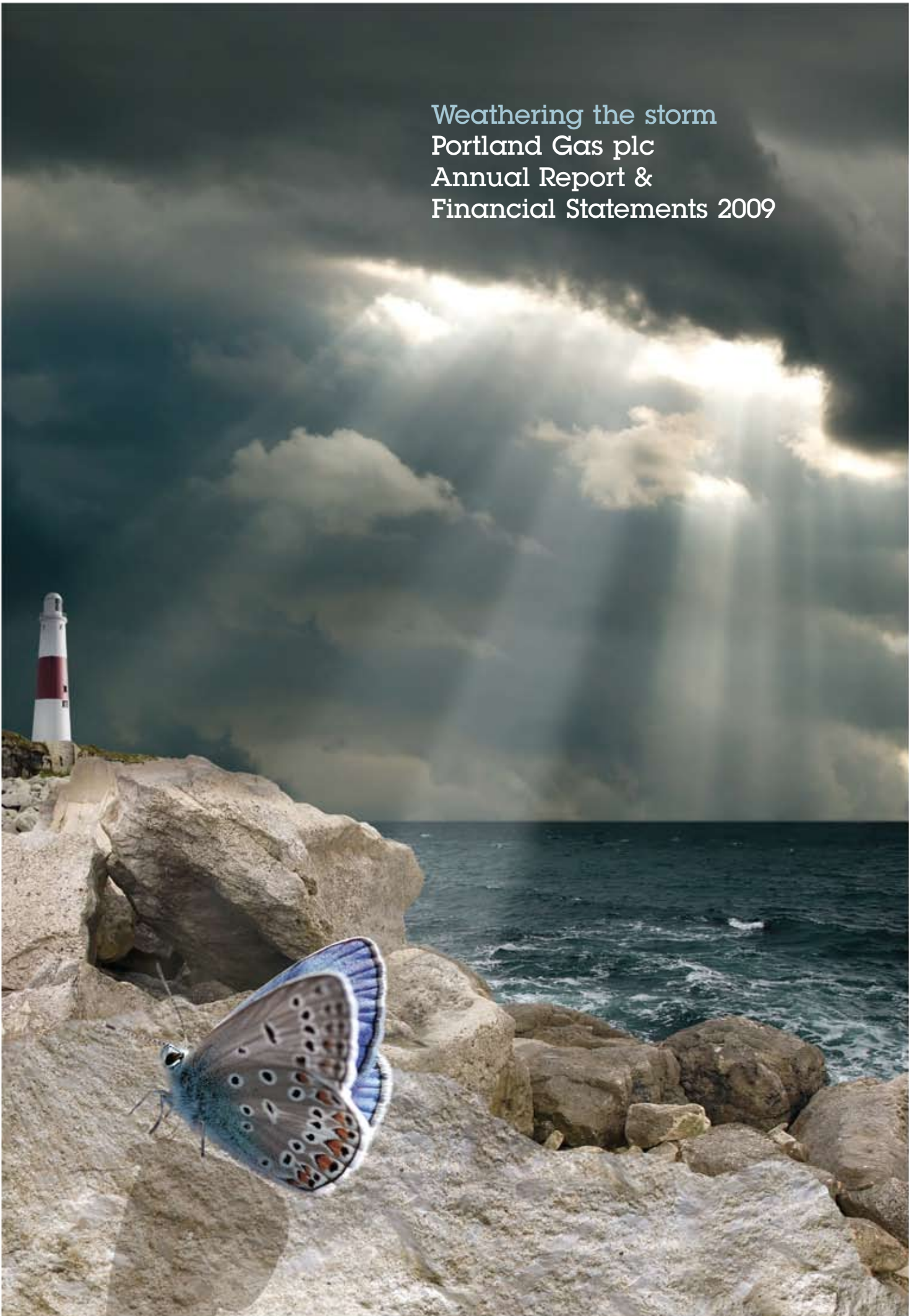


Weathering the storm
Portland Gas plc
Annual Report &
Financial Statements 2009



Chairman's statement

The general economic outlook appears to be improving as we see signs that we may be emerging from a very difficult time. However, against that backdrop, I am pleased to present a report that shows your Company has taken steps to weather the storm.

The UK's transition from self sufficiency in the gas market to an increasing dependence upon imported gas endorses our view that the UK will continue to require additional gas storage capacity that is both environmentally acceptable and flexible in its operation. Your Company is focused upon the development of two gas storage projects within the UK that could between them provide over 10% of the total UK and Ireland peak daily demand once operational in the latter part of the next decade. Our efforts continue to be directed towards bringing the Portland project to full developmental stage and to securing planning permission for the project at Islandmagee in Northern Ireland. To facilitate the identification of our projects for the purposes of development we have embarked upon a minor restructuring of the group such that each project is held within its own subsidiary company and that that company then carries a name that can readily identify the project. With this in mind we will be formally asking shareholders to approve a change of name for the ultimate holding company in order to free the name 'Portland Gas', thereby making it available for ownership of the Portland project, and to rename it 'Infrastrata plc'.

During the year to 31 July 2009 the Company set out a new strategic plan for funding and progressing the gas storage project on the Isle of Portland in Dorset. This involved the issue of an Information Memorandum aimed at attracting investment in the project via subscriptions in the project company, Portland Gas Holdings Limited, together with an equivalent amount of capacity, injection and withdrawal rights. The declared intention is that from the proceeds of the share sale, your Company would invest alongside other shareholders to construct the facility, invest in future projects and potentially

return tangible value to shareholders. The process continues and is anticipated to conclude in 2010. Shareholders will be kept informed of our progress by the issue of press releases in the normal manner.

The Company's Northern Ireland project is contained within the project company, Islandmagee Storage Limited (re-named from Portland Gas NI Limited). Progress has been made with our Environmental Impact Assessment and following on from successful stakeholder meetings and a public exhibition in June, we remain on target to submit a full planning application for the gas storage project before the end of the year. The difficult financial conditions of the past twelve months have meant that the funds to drill this well have been necessarily diverted towards, amongst other things, securing and advancing our position in the Portland Project. Consequently our progress towards Front End Engineering Design for the Islandmagee project and the drilling of a confirmatory borehole during the calendar year 2010 will be subject to the raising of further funds to meet the planned work programme.

The Company continues to seek additional gas storage opportunities within mainland Europe and good progress has been made in identifying interesting prospects in both Spain and Germany. The extent to which these projects will be developed depends largely upon the funds and management time available after prioritising our resources towards the more advanced projects in Portland and Islandmagee. However, our early assessment of these opportunities is such that we believe them to hold considerable potential for shareholders and I would ask for your continued support in providing the Board with the flexibility to develop these projects further when the opportunity arises.

The Group made a loss after tax of £1,281,002 during the year. The loss together with the balance of £1,960,345 brought forward leaves a retained loss of £3,241,347 to be carried forward. During the financial year expenditure

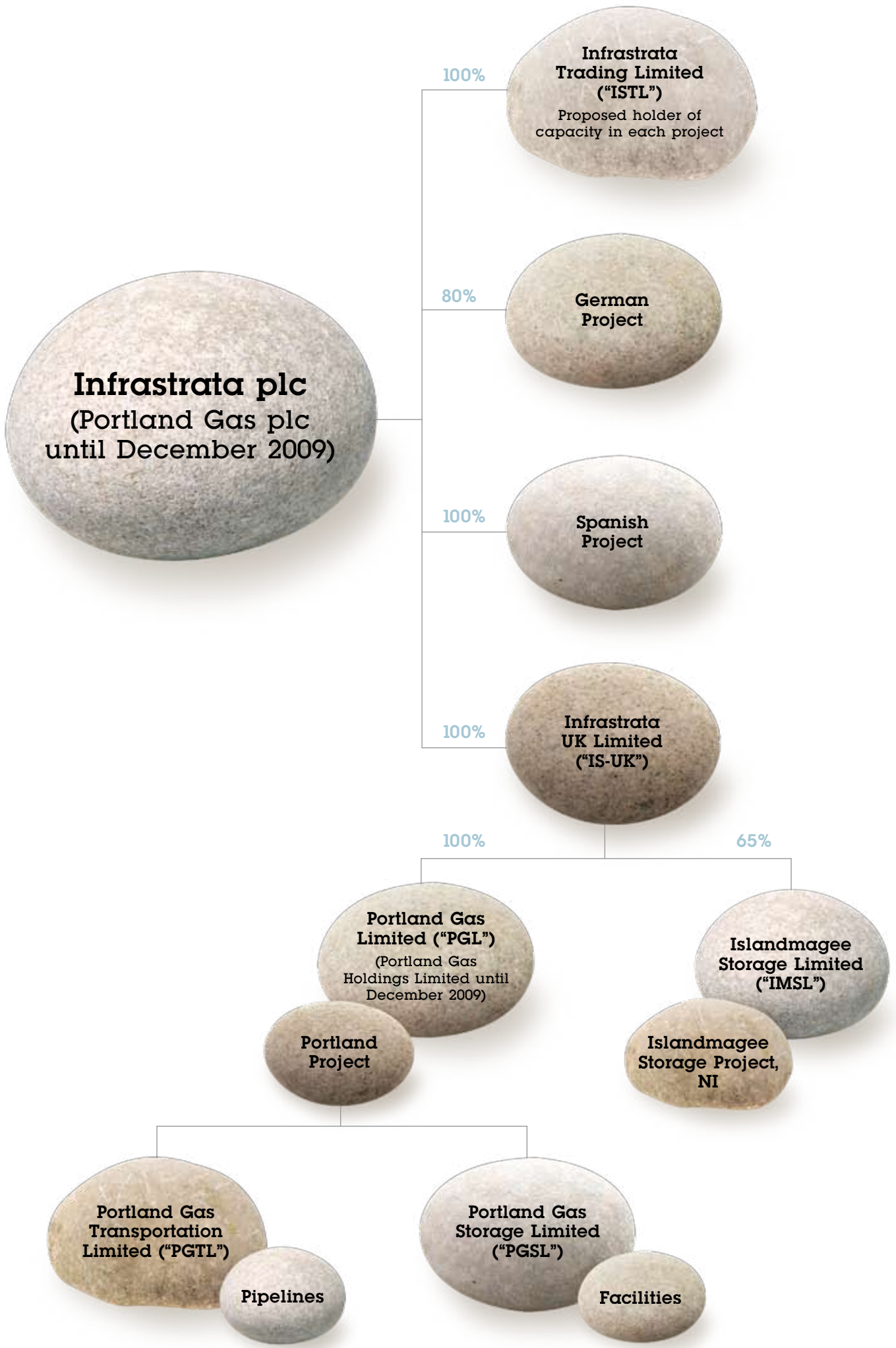
of £5,171,931 was capitalised to the Portland Project and £557,892 to the Islandmagee Project. The Group continued to be debt free and had a cash balance of £3,066,502 at 31 July 2009.

The 2009/10 financial year will be an exciting year for the Group with the introduction of investors to the Portland Project and the submission of the Islandmagee Project planning application. With regards to the Portland Project I am pleased to confirm the recent formation of a Co-operation Group of five companies who have each expressed an interest in possibly acquiring a financial interest in developing the project alongside the Company. The Group will work together to conduct a feasibility study in respect of the Project.

Your Board remains dedicated to its task in seeking sites for potential underground gas storage in salt caverns and then bringing them to the construction stage and, where appropriate, beyond that into full development via a shared investment with others. Your Board has considered the matter of remuneration for the executive team and our decision has been to freeze salaries for the coming year. This decision is based primarily upon the current economic situation and financial outlook and in no way reflects adversely upon the performance of the team which has been unwavering in its enthusiasm, dedication and diligence.

In conclusion I would like to express my gratitude for your continued encouragement and support during these difficult economic times and I offer my appreciation for the determination of the executive management, the professional efforts of our employees and the support of my fellow non-executive directors.

Ken Ratcliff,
Non-Executive Chairman



Chief Executive's operating review

Portland Project, Dorset

The first funding process for the Portland Project was halted owing to the 'credit crunch' in November 2008. There followed a period of consultation with potential interested parties on a bi-lateral basis until July 2009 when a new process was formally launched. During this intermediate period, BNP Paribas was appointed as project finance advisors and Field Fisher Waterhouse LLP as new legal advisors to the project company. Post year end a Co-operation Group of potential investors was established to conduct a feasibility study in respect of the Project.

On 31 July 2009 preliminary works started on site to build the natural gas storage facility at Upper Osprey on Portland. These works on the future wellpad area are being performed by Hydrock, a leading national provider of consultancy and specialist contracting services for construction, infrastructure and the environment. Engineering design work is being undertaken by CB&I who have global experience in the engineering, procurement and construction of major energy infrastructure projects.

The estimated construction cost is £456m, of which £20m has been spent to date. The project is designed to store 1,000 million cubic metres of gas and once constructed is anticipated to be the UK's largest onshore gas storage facility, designed to supply up to 5% of the nation's gas on a cold winter's day.

The gas storage facilities will be constructed in a number of stages, starting initially with drilling and construction of the infrastructure required to construct the caverns, followed by construction of the gas facilities and pipelines. The project will take approximately seven years to complete.

At the peak of construction activity it is anticipated that there will be 300 people working on site with opportunities for local employment. The need for local services during the construction period will also bring an economic benefit to the area. In the long-term it is currently anticipated that 24 permanent jobs will be created once the build is complete. Portland Gas has pledged to recruit locally wherever possible for the permanent positions on the site.

HRH The Duke of York visited Portland in October 2008 and attended a presentation explaining the gas storage project. Prince Andrew was in Dorset as UK special representative for UK Trade & Investment. He met with Portland Gas and was introduced to the Company and some of its Directors. Also attending the meeting was Rachel Barton, the Portland Gas Community Liaison Officer who gave a presentation about The Old Engine Shed visitor centre and the other work of the Portland Gas Trust, including the proposed reopening of the South West coast path above Portland Port.

Islandmagee Project, Northern Ireland

The Northern Ireland gas market has been growing significantly over recent years and without access to local gas storage facilities it could become vulnerable to supply disruptions.

With no depleted gas fields in Northern Ireland, the creation of caverns within a salt sequence provides the best option to store significant quantities of natural gas. The salt beds have a limited extent in the subsurface of Northern Ireland and the Company believes the Larne region offers the best opportunity.

The seismic survey, undertaken in 2007, gave an excellent picture of the geological structure of the area indicating that the conditions deep below Larne Lough at a depth of around 1,400 metres are ideal for storing natural gas. Initial studies indicate that the facility could have a storage volume of up to 500 million cubic metres of gas.

During 2009, advisors DEEP Underground Engineering GmbH produced a design for the storage caverns and work continued on the Environmental Impact Assessment which is managed by RPS Consulting Engineers in Belfast.

In June 2009 Portland Gas and Northern Ireland Energy Holdings, partners in Islandmagee Storage Limited, the project company, held a successful two-day public exhibition to present information and gather feedback on the project.

Further consultations with stakeholders are planned for the end of October 2009 and a target date of year end 2009 has been set for submission of the planning application.

New projects

The Group made significant progress with its plans for new gas storage projects in Germany and Spain. In Germany, a review of the geology and infrastructure has resulted in activity being focused on a salt dome in northern Germany where the Company intends to apply during 2010 for rights from the mining authorities to undertake seismic and drilling to confirm the suitability of the salt. In Spain an exploration licence was applied for during October 2008 in the south of the country.

Corporate and social responsibility

Portland Gas is an enthusiastic supporter that helps community initiatives near to projects it is developing. In Dorset it founded The Portland Gas Trust, a registered charity with a remit to support initiatives connected with education, the environment and geology. The Company is planning to establish a similar charity in Northern Ireland, linked to the Islandmagee Project.

The Portland Gas Trust

The Trust gained charitable status in August 2008 and appointed three new trustees from the local community. The Trust now has its own website www.theportlandgastrust.org, which is regularly updated with news and activities.

The highlight of the Trust's work is the conversion of the Old Engine Shed into a visitor centre with a display area, educational space and walkers' café. Volunteers have spent time at the shed

clearing scrub and rubbish. Over 120 people came to a series of open days to view the plans, which were very positively received. Trustee Rachel Barton recorded the memories and thoughts of local people of all ages and many Portlanders have given items for display such as fossils, archive film footage and quarry tools.

During the year, the Trust supported the post of the Island Ranger and the production of wildlife and walk cards. It sponsored two workshops at the Weymouth Primary College for 11-year-olds and the Geology Award at Budmouth College. The Trust also played an influential role in safeguarding a collection of fossilised dinosaur footprints, which will eventually go on display at the Old Engine Shed.

The Trust is committed to working with local partners, as demonstrated by its work with the Young Offender Institute on Portland. It plans to develop the former Governor's Garden into a

community resource, including a wildlife area, a play area, a botanical garden and allotments for local children. In May it sponsored a buffet lunch for over 70 volunteers who spent a day picking up litter on the island.

Looking ahead, the Trust is exploring options for holding concerts and community activities during the London 2012 Olympic and Paralympic Games.

Islandmagee

Negotiations are at an early stage with this project, but the intention is to establish a similar charitable trust. This is being designed to develop local community projects benefiting education, the environment and understanding of geology. Projects being discussed include participating in rebuilding the local community centre to include visitor services as well as providing better facilities.



Directors, secretary, advisors and shareholder information

Directors

Kenneth Maurice Ratcliff (Non-executive Chairman)
Andrew David Hindle (Chief Executive Officer)
Craig Stuart Gouws (Chief Financial Officer)
Walter Rookehurst Roberts (Legal and Commercial Director)
Mark Anthony William Abbott (Non-executive Director)
Jonathan Richard Davie (Non-executive Director)
Maurice Edward Hazzard (Non-executive Director)

Company secretary

Walter Rookehurst Roberts

Registered office

Blackstable House
Longridge
Sheepscombe
Stroud
Gloucestershire, GL6 7QX

Principal office

80 Hill Rise
Richmond
Surrey, TW10 6UB

Auditors

Nexia Smith & Williamson
1 Bishops Wharf, Walnut Tree Close
Guildford
Surrey, GU1 4RA

Tax advisors

Smith & Williamson Limited
1 Bishops Wharf, Walnut Tree Close
Guildford
Surrey, GU1 4RA

Registrars

Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent, BR3 4TH

Nominated advisor and broker

Seymour Pierce Limited
20 Old Bailey
London, EC4M 7EN

Solicitors

Norton Rose LLP
3 More London Riverside
London, SE1 2AQ

Bankers

Bank of Scotland plc
155 Bishopsgate
London, EC2M 3YB

Investor relations

Buchanan Communications Limited
45 Moorfields
London, EC2Y 9AE

Public relations

Watershed PR
200 St Andrew's Road
Bridport
Dorset, DT6 3BW

Report of the directors for the year ended 31 July 2009

The Directors have pleasure in presenting their report and audited financial statements for the year ended 31 July 2009.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The principal activity of the Group throughout the year was the exploration for and development of sub-surface gas storage facilities.

General

Portland Gas plc is incorporated in and domiciled in England and Wales.

Share capital

On the 14 July 2009 the Company agreed to place 919,474 new ordinary shares of 10p each at 81.17p per share with Portland Port Limited to settle an existing liability relating to the East Weares estate lease. These shares were issued after year end.

The Company reached agreement with Hydrock Group Limited to undertake works to a value of £300,000 on the Portland Project. These works are being funded by a redeemable debenture created on the 7 July 2009 and granted to Hydrock. Under the terms of the debenture the Company may redeem the instrument until 31st January 2010 beyond which it is converted into 369,595 ordinary shares.

Business review

During the year the Group continued to develop its gas storage business.

Portland Project

The first funding process for the Portland Project was halted owing to the 'credit crunch' in November 2008. There followed a period of consultation with interested parties on a bi-lateral basis until July 2009 when a new process was formally launched. During this intermediate period, BNP Paribas was appointed as project finance advisors and Field Fisher Waterhouse LLP as new legal advisors to the project.

Following the discharge of the pre-start planning conditions, on 31 July 2009 work commenced at Upper Osprey on Portland.

The first task is to undertake initial works on the wellpad area from which drilling down to the salt sequence deep below Portland can take place, the first stage in creating 14 caverns providing storage for 1,000 million cubic metres of gas. These preliminary works are being performed by Hydrock, a leading national provider of consultancy and specialist contracting services for construction, infrastructure and the environment. Engineering design work is being undertaken by CB&I who have global experience in the engineering, procurement and construction of major energy infrastructure projects.

The gas storage facilities will be constructed in a number of stages, starting initially with drilling and construction of the facilities required to construct the caverns, followed by construction of the gas facilities and pipelines. The project will take approximately seven years to complete.

After the year-end a Co-operation Group was established following a successful first phase of the funding process. The Group consists of five companies who have each expressed an interest in possibly acquiring a working interest in the Portland Project, together with Infrastrata UK Limited (formerly Portland Gas A Limited). The Group will work together to conduct a feasibility study in respect of the Project. The Project's legal advisor, Field Fisher Waterhouse LLP, will draw up a Shareholders' Agreement and a separate Capacity Agreement. In parallel, the Project's project finance advisor, BNP Paribas, will work on the development of the financing structure.

Islandmagee Project

The Project, a joint venture with a subsidiary of Northern Ireland Energy Holdings Limited, is designed to store 500 million cubic metres of natural gas. During 2009, technical experts produced a design for the storage

caverns and further progress was made on the Environmental Impact Assessment.

In June 2009 a successful two-day public exhibition to present information and gather feedback on the project was held. Further consultations with stakeholders are planned for the end of October 2009 and a target date of year end 2009 has been set for submission of the planning application.

Storage asset portfolio development

The Group made progress with its plans for new gas storage projects in Germany and Spain. In Germany, a review of the geology and infrastructure has resulted in activity being focused on a salt dome in northern Germany. In Spain, a local subsidiary Portland Gas ESP S.L. was formed to develop the Group's Spanish gas storage plans and an exploration licence application was lodged via this company.

Health, safety and environment

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

Key performance indicators

Key performance indicators are used by the Board to monitor progress against predetermined objectives.

Key performance indicators include identification of new economic project opportunities, submission of project planning applications in accordance with project scheduling, project development in accordance with project development programme and Group working capital management. The new gas storage opportunities in Spain and Germany, the submission of the Islandmagee project planning application scheduled to occur during the 2009 calendar year, the further development of the Portland project and prudent application of available cash resources are in line with the Board's expectation.

Risk factors

The Group has to manage several business risks. These risks include loss of key employees, delays on planning applications, funding, cost over runs and exploration failures. The Board conducts a review of the specific risks the Group faces and has appropriate systems in place in order to identify and manage in so far as possible the ongoing risks and uncertainties the Group faces.

Outlook

The 2009/10 financial year will again be an active time for the business.

The Group looks forward to the introduction of investors in the Portland Project and to continuing the development and construction of the Upper Osprey site.

Islandmagee Storage Limited plans to complete the Environmental Impact Assessment and submit the Project planning application before the end of the 2009 calendar year.

In addition the Group will continue in its stated objective of developing an international gas storage business.

RESULTS AND DIVIDENDS

The Group made a loss after tax of £1,281,002 during the year (2008; loss after tax of £1,569,621). The loss for the year, together with the balance of £1,960,345 brought forward leaves a retained loss of £3,241,347 to be carried forward.

The Directors do not recommend the payment of a dividend (2008; £nil).

CHARITABLE AND POLITICAL DONATIONS

During the year the Group made various charitable contributions in the UK totalling £1,050 (2008; £350). No donations were made for political purposes (2008; £nil).

PAYMENT OF CREDITORS

The Group's policy for all suppliers is to fix terms of payment when entering into a business transaction, ensure that the supplier is aware of those terms and to abide by the agreed terms of payment. The number of days' trade creditors was 46 (2008; 31) for the Group.

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 21 to the financial statements.

DIRECTORS

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

Executive Directors

A D Hindle
C S Gouws
W R Roberts

Non-executive Directors

K M Ratcliff
M A Abbott
J R Davie: Appointed 16 December 2008
M E Hazzard

All Directors benefit from the provisions of individual Directors Personal Indemnity insurance policies. Premiums payable to third parties are as described in note 6.

The Company operates a share option scheme, particulars of share options granted to Directors are detailed in note 6 to the financial statements.

Directors of the Company at 31 July 2009 and their abridged CVs are as follows:

Ken Ratcliff (Non-Executive Chairman)

Ken Ratcliff, JP, BSc., FCA, (Non-Executive Chairman) (59) is a Chartered Accountant with extensive finance and business experience. He is currently College Accountant at Epsom College and Accountant and co-founder of Geokinetics Processing UK Limited, an oil and gas industry seismic contractor. He was an audit manager with Touche Ross & Co in London before moving into accountancy and finance positions within the oil and gas industry in 1978. Ken has previously held senior management positions with Ensign Geophysics Limited, Seismic Geocode Limited, Tenneco Corporation and Merlin Geophysical Limited. He joined the Board of Portland Gas in 2007 and became Chairman in October 2007. Ken has been a non-executive director of Egdon Resources Plc since 2001.

Andrew Hindle (Chief Executive Officer)

Andrew Hindle, BSc., MSc., PhD, FGS, CGeol, (Chief Executive Officer) (47) is a highly experienced geologist with 25 years worldwide experience. He holds a degree in Geological Sciences gained in 1983 from Leeds University and, following a year with BP, gained a MSc. degree in Petroleum Geology in 1985 from Aberdeen University. In 1998 he completed a PhD (part-time) through the Open University. He received the J. C. "Cam" Sproule Memorial Award from the American Association of Petroleum Geologists in 1999. He worked for Texaco from 1985 until 1996 on UK and international exploration and development projects, working overseas from 1990 to 1994. Subsequently, he worked for Anadarko Algeria Corporation from 1996 to 1997. In 1997 he became a founding director of Egdon Resources Plc and, following the Demerger, is a non-executive director of the company. Andrew has been the Chief Executive of the Portland Gas Group since 2005. Andrew is also a director of Geofocus Limited and Toffee Limited.

Craig Gouws (Chief Financial Officer)

Craig Gouws, BSc., CA (SA), (Chief Financial Officer) (42) is a Chartered Accountant and holds an engineering degree. He worked within the forestry sector in South Africa before qualifying as a Chartered Accountant with Ernst & Young in 2001. His finance experience includes working for major auditing organisations in senior financial positions in South Africa, the Middle East and the United Kingdom. Craig joined Portland Gas in an executive role during 2007.

Walter Roberts (Legal and Commercial Director and Company Secretary)

Walter Roberts, MA (Cantab.), (Legal and Commercial Director and Company Secretary) (58) is an oil and gas lawyer with a strong record in commercial and legal management. Walter qualified as a solicitor with Simmons & Simmons before joining Phillips Petroleum in 1980. He then worked for Lasmo in both the UK and in Australia where he set up its legal department. Walter was the principal negotiator for UK joint venture commercial negotiations and gas sales for Talisman Energy (UK) Limited (previously Bow Valley Petroleum (U.K.) Limited) until 1995. More recently he was the London partner of Cummings & Co. and he is currently an executive director of Pinnacle Energy Limited and a non-executive director of Egdon Resources Plc. Walter joined the Board of Egdon Resources Plc in 2001 as a non-executive director. He joined Portland Gas in an executive role in 2007.

Mark Abbott (Non-Executive Director)

Mark Abbott, BSc., FGS, (Non-Executive Director) (48) is a geophysicist. He holds a degree in Exploration Sciences (Geology/Geophysics/Mining Engineering) gained in 1985 from the University of Nottingham. He worked for the British Geological Survey from 1985 to 1992 in the UK and overseas, mainly involved in onshore basin analysis in the UK. Between 1992 and 1996 he worked in the International Division of British Gas Exploration and Production Limited evaluating exploration and appraisal projects. From 1996 to 1997 he was employed by Anadarko Algeria Corporation as a Staff Exploration Geophysicist. In 1997 he became a founding director of Egdon Resources Plc and, following the Demerger, is the Managing Director of that company. Mark is also a director of MA Exploration Services Limited, an exploration consulting company and Bishopswood Pavilion Limited, an owner of sports grounds.

Jonathan Davie (Non-Executive Director)

Jonathan Davie, FCA, (Non-Executive Director) (62) is a Chartered Accountant. He joined George M. Hill and Co, a jobber on the London Stock Exchange in 1969. The firm was acquired by Wedd Durlacher Mordaunt and Co where Jonathan became a partner in 1975. Jonathan was the senior dealing partner of the firm on its acquisition by Barclays Bank to form BZW in 1986. Jonathan developed BZW's Fixed Income business prior to becoming CEO of the Global Equities Business in 1991. In 1996 Jonathan became Deputy Chairman of BZW and then Vice Chairman of Credit Suisse First Boston in 1998 on their acquisition of most of BZW's businesses. Jonathan joined the board of Portland Gas in December 2008 and resigned from his role as a non-executive director of the Credit Suisse Private Bank in the UK during 2009. Jonathan is presently non-executive Chairman of the IG Group Holdings plc, and a partner and Chairman of First Avenue Partners, an alternatives advisory boutique.

Maurice Hazzard (Non-Executive Director)

Maurice Hazzard, (Non-Executive Director) (71) has extensive business experience in the oil and gas industry, particularly in large offshore projects. He has held senior positions with Phillips Petroleum, Hamilton Bros. Oil & Gas Limited and Halyard Offshore Limited. Between 1979 and 1989 Maurice was responsible for development of the Energy Division of the Tung Group of companies, based in Hong Kong, and during this period was Executive Chairman of Houlder Marine Drilling Limited. From 1989 to 1996 he was a consultant with Maritime Audit & Technical Services Limited, consulting to the international offshore oil and marine services industry. From 1996 to 1999 he was Chairman and CEO of PD Systems International Limited, a UK electronics manufacturer. He is also non-executive Chairman of Orbitron Technologies Limited, a software company.

Directors and substantial shareholdings

The Directors of the Company held the following beneficial shareholdings as at 23 October 2009

Ordinary shares of 10p each	Number	%
Ken Ratcliff	53,000	0.08
Andrew Hindle	6,617,117	9.40
Craig Gouws	20,000	0.03
Walter Roberts	1,042,960	1.48
Mark Abbott	6,687,666	9.50
Jonathan Davie	575,400	0.82
Maurice Hazzard	1,144	0.00

The Company has received notification of the following interests in 3% or more of the Company's issued share capital at 23 October 2009. The percentages presented are at the date of notification.

Ordinary shares of 10p each	Number	%
Bluehone Investors LLP	4,333,872	6.39
Calculus Nominees Limited	1,858,950	3.60
Credit Suisse Securities (Europe) Limited	17,687,805	25.13

Corporate Governance

The Combined Code

The Directors recognise the value of the Combined Code on Corporate Governance and whilst under the AIM rules compliance is not required the Directors believe that the Company applies the recommendations in so far as is appropriate for a public company of its size. The Company therefore does not fully comply with the Combined Code on Corporate Governance.

The Board

The Board comprises of three Executive Directors and four Non-executive Directors whose background and experience are relevant to the Company's activities. As such, the Directors are of the opinion that the Board comprises a suitable balance and that the recommendations of the Combined Code have been implemented to an appropriate level. The Board, through the Directors, maintain regular contact with its advisors and public relations consultants in order to ensure that the Board develops an understanding of the views of major shareholders about the Company.

The Board held 11 full Board meetings during the financial year. All were attended by all Directors except 1 where two Directors were absent and 2 where one Director was absent. In addition there was 1 meeting to approve administrative resolutions which was only partly attended although all Directors had approved the business.

Audit Committee

The Audit Committee met three times in the year to 31 July 2009. Its members are Jonathan Davie (Chairman), Ken Ratcliff and Mark Abbott. Members of the committee at the time of meetings attended all meetings either in person or by telephone. In addition, the relevant Chairman met senior representatives of the external auditors during October 2008, April 2009 and July 2009. The external auditors have unrestricted access to the Chairman of the Committee. Ken Ratcliff resigned from the role as Chairman of the Audit

Committee on the 16 April 2009 and Craig Gouws resigned from the Audit Committee on the 20 October 2008. The Audit Committee reviews the scope and results of the external audit and monitors the integrity of the financial statements of the Group. The Committee 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 Remuneration Committee plans to meet at least twice in each year. The economic climate faced by the Company meant that it only met once in the period to 31 July 2009. Its members are Maurice Hazzard (Chairman) and Mark Abbott and both members were in attendance at the meeting. 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 agrees with the Board a framework for the remuneration of the Chairman, the Executive Directors and the senior management of the Group. The principal objective of the Committee is to ensure that members of the executive management of the Group are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group. The Committee recommended salary adjustments which were made during the 2008 financial year to reflect the dedication, hard work and achievements of all staff leading up to the granting of Planning Consent for the Portland Project. The view of the Committee is that the salaries remained competitive, but are not over generous, and therefore did not recommend an adjustment during the current financial

year. Non-executive fees are considered and agreed by the Board as a whole and there has been no specific review in this regard during the period.

Nomination Committee

The Company has not established a Nomination Committee as the Directors are of the opinion that such a committee is inappropriate given the current size of the Company.

GOING CONCERN

After making enquiries the Directors have a reasonable expectation that the Group and the Company have adequate cash resources to meet committed expenditure and will continue in operation for the foreseeable future. Further funding could be obtained by the issuance of new equity or through the disposal of an interest in projects.

For this reason they continue to adopt the going concern basis in preparing the financial statements as disclosed in note 30.

Directors' responsibilities

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

UK 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 Alternative Investment Market) 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 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 Companies Act 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.

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 adopted by the EU;
- 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 Group's and 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 Companies Act 2006. They are also responsible for safeguarding the assets of the Group 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 Portland Gas plc website.

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

DISCLOSURE OF INFORMATION TO THE AUDITORS

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 available audit information of which the Company's auditors were unaware; and that Director had taken all steps that the Director ought to have taken as a director to make himself aware of any relevant information and to establish that the Company's auditors were aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

AUDITORS

A resolution to re-appoint the auditors, Nexia Smith & Williamson, will be proposed at the forthcoming Annual General Meeting.

By order of the Board

A Hindle
Director
23 October 2009

Independent auditors' report to the shareholders of Portland Gas plc

We have audited the financial statements of Portland Gas plc for the year ended 31 July 2009 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity, and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Section 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 July 2009 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; and
- 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Joanne Tollow
Senior Statutory Auditor,
for and on behalf of

Nexia Smith & Williamson
Chartered Accountants
Registered Auditors

1 Bishops Wharf
Walnut Tree Close
Guildford, GU1 4RA

23 October 2009

Consolidated income statement for the year ended 31 July 2009

	Notes	2009	2008
		£	£
Continuing operations			
Revenue		-	-
Cost of sales		-	-
Gross profit/(loss)		-	-
Administrative expenses		(1,454,441)	(1,767,017)
Operating loss		(1,454,441)	(1,767,017)
Investment revenues	9	173,439	197,396
Loss before taxation		(1,281,002)	(1,569,621)
Taxation	10	-	-
Loss for the year		(1,281,002)	(1,569,621)
Basic and diluted loss per share	11	1.82p	2.33p

Consolidated balance sheet as at 31 July 2009

	Notes	2009	2008
		£	£
Non-current assets			
Plant and equipment	13	20,346,503	15,195,167
Intangible assets	14	1,821,551	1,263,659
Total non-current assets		22,168,054	16,458,826
Current assets			
Trade and other receivables	16	149,356	305,520
Available for sale assets	17	12,500	12,500
Cash and cash equivalents	18	3,066,502	9,276,964
Total current assets		3,228,358	9,594,984
Current liabilities			
Trade and other payables	19	(925,202)	(1,408,848)
Net current assets		2,303,156	8,186,136
Non-current liabilities			
Obligations under contractual and operating lease agreements due after one year	20	(2,185,741)	(1,963,519)
Net assets		22,285,469	22,681,443
Shareholders' funds			
Share capital	22	7,038,473	7,038,473
Share premium		8,576,705	8,576,705
Merger reserve	23	8,988,112	8,988,112
Shares to be issued	22	746,337	-
Share based payment reserve	24	177,189	38,498
Retained earnings		(3,241,347)	(1,960,345)
		22,285,469	22,681,443

Approved and authorised for issue by the Board on 23 October 2009. A Hindle, Director C Gouws, Director

Company balance sheet as at 31 July 2009

	Notes	2009	2008
			As restated
		£	£
Non-current assets			
Investments	15	15,249,111	15,247,011
Total non-current assets		15,249,111	15,247,011
Current assets			
Trade and other receivables	16	9,413,119	8,839,339
Cash and cash equivalents	18	94,418	80,652
Total current assets		9,507,537	8,919,991
Current liabilities			
Trade and other payables	19	(107,860)	(214,205)
Net current assets		9,399,677	8,705,786
Net assets		24,648,788	23,952,797
Shareholders' funds			
Share capital	22	7,038,473	7,038,473
Share premium		8,576,705	8,576,705
Merger reserve	23	8,466,827	8,466,827
Shares to be issued	22	746,337	-
Share based payment reserve	24	177,189	38,498
Retained earnings		(356,743)	(167,706)
		24,648,788	23,952,797

Company registration number: 06409712

Approved and authorised for issue by the Board on 23 October 2009. A Hindle, Director C Gouws, Director

Consolidated statement of changes in equity for the year ended 31 July 2009

	Share capital	Share premium	Merger reserve	Shares to be issued	Share based payment reserve	Retained earnings	Total equity
	£	£	£	£	£	£	£
Balance at 31 July 2007	117,782	-	11,650,514	-	-	(390,724)	11,377,572
Loss for the year	-	-	-	-	-	(1,569,621)	(1,569,621)
Total recognised income and expenses for the year	-	-	-	-	-	(1,569,621)	(1,569,621)
Issue of equity share capital (pre-demerger)	40,000	-	3,960,000	-	-	-	4,000,000
Portland Gas plc capitalisation	6,622,402	-	(6,622,402)	-	-	-	-
Issue of equity share capital (post-demerger)	258,289	8,576,705	-	-	-	-	8,834,994
Share based payments	-	-	-	-	38,498	-	38,498
Balance at 31 July 2008	7,038,473	8,576,705	8,988,112	-	38,498	(1,960,345)	22,681,443
Loss for the year	-	-	-	-	-	(1,281,002)	(1,281,002)
Total recognised income and expenses for the year	-	-	-	-	-	(1,281,002)	(1,281,002)
Commitment to issue shares	-	-	-	746,337	-	-	746,337
Share based payments	-	-	-	-	138,691	-	138,691
Balance at 31 July 2009	7,038,473	8,576,705	8,988,112	746,337	177,189	(3,241,347)	22,285,469

Company statement of changes in equity for the year ended 31 July 2009

	Share capital	Share premium	Merger reserve	Shares to be issued	Share based payment reserve	Retained earnings	Total equity
	£	£	£	£	£	£	£
On incorporation (25 October 2007)	2	-	-	-	-	-	2
Loss for the period	-	-	-	-	-	(167,706)	(167,706)
Total recognised income and expenses for the period	-	-	-	-	-	(167,706)	(167,706)
Issue of equity on demerger as restated (see note 25)	6,780,182	-	8,466,827	-	-	-	15,247,009
Issue of equity share capital (post-demerger)	258,289	8,576,705	-	-	-	-	8,834,994
Share based payments	-	-	-	-	38,498	-	38,498
Balance at 31 July 2008	7,038,473	8,576,705	8,466,827	-	38,498	(167,706)	23,952,797
Loss for the year	-	-	-	-	-	(189,037)	(189,037)
Total recognised income and expenses for the year	-	-	-	-	-	(189,037)	(189,037)
Commitment to issue shares	-	-	-	746,337	-	-	746,337
Share based payments	-	-	-	-	138,691	-	138,691
Balance at 31 July 2009	7,038,473	8,576,705	8,466,827	746,337	177,189	(356,743)	24,648,788

Consolidated cash flow statement for the year ended 31 July 2009

	Notes	2009 £	2008 £
Net cash (used in) operating activities	26	(1,175,444)	(1,275,246)
Investing activities			
Interest received		173,439	197,396
Purchases of intangible assets		(530,729)	(5,645,493)
Purchase of plant and equipment		(4,678,611)	(63,887)
Purchase of financial assets		-	(12,500)
Proceeds on disposal of plant and equipment		883	-
Net cash (used in) investing activities		(5,035,018)	(5,524,484)
Financing activities			
Proceeds on issue of ordinary shares		-	12,639,999
Net cash generated from financing activities		-	12,639,999
Net (decrease)/increase in cash and cash equivalents		(6,210,462)	5,840,269
Cash and cash equivalents at beginning of year		9,276,964	3,436,695
Cash and cash equivalents at end of year		3,066,502	9,276,964
Cash and cash equivalents consist of:			
Cash in hand and at bank	18	3,066,502	9,276,964

Significant non-cash transaction

The above excludes the settlement of a liability of £746,337; where the supplier agreed to accept 919,474 new 10p ordinary shares in settlement, the shares were issued after year end.

Company cash flow statement for the year ended 31 July 2009

	Notes	2009 £	25 October 2007 - 31 July 2008 £
Net cash from operating activities	26	15,376	75,429
Investing activities			
Interest received		490	5,223
Loan to subsidiary company		-	(8,639,999)
Subscription in share capital of subsidiary company		(2,100)	-
Net cash (used in) investing activities		(1,610)	(8,634,776)
Financing activities			
Proceeds on issue of ordinary shares		-	8,639,999
Net increase in cash and cash equivalents		13,766	80,652
Cash and cash equivalents at beginning of year		80,652	-
Cash and cash equivalents at end of year		94,418	80,652
Cash and cash equivalents consist of:			
Cash in hand and at bank	18	94,418	80,652

Significant non-cash transaction

The above excludes an increase in the loan to a subsidiary company of £746,337 and the associated future issue of 919,474 new 10p ordinary shares; the shares were issued after the year end.

Notes to the financial statements for the year ended 31 July 2009

1. General information

Portland Gas plc is a company incorporated in England & Wales under the Companies Acts 1985 – 2006 and is domiciled in the United Kingdom.

2. Accounting policies

The financial statements are based on the following accounting policies which have been consistently applied.

Basis of preparation

Portland Gas plc an Alternative Investment Market (AIM) listed entity adopted International Financial Reporting Standards (IFRS) and IFRIC Interpretations, as adopted by the European Union and, except as noted below, effective in July 2009, 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. The Directors continue to adopt the going concern basis in preparing the financial statements as disclosed in note 30.

The IFRS accounting policies adopted by the Group are given in full in this note.

Standards and interpretations not yet effective but adopted early

In the year the Company has voluntarily adopted the amendment to IAS 27 relating to the measurement of the Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate. Further details are given in note 25.

Standards and interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not yet been applied in these financial statements were in issue but not yet effective (and in some cases, had not yet been adopted by the EU):

- IFRS 2 (amended) Share-based payment - Vesting Conditions and Cancellations and Group settled share based payment transactions.
- IFRS 3 (revised 2008) Business Combinations
- IFRS 7 (amended) Improving Disclosures about Financial Instruments
- IFRS 8 Operating Segments
- IAS 1 (revised 2007) Presentation of Financial Statements
- IAS 27 (revised 2008) Consolidated and Separate Financial Statements
- IAS 29 (amended) Eligible Hedged Items
- IAS 32 (amended)/ IAS 1 (amended) Puttable Financial Instruments and Obligations Arising on Liquidation
- IAS 39 (amended)/ IAS 7 (amended) Reclassification of Financial Assets - Effective Date and Transaction
- IFRIC 9(amended)/ IAS 39 (amended) Embedded Derivatives
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distributions of non-cash assets to owners
- IFRIC 18 Transfers of assets from customers

The Directors anticipate that all of the above standards and interpretations will be adopted in the Group's financial statements in future periods and that those standards and interpretations will have no material impact on reported results of the Group in the period of initial application.

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 the income statement 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 the income statement and is not subsequently reversed.

With effect from 16 January 2008 a new parent company was introduced to the Group via a share for share exchange between the new parent company Portland Gas plc, the former parent company Egdon Resources Plc and its shareholders.

The introduction of a new holding company does not result in the addition of any new businesses to the Group, and as such it falls outside of the scope of IFRS 3. Therefore, it has been accounted for using merger accounting principles. As a result, although the Group reconstruction did not become effective until January 2008, the consolidated financial statements of Portland Gas plc are presented as if Portland Gas plc and its subsidiaries as detailed in note 15 had always been part of the same Group. Accordingly, the financial information for the prior period has been presented as if the subsidiaries had been owned by Portland Gas plc throughout that and preceding accounting periods.

The results for the period ended 31 July 2008 incorporate the results of the subsidiary entities for the twelve months ended 31 July 2008 and the results of the Company Portland Gas plc from 25 October 2007 to 31 July 2008. The results for the year ended 31 July 2009 incorporate the results of the Company and its subsidiaries for the year ended at that date.

Plant and equipment

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%

Capitalised tangible gas storage inclusive of related and pipeline costs are not depreciated as the facility is under construction and not in use.

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

Gas storage research and development costs

Research expenditure, incurred when undertaking exploration activities for gas storage opportunities, is written off in the year in which it is incurred.

Impairment of intangible 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. The nature of these costs includes all direct costs incurred in project development. No amortisation or depreciation is provided until the storage facility is brought into commercial 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 balance sheet 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.

Borrowing costs

Borrowing costs directly attributable to the construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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 income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is

calculated using tax rates that have been enacted or substantially enacted by the balance sheet 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 balance sheet 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 balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is 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 income statement, 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.

Foreign currency

Transactions in foreign currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet 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 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 income statement 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 the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where 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 cancellation 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 income statement 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 balance sheet.

Financial instruments

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

Trade and other receivables 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 income statement. Cash and

cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

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

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. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Equity issued for non-monetary consideration is recorded at the fair value of the equity instruments issued, except when a parent reorganises the structure of its group by establishing a new entity and (a) the new parent obtains control of the original parent by issuing equity instruments in exchange for existing equity instruments of the original parent; (b) the assets and liabilities of the new group and the original group are the same immediately before and after the reorganisation; and (c) the owners of the original parent before the reorganisation have the same absolute and relative interests in the net assets of the original group and the new group immediately before and after the reorganisation. In this latter case equity instruments issued by the new parent are recognised at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the date of the reorganisation.

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 income statement using the effective interest method.

Available for sale financial assets are those non-derivative financial assets that are designated as available for

sale or are not classified as financial assets at fair value through profit and loss, held to maturity investments or loans and receivables. After initial recognition available for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative

gain or loss previously reported in equity is included in the income statement. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using appropriate valuation techniques.

3. Segment information

The Group has only one material reportable business segment, which is the development of gas storage facilities in the United Kingdom. All operations are classified as continuing.

4. Other expenditure

	2009	2008
	£	£
Fees payable to the Group's auditor and its associates:		
- for the audit of the Company's financial statements	11,250	11,250
- for the audit of the Company's subsidiaries	17,750	17,750
- other services relating to taxation	11,950	18,675
- all other services including demerger costs	3,726	25,005
Demerger costs	-	430,610
Depreciation	21,880	19,343
Net foreign exchange loss	10,482	1,802
Operating lease rentals – land and buildings	1,529,152	669,594
Research costs	120,268	40,363

Demerger costs incurred during the prior year relate to professional fees incurred to implement the demerger of the Portland Gas Group from Egdon Resources Plc.

5. Employee information

	2009	2008
	Number	Number
Executive Directors and staff	8	7
	£	£
Staff costs for the above persons were:		
Wages and salaries	895,766	833,038
Social security costs	102,163	89,548
Defined contribution pension plan expenditure	29,950	7,775
Share based payments	138,691	38,498
	1,166,570	968,859

6. Directors' and key management emoluments

Group

	Salary & fees	Bonus	Benefits	Pension	Total 2009	Total 2008
	£	£	£	£	£	£
Executive Directors						
Andrew Hindle	250,000	-	1,757	-	251,757	235,685
Craig Gouws	122,048	-	1,260	6,000	129,308	125,740
Walter Roberts	120,000	-	2,392	6,000	128,392	159,055
Non-executive Directors						
Ken Ratcliff	37,500	-	-	1,875	39,375	52,012
Mark Abbott	15,000	-	-	-	15,000	26,697
Jonathan Davie	8,750	-	-	-	8,750	-
Maurice Hazzard	15,000	-	-	750	15,750	28,564
	568,298	-	5,409	14,625	588,332	627,753
Share based payment attributable to Directors					107,085	22,037
Employers national insurance contributions					65,106	67,267
					760,523	717,057

Company

Directors' emoluments comprised £568,298 (2008; £407,911) in respect of salary and bonuses, £5,409 (2008; £1,287) in respect of benefits. In addition there was a Directors' pension benefit expense of £14,625 (2008; £3,869) and employers' national insurance contributions of £65,106 (2008; £43,964). The charge in respect of share based payments was £107,085 (2008; £22,037).

The Directors are considered to be the Group's key management.

Aggregate emoluments above include amounts for the value of options to acquire ordinary shares in the Company granted or held by Directors. Details of Enterprise Management Incentive and other options granted on the 25 January 2008 are as follows:

	Number	Exercise price	Exercisable from	Exercisable to
		£		
Executive Directors				
Andrew Hindle	43,859	2.28	1 January 2011	31 December 2017
Craig Gouws	43,859	2.28	1 January 2011	31 December 2017
Walter Roberts	43,859	2.28	1 January 2011	31 December 2017
Non-executive Directors				
Ken Ratcliff	21,929	2.28	1 January 2011	31 December 2017
Mark Abbott	21,929	2.28	1 January 2011	31 December 2017
Maurice Hazzard	21,929	2.28	1 January 2011	31 December 2017

No options were granted to Directors in 2009.

Key man insurance premiums of £777 (2008; £131) were paid for Executive Directors and directors' indemnity insurance premiums of £18,786 (2008; £21,079) were paid in respect of all Directors. Executive and Non-executive Directors participate in the Group Stakeholder Pension Plan under which Group Life Cover is offered.

7. 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 will vest if the grantees are in service at the 25 January 2011. The options do not have a cash settlement alternative. The options granted are Enterprise Management Incentive share options for qualifying employees.

There were no options issued during 2009 although some options lapsed when staff left the Group's employment. The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during year.

	2009	2009	2008	2008
	Number	WAEP	Number	WAEP
		£		£
Outstanding at 31 July 2008	318,831	2.43	-	-
Granted during the year	-	-	318,831	2.43
Forfeited during the year	62,933	2.39	-	-
Outstanding at the end of the year	255,898	2.44	318,831	2.43
Exercisable at the end of the year	-	-	-	-

The weighted average remaining vesting period for the share options outstanding at 31 July 2009 is 1.9 years (2008; 2.9 years). The range of exercise prices for options outstanding at the end of the year was £2.28 - £3.90.

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. The following table lists the inputs to the model used for the year end 31 July 2008.

	2008
Expected volatility (%)	35%
Risk free interest rate	5%
Weighted average contractual life of option (years)	9.5
Expected dividend yield	nil
Weighted average share price (£)	2.43

The expected volatility reflects the assumption that the historical volatility of a sample of oil and gas companies is indicative of future trends for Portland Gas plc, which may not necessarily be the actual outcome. The expected life of the options is based on Directors best estimate and may not necessarily be indicative of the patterns that may occur.

8. 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 trustees.

The total cost charged to expenses of £29,950 (2008; £7,775) represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme for the period. As at 31 July 2009, employer and employee contributions of £3,757 (2008; £17,578) due in respect of the current period had not been paid over to the scheme, the payment was made on the 10 August 2009 (2008; 11 August 2008).

9. Investments revenues

	2009	2008
	£	£
Interest on bank deposits	173,439	197,396

10. Income tax

The major components of income tax expense for the years ended 31 July 2009 and 2008 are:

	2009	2008
	£	£
a) Consolidated income statement		
Current income tax charge	-	-
Adjustments in respect of current income tax of previous years	-	-
b) A reconciliation between tax expense and the product of accounting loss for the years ended 31 July 2009 and 2008 is as follows:		
Accounting loss before tax from continuing operations	(1,281,002)	(1,569,621)
Loss on ordinary activities multiplied by the standard rate of tax	(358,681)	(460,370)
Expenses not permitted for tax purposes and pre-trading expenditure	295,094	438,758
Other timing differences	6,023	1,844
Group relief	-	(6,189)
Tax losses carried forward	57,563	25,957
At effective tax rate of 28% (2008; 29.33%)		
Income tax expense reported in the income statement	-	-

c) Factors that may affect the future tax charge

The Group has trading losses of £327,017 (2008; £88,499) which may reduce future tax charges. Future tax charges may also be reduced by capital allowances on cumulative capital expenditure.

d) Deferred taxation

The Group has an unrecognised deferred taxation asset of £91,565 (2008; £25,957) at year end.

11. Loss per share

	2009	2008
	p	p
Basic loss per share	1.82	2.33

The calculation of basic loss per share is based upon a loss of £1,281,002 (2008; £1,569,621) divided by the weighted average number of ordinary shares in issue of 70,384,727 (2008; 67,381,698). In accordance with IAS 33, diluted earnings per share calculations are not presented as assumed conversion of outstanding share options would be anti-dilutive, as such the diluted earnings per share is equal to the basic loss per share.

12. Losses attributable to Portland Gas plc

The loss for the period dealt with in the financial statements of Portland Gas plc was £189,037 (2008; £167,706). As provided by s408 of the Companies Act 2006, no income statement is presented in respect of Portland Gas plc.

13. Plant and equipment 2009

	Gas storage (under construction)	Office equipment	Total
	£	£	£
Cost or valuation			
At 1 August 2008	15,146,222	68,730	15,214,952
Additions	5,171,931	1,801	5,173,732
Disposals	-	(883)	(883)
At 31 July 2009	20,318,153	69,648	20,387,801
Depreciation			
At 1 August 2008	-	19,785	19,785
Charge for the year	-	21,880	21,880
Disposals	-	(367)	(367)
At 31 July 2009	-	41,298	41,298
Net book value			
At 31 July 2009	20,318,153	28,350	20,346,503

Plant and equipment 2008

	Gas storage (under construction)	Office equipment	Total
	£	£	£
Cost or valuation			
At 1 August 2007	-	4,843	4,843
Additions	-	63,887	63,887
Transfer from intangible assets	15,146,222	-	15,146,222
At 31 July 2008	15,146,222	68,730	15,214,952
Depreciation			
At 1 August 2007	-	443	443
Charge for the year	-	19,342	19,342
At 31 July 2008	-	19,785	19,785
Net book value			
At 31 July 2008	15,146,222	48,945	15,195,167

14. Intangible assets 2009

Development costs –
Gas storage

£

Cost

At 1 August 2008	1,263,659
Additions	557,892
At 31 July 2009	1,821,551

Amortisation

At 1 August 2008	-
Charge for the year	-
At 31 July 2009	-

Net book value

At 31 July 2009	1,821,551
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Intangible assets 2008

Development costs –
Gas storage

£

Cost

At 1 August 2007	9,049,439
Additions	7,360,442
Transfer to plant and equipment	(15,146,222)
At 31 July 2008	1,263,659

Amortisation

At 1 August 2007	-
Charge for the year	-
At 31 July 2008	-

Net book value

At 31 July 2008	1,263,659
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The Group has granted an option to Moyle Energy Investments Limited whereby the option holder has the right to acquire 35% of the above asset at cost.

15. Investments

	Company 2009	Company 2008
	£	£
Balance at 31 July 2008 (as restated – see note 25)	15,247,011	-
Additions	2,100	15,247,011
Balance at 31 July 2009	15,249,111	15,247,011

Subsidiaries

The Company's subsidiary undertakings at 31 July 2009, all of which are wholly owned, are as follows:

	Principal undertaking	Country of incorporation
Infrastrata UK Limited (formerly Portland Gas A Limited)	Holding and corporate	England
Portland Gas ESP S.L.	Spanish sub surface gas storage developer	Spain
Infrastrata Trading Limited (formerly Portland Energy Limited)	Dormant	England
<i>Infrastrata UK Limited owns the following subsidiaries:</i>		
Portland Gas Holdings Limited	Holding	England
Islandmagee Storage Limited (formerly Portland Gas NI Limited)	Sub surface gas storage developer	Northern Ireland
Infrastrata Limited (formerly Portland Gas NV limited)	Holding	England
<i>Portland Gas Holdings Limited owns the following subsidiaries:</i>		
Portland Gas Storage Limited	Sub surface gas storage developer	England
Portland Gas Transportation Limited	Gas storage pipeline developer	England

16. Trade and other receivables

	Group	Group	Company	Company
	2009	2008	2009	2008
	£	£	£	£
Amounts due from Group undertakings	-	-	9,352,960	8,772,117
Other receivables	75,791	249,578	34,118	55,957
Prepayments	73,565	55,942	26,041	11,265
	149,356	305,520	9,413,119	8,839,339

An element of the Company and Group's credit risk is attributable to its 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.

17. Available for sale financial assets

	2009	2008
	£	£
At 1 August 2008	12,500	-
Additions	-	12,500
Fair value at 31 July 2009	12,500	12,500

The investment in securities above represents an investment in Egdon Resources Plc redeemable preference shares. The fair value of these securities is based on estimates after consideration of market returns on comparable assets.

18. Cash and cash equivalents

	Group	Group	Company	Company
	2009	2008	2009	2008
	£	£	£	£
Cash at bank and in hand	3,066,502	9,276,964	94,418	80,652
	3,066,502	9,276,964	94,418	80,652

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-party is a bank with a high credit rating.

19. Trade and other payables

	Group	Group	Company	Company
	2009	2008	2009	2008
	£	£	£	£
Trade creditors	174,355	453,546	56,356	53,569
Other taxation and social security	34,904	41,442	34,904	41,442
Accruals	215,943	913,860	16,500	30,591
Other contractual agreements	500,000	-	-	-
Amount due to Group undertakings	-	-	100	88,603
	925,202	1,408,848	107,860	214,205

The Directors consider that the carrying amount of trade and other payables approximates to their fair value. Other contractual agreements relate to amounts due to the Portland Gas Trust under a Section 106 deed of undertaking which will not become payable until the Portland project is fully funded.

20. Non-current liabilities

	Group	Group	Company	Company
	2009	2008	2009	2008
	£	£	£	£
Obligations under lease agreements	990,741	268,519	-	-
Other contractual agreements	1,195,000	1,695,000	-	-
	2,185,741	1,963,519	-	-

The obligation under a lease agreement is to be settled over a period of 14 years. Other contractual agreements relate to payments to be made to the Portland Gas Trust under a Section 106 planning agreement and will be settled over a period of 20 years.

21. Financial assets and liabilities

The Group and Company's financial instruments comprise cash and cash equivalents and items such as trade payables and other receivables which arise directly from the Group's operations. The Group's operations expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk and foreign currency exchange 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 and more than one institution is utilised to deposit cash holdings. The Group held funds in the Bank of Scotland and Lloyds TSB bank accounts during the year, at year end all of the funds were held in Bank of Scotland accounts. The risk of Bank of Scotland bank failure has decreased during the year. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Available for sale financial assets	12,500	12,500	12,500	12,500
Other receivables	29,324	67	19,156	67
Cash and cash equivalents	3,066,502	9,276,964	94,418	80,652

The reconciling item between the Other receivables presented above and that presented in note 16 is the VAT receivable.

Interest rate risk

The Company and Group is exposed to interest rate risk as a result of positive cash balances, denominated in sterling, which earn interest at a variable rate. These attract interest at rates that vary with bank interest rates. Cash at bank at floating rates consisted of money market deposits which earn interest at rates set in advance from periods of 1-3 months by reference to Sterling LIBOR. 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 in investment revenues and equity for the Group of £30,665 (2008; £92,770) and for the Company of £944 (2008; £807).

Foreign currency risk

The Group is exposed to foreign to currency rate risk as a result of trade payables which are settled in Euro and United States Dollars (USD). During the year the Group and Company did not enter into any arrangements to hedge this risk, as the Directors did not consider the exposure to be significant

given the short term nature of the balances. The Group and Company will review this policy as appropriate in the future. As at 31 July 2009, if the Euro had weakened or strengthened 10% against sterling with all other variables held constant, the Group's net loss and equity would have decreased or increased by £4,853 (2008; £7,123). As at 31 July 2009, if the USD had weakened or strengthened 10% against sterling with all other variables held constant, the Group's net loss and equity would have decreased or increased by £nil (2008; £7).

The currency risk disclosures at 31 July 2009 are as follows:

	Euro	USD	Total
Accounts payable	£53,383	-	£53,383

The currency risk disclosures at 31 July 2008 are as follows:

	Euro	USD	Total
Accounts payable	£71,231	£75	£71,306

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

Liquidity risk

The Group and Company policy is to actively maintain a mixture of long-term and short-term deposits that are designed to ensure it has sufficient available funds for operations. The total carrying value of Group and Company

financial liabilities is disclosed in note 19 and 20. Further information on contractual maturities of significant financial liabilities is disclosed in notes 20 and 27. The Company issues share capital when external funds are required. The reconciling items between the contractual maturities

presented below and that presented in note 19 and 20 are taxes and the effect of discounting long term liabilities to present value. 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 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Within one month	262,045	1,051,833	58,989	172,763
Within more than one month and less than one year	614,286	315,573	-	-
More than 1 year and less than five years	1,007,741	1,068,519	-	-
More than five years	1,983,000	1,700,000	-	-

22. Share capital and redeemable preference shares

	Number	Authorised £	Allotted, called up, and fully paid Number	£
Ordinary share capital				
At 31 July 2007				
- Ordinary shares of 1 pence each	15,000,000	150,000	11,778,196	117,782
Increase in nominal value of shares from 1 pence to 10 pence and increase in the number of authorised shares	85,000,000	9,850,000	(10,600,376)	-
Issue of 1 pence /10 pence ordinary shares	-	-	69,206,907	6,920,691
At 31 July 2008 and 2009				
- Ordinary shares of 10 pence each	100,000,000	10,000,000	70,384,727	7,038,473
Redeemable preference shares of £1 each (classified as liabilities)				
At 31 July 2007				
Creation and issue of £1 redeemable preference shares	50,000	50,000	50,000	12,500
At 31 July 2008 and 2009				
	50,000	50,000	50,000	12,500

The share capital presented above at the 31 July 2007 it is that of Infrastrata UK Limited, presented as the ultimate parent of the Portland Gas Group at that time as described below.

Portland Gas plc was incorporated as New Portland PLC on the 25 October 2007 with an authorised share capital of 500,000 ordinary shares of 10p each. On the 6 November 2007 the authorised share capital was increased from £50,000 to £10,050,000 by the creation of 99,500,000 additional ordinary shares of 10p each and 50,000 redeemable preference shares of £1 each.

The 50,000 redeemable preference shares of £1 each issued on the 6 November 2007 are held by Egdon Resources U.K. Limited and one quarter of the nominal value is paid up and the shares are entitled to an annual dividend out of distributable profits of 0.00001 per cent 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.

In order to enable the demerger of Egdon Resources and Portland Gas to occur a Scheme of Arrangement was implemented to introduce New Egdon PLC as the holding company of Egdon Resources U.K. Limited. Under the Scheme of Arrangement, Egdon shareholders on the register of Egdon exchanged their Egdon Shares for New Egdon Shares on the basis of one New Egdon share for each Egdon Share. As a result New Egdon became the ultimate holding company of the Egdon Group and all of its shares were

owned by former Egdon Shareholders.

The demerger was effected by a reduction in the capital of New Egdon as follows:

(a) the capital of New Egdon was reduced by reducing the nominal value of each New Egdon Share by an amount determined by the Directors;

(b) New Egdon transferred the whole of the issued share capital of Portland Gas to New Portland such that it came to own the Gas Storage Business; and

(c) the New Egdon shareholders at the Demerger Record Time were allotted and issued one New Portland share, credited as fully paid, for each New Egdon share then held resulting in 67,801,838 ordinary shares of 10p being allotted on the 16 January 2008. The market value of the shares at the date of issue was 264p per share.

Former Egdon Shareholders thus came to hold one New Egdon Share and one New Portland Share for every one Egdon share formerly held by them.

On the 27 May 2008 47,676 new ordinary shares were issued to Directors at 409p per share, being the market value on the day of issue, in lieu of a cash bonus to the value of £194,994.

On the 11 July 2008 the Company completed a placing of 2,535,211 new ordinary shares of 10p each at 355p per share to raise £9 million before expenses.

The Company contracted to issue 919,474 new 10p ordinary shares in settlement of an existing liability. These shares have been disclosed as shares to be issued at 31 July 2009 and were issued after year end.

The Company reached agreement with Hydrock Group Limited to undertake works to the value of £300,000 on the Portland Project. These works will be funded by a redeemable debenture created by a Board resolution on the 7 July 2009 and granted to Hydrock. Under the terms of the debenture the Company may redeem the instrument until 31st January 2010 beyond which it is converted into 369,595 ordinary shares. As at the balance sheet date, the company had no net liability under the debenture.

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.

23. 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. See note 25.

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. The reserve is not distributable.

24. 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 vesting of the original share awards.

The transfer in of £138,691 (2008; £38,498) relates to share options granted. For further information on the share based payment scheme see note 7.

25. Change in accounting policy

Portland Gas plc has adopted the amendments to IAS 27 Consolidated and Separate Financial Statements as amended by Improvements to IFRSs issued in May 2008 retrospectively as from the 2008 reorganisation. Previously, the carrying value of the Company's investment in the subsidiary acquired on the 2008 re-organisation was stated at the fair value of the shares issued. Under the amended policy, the investment is stated at the carrying amount of the Company's share of the equity items shown in the separate financial statements of the acquired subsidiary at the date of the reorganisation. Management judges that this policy provides reliable and more relevant information because it results in a more transparent treatment of the asset acquired. This change in policy has been accounted for retrospectively, and the comparative statements have been restated. The Company's merger reserve arising on the re-organisation in 2008 and the total closing equity as at 31 July 2008 have both been reduced by £163,749,847; the cost of additions to investments in subsidiaries and the carrying value as at 31 July 2008 were also reduced by the same amount.

26. Cash (used in) operations

Group

	2009	2008
	£	£
Operating loss for the year	(1,454,441)	(1,767,017)
Depreciation	21,880	19,342
Profit on disposal of plant & equipment	367	-
Decrease in trade and other receivables	156,164	22,816
(Decrease)/Increase in trade and other payables	(38,105)	216,121
Share option expense	138,691	38,498
Shares issued in lieu of bonus	-	194,994
Cash (used in) operations	(1,175,444)	(1,275,246)

Cash from operations

Company

	2009	2008
	£	£
Operating loss for the year	(189,527)	(172,927)
Decrease/(Increase) in trade and other receivables	172,557	(199,341)
(Decrease)/Increase in trade and other payables	(106,345)	214,205
Share option expense	138,691	38,498
Shares issued in lieu of bonus	-	194,994
Cash from operations	15,376	75,429

27. Operating lease commitments

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

	Land and buildings	Land and buildings
	2009	2008
	£	£
Amounts payable:		
Within one year	1,056,933	806,933
Within 2 to 5 years	6,023,505	5,386,838
After more than 5 years	12,278,600	13,972,200
	19,359,038	20,165,971

Operating lease payments represent rentals payable by the Group for office premises and land which is for the purposes of gas storage facility development.

The office premises lease rentals are fixed for 5 years and the escalation clause is linked to market rates agreed between the landlord and tenant. The

lease provides for a break clause at the fifth anniversary of the lease, exercisable at the Company's option.

The rents due under the gas storage development land leases are fixed to the first review date on the 20 October 2011 and the escalation clause is linked to the Retail Price Index published by the Office for National Statistics. The

lease provides for a break clause at the fifteenth anniversary of the lease, exercisable at the Company's option. Only minimal lease payments are due, until such time as the Group has secured funding for the Portland project; the disclosure above assumes that funding will be obtained within one year.

28. Tangible and intangible capital commitments

	2009	2008
	£	£
Approved and contracted	2,038,764	1,795,000

The Company has the option to settle £300,000 of the 2009 commitment by the issuance of ordinary shares in the Company.

29. Related party transactions

Infrastrata UK Limited leases the Group's head office from Toffee Limited, a company of which Andrew Hindle is a director and shareholder. A fair market rent and service costs paid during the year was £45,000 (2008; £22,500 for part year). The balance outstanding at 31 July 2009 was £nil (2008; £nil).

Egdon Resources Plc was the ultimate parent Company before demerger and has common directors with Portland

Gas plc. Inter company transactions took place between the two Groups as payments were made to third parties on behalf of the respective counter party and these amounts were recovered or settled by inter company loan account transactions. Egdon Resources Plc and Portland Gas plc entered into a services agreement during the current financial year, under this agreement Portland Gas plc invoiced Egdon Resources Plc £18,315 for services delivered, the balance

outstanding at year end was £nil. The Company also has related party relationships with its subsidiaries in the course of normal operations. Portland Gas plc recovered overhead costs from Infrastrata UK Limited of £179,328 (2008; £79,427), Portland Gas Storage Limited of £497,690 (2008; £565,937), Islandmagee Storage Limited of £96,870 (2008; £69,477) and Portland Gas Transportation Limited of £242,304 (2008; £nil).

The balances outstanding at 31 July 2009, which are not secured, are provided in the following table.

<i>Related party</i>	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>
	£	£
<i>The ultimate parent</i>		
Portland Gas plc	9,352,960	100
<i>Subsidiaries</i>		
Infrastrata UK Limited	19,486,563	7,104,539
Portland Gas Storage Limited	4,397,874	19,399,430
Islandmagee Storage Limited	-	1,978,572
Portland Gas Transportation Limited	-	4,642,596
Portland Gas Holdings Limited	-	-
Infrastrata Limited	-	12,500
Infrastrata Trading Limited	100	-
Portland Gas ESP S.L.	-	99,759

The balances outstanding at 31 July 2008, which are not secured, are provided in the following table.

<i>Related party</i>	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>
	£	£
<i>The ultimate parent</i>		
Portland Gas plc	8,772,117	88,603
<i>Subsidiaries</i>		
Infrastrata UK Limited	14,444,618	8,312,780
Portland Gas Storage Limited	42,543	13,520,807
Islandmagee Storage Limited	88,603	1,413,191
Portland Gas Holdings Limited	-	-
Infrastrata Limited	-	12,500

30. 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 project costs

The assessment of whether costs incurred on project exploration and evaluation should be capitalised or expensed involves judgement. Any expenditure which is considered to relate to gas storage exploration research activities or 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 the rock mechanical properties of the halite, the availability of a suitable site for construction of the required facilities and the likelihood of gaining the relevant permissions.

Review of 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. The carrying amount of the intangible asset with an indefinite useful life is £1,821,551. 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 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 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, therefore no cash flow growth is used when performing cash flow projections.

Share based payments

The estimation of share based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Group has made estimates as to the volatility of its own shares, the probable life of options granted, and the time of exercise of those options. The model used by the Group is the Black-Scholes model. The key assumptions are detailed in note 7.

Going concern

The preparation of the financial statements requires an assessment on the validity of the going concern assumption. The validity of the going concern assumption is dependent on the availability of adequate financial resources to allow the Group to continue in operational existence for the foreseeable future. Should the going concern basis not be appropriate, adjustments would have to be made to the assets and liabilities in the balance sheet of the Group. As with other development companies which have no revenue streams, the Group will only be able to continue its development programme if it has sufficient financial resources to do so. In order to gain such resources, the Group will need to raise additional funds, either through the issue of shares and/or project disposals. The Directors have reviewed the budget, projected cash flows, considered committed expenditure and based on this review are confident that the Group will have adequate financial resources to continue in existence for the foreseeable future. Consequently the Directors consider it appropriate to prepare the financial statements on the going concern basis.

31. Control of the Group

The largest Group in which the results of the Company are consolidated is that headed by Portland Gas plc. It is the ultimate holding company and is incorporated in Great Britain and registered in England. There is no ultimate controlling party of Portland Gas plc.

Directors:

Ken Ratcliff (Non-executive Chairman)
Andrew Hindle (Chief Executive Officer)
Craig Gouws (Chief Financial Officer)
Walter Roberts (Legal and Commercial Director)
Mark Abbott (Non-executive Director)
Jonathan Davie (Non-executive Director)
Maurice Hazzard (Non-executive Director)

Registered Office:

Blackstable House
Longridge
Sheepscombe
Stroud
GL6 7QX

Letter from the Chairman with notice of Annual General Meeting Portland Gas plc (The "Company")

(Incorporated and registered in England and Wales with registered number 06409712)

9 November 2009

Dear Shareholder,

1. Introduction

Notice of the Company's forthcoming annual general meeting to be held on Tuesday 15th December 2009 ("AGM" or "Annual General Meeting") appears on the following pages.

As in previous years your Board is not recommending the payment of a dividend.

2. Resolutions to be proposed at the AGM

Ordinary Business *Annual Report and Accounts* (Resolution 1)

A copy of the annual report and accounts (together with the Directors' and Auditors' reports on the annual report and accounts) for the Company for the financial year ended 31 July 2009 (the "Accounts") has been sent to you with this document. Shareholders will be asked to receive the Accounts at the Annual General Meeting.

Re-appointment of Auditors (Resolution 2)

The Company is required at each general meeting at which accounts are presented to appoint auditors to hold office until the next such meeting. Nexia Smith & Williamson Audit Limited have indicated their willingness to continue in office. Accordingly, Resolution 2 proposes their re-appointment as auditors of the Company to hold office from the conclusion of the Annual General Meeting until the conclusion of

the next annual general meeting of the Company at which Accounts are laid, and authorises the Directors to determine their remuneration.

Retirement by Directors (Resolutions 3 to 5)

Jonathan Davie who was appointed to the Board on 16 December 2008, retires in accordance with the Company's Articles of Association and offers himself for re-election. Craig Gouws and Mark Abbott are the Directors retiring by rotation this year and each offers himself for re-election. All members of the Board are required to submit themselves for re-election at least once every three years. Brief biographical details of each of the Directors appear on pages 10 and 11 of the Accounts.

Special Business *Authority of Directors to Allot Shares* (Resolution 6)

The authority given to the Directors to allot further shares in the capital of the Company requires the prior authorisation of the shareholders in general meeting under section 551 Companies Act 2006. Upon the passing of Resolution 6, pursuant to paragraph (A) of the Resolution, the Directors will have authority to allot shares up to a maximum of £2,376,806 which is approximately one third of the current issued share capital as at 9 November 2009, being the latest practicable date before the publication of this Letter. This authority will expire immediately following the annual general meeting in 2010 or, if earlier, six months

following the date to which the Company's next annual report and accounts are made up.

In addition, in accordance with the guidance from the Association of British Insurers ("ABI") on the expectations of institutional investors in relation to the authority of directors to allot shares, upon the passing of Resolution 6, the Directors will have authority (pursuant to paragraph (B) of the Resolution) to allot an additional number of ordinary shares up to a maximum of £2,376,806, which is approximately a further third of the current issued ordinary share capital as at 9 November 2009, being the latest practical date before the publication of this Letter. However, the Directors will only be able to allot those shares for the purposes of a rights issue in which the new shares are offered to existing shareholders in proportion to their existing shareholdings. This authority will also expire immediately following the next annual general meeting or, if earlier, six months following the date to which the Company's next annual report and accounts are made up to.

As a result, if Resolution 6 is passed, the Directors could allot shares representing up to two-thirds of the current issued share capital pursuant to a rights issue.

Disapplication of Pre-emption Rights (Resolution 7)

If the Directors wish to exercise the authority under Resolution 6 and offer unissued shares (or sell any shares which the Company may purchase

and elect to hold as treasury shares) for cash, the Companies Act 2006 requires that unless shareholders have given specific authority for the waiver of the statutory pre-emption rights, the new shares be offered first to existing shareholders in proportion to their existing shareholdings. In certain circumstances, it may be in the best interests of the Company to allot new shares (or to grant rights over shares) for cash without first offering them to existing shareholders in proportions to their holdings.

Resolution 7 would authorise the Directors to do this by allowing the Directors to allot shares for cash (i) by way of a rights issue (subject to certain exclusions), (ii) by way of an open offer or other offer of securities (not being a rights issue) in favour of existing shareholders in proportions to their shareholdings (subject to certain exclusions) and (iii) to persons other than existing shareholders up to an aggregate nominal value of 713,042 which is equivalent to 10 per cent of the issued share capital of the Company on 9 November 2009, being the latest practicable date prior to the publication of this Letter. If given, the authority will expire on the conclusion of the annual general meeting in 2010 or, if earlier, six months following the date to which the Company's next annual reports and accounts are made up.

For this purpose the ABI recommendation for companies on the LSE main list is 5% although it is generally recognised that for smaller companies and those on AIM this may be too constrictive. As you will be aware from reading the Report and Accounts, in addition to progressing the Islandmagee project through to the drilling stage, your Board is looking at a number of new opportunities and we believe that some of the associated funding requirements may be attractive to new investor groups. The nature of our business means that projects in which we will have an interest will normally require up-front investment

and can take a long time to fully develop. Consequently I would ask that you approve a 10% disapplication of pre-emption rights to provide your Board with the flexibility to pursue such opportunities without incurring the costs of a rights issue or the need to market part of the investment opportunity to third parties.

Articles of Association (Resolution 8)

The provisions regulating the operations of the Company are currently set out in the Company's Memorandum and Articles of Association. The Company's Memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope. The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum. The Companies Act 2006 provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006 the objects clause and all other provisions which are contained in a company's memorandum, for existing companies at 1 October 2009, are deemed to be contained in the company's articles of association but the company can remove these provisions by special resolution.

Further the Companies Act 2006 states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Companies Act 2006, are now treated as forming part of the Company's articles of association. Resolution 8 confirms the removal of these provisions for the Company. As the effect of this Resolution will be to remove the statement currently in the Company's

memorandum of association regarding limited liability, the revised articles of association will contain an express statement regarding the limited liability of shareholders.

Further, the Companies Act 2006 abolished the concept of authorised share capital. Accordingly, if passed, Resolution 8 will delete Article 5 of the articles of association of the Company which sets its authorised share capital.

Change of Name (Resolution 9)

In order that the "Portland Gas" name can remain with the Portland Project where it is very well established in Dorset; this resolution proposes to change the name of Portland Gas plc to Infrastrata plc. The Portland Project company, Portland Gas Holdings Limited, will then be renamed to Portland Gas Limited.

3. Recommendation

Your Directors consider the Resolutions to be proposed at the AGM 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 14,997,287 ordinary shares (representing 21.3 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 AGM. Forms of proxy should be completed, signed and returned as soon as possible and in any event so as to be received by Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours prior to the time appointed for the holding of the AGM on 15th December 2009. Completion of a proxy form will not prevent you from attending the AGM in person if you so wish.

Yours sincerely,
Ken Ratcliff
Non-executive Chairman

Notice of annual general meeting

Notice is hereby given that the Annual General Meeting of Portland Gas plc (the "Company") will be held at the offices of Norton Rose, 3 More London Riverside, London SE1 2AQ, United Kingdom on Tuesday 15th December 2009 at 1100 hours, for the purpose of passing the following Resolutions, of which Resolutions 1 to 6 will be proposed as Ordinary Resolutions and Resolutions 7, 8 and 9 will be proposed as Special Resolutions:

Ordinary Resolutions:

1. To receive the report of the Directors and the audited accounts of the Company for the year ended 31 July 2009, together with the report of the Auditors on those audited accounts.
2. That Nexia Smith & Williamson Audit Limited be and are hereby reappointed as auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next meeting at which accounts are laid before the meeting, at a remuneration to be determined by the Directors.
3. To re-elect Jonathan Davie as Director who retires pursuant to article 87 of the Company's articles of association and who, being eligible, offers himself for re election.
4. To re-elect Craig Gouws as Director who retires pursuant to article 92 of the Company's articles of association and who, being eligible, offers himself for re election.
5. To re-elect Mark Abbott as Director who retires pursuant to article 92 of the Company's articles of association and who, being eligible, offers himself for re election.
6. To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:
THAT the Directors be and they are

hereby generally and unconditionally authorised in accordance with section 551 Companies Act 2006 (CA 2006) to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company:

- (A) up to an aggregate nominal amount of £2,376,806; and
- (B) comprising equity securities (within the meaning of section 560 CA 2006) up to a further aggregate nominal amount of £2,376,806 in connection with an offer by way of a rights issue:
 - (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary, and so that Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter (including any such problems arising by virtue of equity securities being represented by depositary receipts).The authorities conferred on the Directors under paragraphs (A) and (B) above shall expire at the conclusion of the next annual general meeting of the Company after the passing of this Resolution or 31 January 2011, whichever is the earlier save that the Company may

before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for, or to convert any security into, shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for, or to convert any security into, shares (as the case may be) in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special Resolutions:

7. To consider and, if thought fit, to pass the following Resolution as a special resolution:
THAT, subject to the passing of Resolution 6 above the Directors be and they are hereby empowered pursuant to section 570 CA 2006 to allot equity securities (within the meaning of section 560 CA 2006) for cash pursuant to the authority conferred by Resolution 6, as if section 561 CA 2006 did not apply to any such allotment, provided that this power shall be limited:
 - (A) to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under paragraph (B) of Resolution 6, by way of a rights issue only):
 - (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary, and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional

entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter (including any such problems arising by virtue of equity securities being represented by depositary receipts); and

(B) to the allotment (otherwise than under paragraph (A) of this Resolution 7) of equity securities up to an aggregate nominal amount of £713,042, and shall expire at the conclusion of the next annual general meeting of the Company after the passing of this Resolution or 31 January 2011, whichever is the earlier, except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or

agreement as if the power conferred hereby had not expired.

8. To consider and, if thought fit, pass the following resolution as a special resolution:

THAT

- (A) the Company's articles of association be hereby amended by deleting all the provisions of the Company's memorandum of association which, by virtue of section 28 Companies Act 2006, are to be treated as provisions of the Company's articles of association, save for the statement relating to the limited liability of the Company's members (which will be included as a replacement article 5 in the revised articles);
- (B) the Company's articles of association be and are hereby amended by deleting article 5 (authorised share capital); and
- (C) the Company's articles of association be amended as set out

in the document produced to the meeting marked "A" and initialled by the Chairman of the Meeting for the purpose of identification and the existing articles be renumbered and cross-references amended accordingly.

9. To consider and, if thought fit, pass the following resolution as a special resolution:

THAT the name of the Company be changed to "Infrastrata plc".

Dated 9 November 2009

By Order of the Board

Walter Roberts
Secretary

Registered Office:
Blackstable House
Longridge
Sheepscombe
Stroud
GL6 7QX

Notes:

- 1 A member is entitled to appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member. To appoint more than one proxy, please contact Portland Gas's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham Kent BR3 4TU, or telephone Capita between 9.00 a.m. and 5.00 p.m. Monday to Friday (except UK public holidays) on 0871 664 0321 (within the UK) or +44 20 8639 3399 (outside the UK). Calls to the 0871 664 0321 number are charged at 10 pence per minute (inc. VAT) plus any network extras. Calls to the +44 20 8639 3399 from outside the UK are charged at applicable international rates. A form of proxy for use by members at the Annual General Meeting accompanies this notice.
- 2 To be effective, the form of proxy and the 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 Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time of the holding of the meeting or any adjournment thereof.
- 3 Completion and return of the proxy form does not preclude a member from attending and voting at the meeting in person.
- 4 In accordance with the permission in Regulation 41(1) 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 18.00 hours on Sunday 13th December 2009 shall be entitled to attend the above Annual General Meeting (or, in the case of an adjourned meeting, 18.00 hours on the day which is two days before the 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 18.00 hours on 13 December 2009 shall be disregarded in determining the rights of any person to attend and/or vote at the Annual General Meeting.

5 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if one or more corporate representatives for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the

Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

6 If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result, any member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Services Authority.

7 Copies of the service agreements and letters of appointment between the Company and its Directors and a copy of the proposed new articles of association of the Company, with a copy of the existing articles of association marked to show the changes being proposed in Resolution 7 will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and Bank Holidays excluded) until the date of the meeting and also on the date and at the place of the meeting from 10:45 hours until the conclusion of the meeting.

Proxy Form

Portland Gas plc (The "Company")

(Incorporated and registered in England and Wales with registered number 06409712)

Proxy Form for use by shareholders at the Annual General Meeting ("AGM") of Portland Gas plc (the "Company") to be held at the offices of Norton Rose, 3 More London Riverside, London SE1 2AQ, United Kingdom on Tuesday 15th December 2009 at 1100 hours.

Please read the Notice of the AGM and the accompanying notes carefully before completing this Proxy Form.

As a shareholder of the Company you have the right to attend, speak at and vote at the AGM. If you cannot, or do not want to attend the AGM, but still want to vote, you can appoint someone to attend the AGM and vote on your behalf. That person is known as a "proxy". You can use this Proxy Form to appoint the Chairman of the AGM, or someone else, as your proxy. Your proxy does not need to be a shareholder of the Company.

I/We, (in BLOCK CAPITALS please)

being a Shareholder/Shareholders of Portland Gas plc, appoint the Chairman of the AGM or

(see note 1) as my/our proxy to attend, speak and vote in respect of my/our voting entitlement on my/our behalf as indicated below at the AGM and at any adjournment thereof (see notes 2, 3, 4, 5, 6, 7 and 9).

Please tick here if this proxy appointment is one of the multiple appointments being made. *For the appointment of more than one proxy, please see note 3.

Please clearly mark the boxes below to instruct your proxy how to vote.

ORDINARY RESOLUTIONS	For	Against	Vote withheld	Discretionary
1 To receive the Report and Accounts for the year ended 31 July 2009				
2 To re-appoint Nexia Smith & Williamson Audit Limited as auditors at a remuneration to be determined by the Directors				
3 To re-elect Jonathan Davie				
4 To re-elect Craig Gouws				
5 To re-elect Mark Abbott				
6 To grant the directors authority to allot shares on the basis set out in the Notice of AGM				

SPECIAL RESOLUTIONS	For	Against	Vote withheld	Discretionary
7 To disapply pre-emption rights on the basis set out in the notice of AGM				
8 To amend the articles of association of the Company				
9 To change the name of the Company to "Infrastrata plc"				

Signature(s) (see note 8)

Date

Notes:

- 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 AGM, please delete the words "the Chairman of the AGM" 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 AGM 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).
- 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 Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by no later than 11.00 hours on Sunday 13th December 2009.
- 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

- between 9.00 a.m. and 5.00 p.m. Monday to Friday (except UK public holidays) on 0871 664 0321 (within the UK) or +44 20 8639 3399 (outside the UK). Calls to the 0871 664 0321 number are charged at 10 pence per minute (inc. VAT) plus any network extras. Calls to the +44 20 8639 3399 from outside the UK are charged at applicable international rates 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.
- Completion and return of this Proxy Form will not prevent you from attending in person and voting at the AGM should you subsequently decide to do so.
 - 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 AGM) which may properly come before the AGM.
 - 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.
- 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 18.00 hours on Sunday 13th December 2009 shall be entitled to attend the above AGM (or 18.00 hours 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 18.00 hours on Sunday 13th December 2009 shall be disregarded in determining the rights of any person to attend and/or vote at the AGM.
 - 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 Meeting. If more than one joint shareholder is present at the AGM 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.
 - 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.



Fold 2 here

Please
affix
postage
stamp
here

**Capita Registrars
Proxy Department
The Registry
PO Box 25
Beckenham
Kent
BR3 4BR**

Fold 3 here and tuck in

Fold 1 here



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www.infratrata.co.uk