

Expertise, foresight and ambition - our building blocks for the future







Portland Gas intends to make a significant contribution to the United Kingdom's energy infrastructure and plans to acquire and develop a portfolio of gas storage assets in the UK and internationally. This year we laid the foundation stones for our future achievements. In January we demerged from Egdon Resources Plc and in May we gained planning permission for our first gas storage project at Portland in Dorset. In the autumn of 2007, our seismic surveys at Larne Lough in Northern Ireland investigated the site's suitability for our proposed project. Work progressed

during the year towards drilling a borehole in 2009 to confirm the suitability of the salt for our second gas storage project.

We are a highly skilled and ambitious company - we believe that the energy market now and in the foreseeable future offers exceptional prospects for gas storage. Few independent companies have the expertise and foresight to act on this opportunity. We are named after the Isle of Portland, the jewel of the Jurassic Coast and site of our first facility.

Our Dorset project is the latest in a long line of skilled constructions that have utilised the area's unique geology. The island has a distinguished history of engineering ventures that contribute to the country's greater good.

The Isle supplied the stone that built much of London – St Paul's

Cathedral is made from blocks quarried near to our site at Upper Osprey. Portland is a rare and special place, and we are proud to lay our foundations in such an appropriate and historic setting.

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Overview

Operational highlights

- January: Demerger from Egdon Resources Plc.
- March: Results from the 3D seismic programme acquired during October and November 2007 indicate suitability of site at Larne Lough.
- May: Planning permission for construction of first storage facility at Portland in Dorset granted by Dorset County Council.
- June: Patent application filed to the UK Intellectual Property Office describing a system to allow "cushion gas" within a conventional salt cavern to be removed in times of high demand or national emergencies. Portland Gas believe this could be a method to provide strategic storage for the island of Ireland with the Larne Lough project.
- July: Authorisation from the
 Department for Business, Enterprise
 and Regulatory Reform (now
 Department of Energy and Climate
 Change) to construct a 37-kilometre
 gas pipeline to connect the
 underground salt cavern gas storage
 facility at Portland, Dorset, to the
 National Transmission System.

Financial highlights

- Loss for year of £1,569,621 (2007: £208,515).
- Loss per share of 2.33p (2007; 0.33p)
- Non-recurring demerger costs of £430,610.
- Net funds as at 31 July 2008 of £9,276,964 (2007; £3,436,695).
- Capitalised expenditure on gas storage projects during the year of £7,360,442 (2007; £5,005,778).
- Completion of institutional placing on 11 July 2008 to raise £8,640,000 net of expenses.

Chairman's statement



The year to 31 July 2008 has been one of significant milestones for the Group. On 15 January 2008 Portland Gas demerged from Egdon Resources Plc to form an independent sub-surface gas storage company listed on AIM. On 16 May 2008 the planning committee of Dorset County Council granted planning permission to Portland Gas Storage Limited to build a deep underground salt cavern facility at Portland, Dorset. In July approval was received from the Department for Business, Enterprise and Regulatory Reform to construct the gas pipeline to connect the underground salt cavern storage facility at Portland to the National Transmission System.

In May 2008 the Group announced that it had entered into an agreement with Moyle Energy Investments Limited to become joint venture partners in the Group's Larne Lough project. A 3D seismic survey has indicated considerable potential for the creation of a sub-surface gas storage facility under Larne Lough where the Group was granted an exploration licence in 2007. The Group is undertaking an Environmental Impact Assessment and plans to drill a confirmatory borehole early in 2009 with the intention of submitting a full planning application for the gas storage project in 2009.

These achievements demonstrate impressive progress towards our goal of becoming a significant operator of sub-surface gas storage caverns both within the UK and the rest of Europe. The Portland and Larne Projects could between them provide up to 10% of the total UK and Ireland peak daily demand.

We expect full construction of the Dorset project to take seven years with initial gas storage operations commencing in 2011/12.

The Company engaged NM Rothschild & Sons Limited to advise upon the best means of raising the necessary finance to commence the construction phase of the Dorset project. Good progress has been made since planning permission was granted in May to bring one or

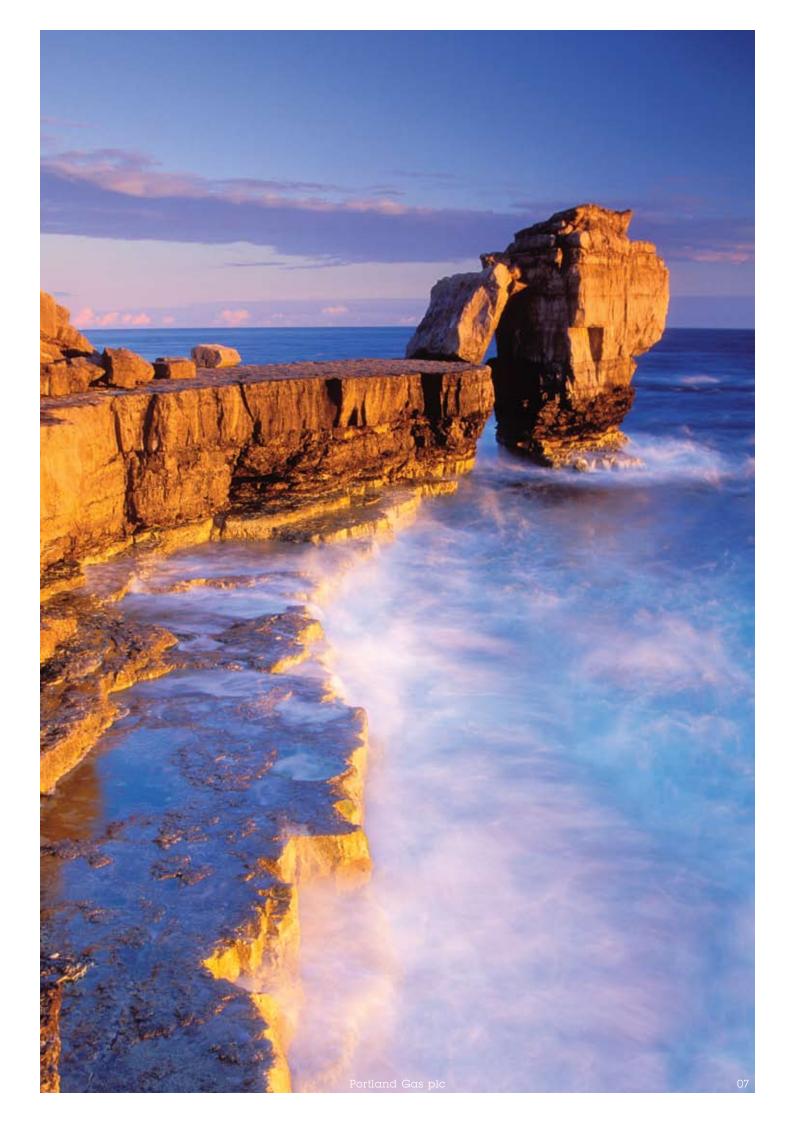
more joint venture partners into the project although this process has been understandably more protracted and challenging than anyone could have reasonably anticipated under very difficult market conditions.

The Group made a loss after tax of £1,569,621 during the year inclusive of the non-recurring demerger expense of £430,610. The loss for the year, together with the balance of £390,724 bought forward, leaves a retained loss of £1.960.345 to be carried forward. Expenditure of £7,360,442 (2007; £5,005,778) was capitalised on the Portland and Larne Lough gas storage projects during the year. The Group net funds at the year end were £9,276,964 (2007; £3,436,695) which is to be applied on the Larne Lough Project confirmatory well and progressing activities on the Portland Project. The 2008/9 financial year will again be an active time for the business with the introduction of one or more joint venture partners to the Portland Project and the continued development and construction of the Upper Osprey site.

Our strategy continues to be the identification and development of sites for the underground storage of gas in sub-surface salt caverns. We have one project approaching the construction phase, one undergoing the Environmental Impact Assessment stage and further projects in Continental Europe at the embryonic stage of identification and licence application. In July 2008 the Company successfully raised £9M to support the ongoing development of these projects.

Portland Gas has achieved much during the financial year and this would not have been possible without the determination and dedication of the executive management led by Chief Executive Officer Andrew Hindle, the professional efforts of our employees and consultants together with support of the Non-executive Directors and Shareholders.

Ken Ratcliff - Non-executive Chairman



Chief Executive's operating review

Isle of Portland, Dorset

Portland Gas Storage Limited has been granted planning permission to build a natural gas storage facility on the Isle of Portland in the United Kingdom. The facility will be the largest onshore storage facility in the UK and one of the largest salt cavern facilities in the world.

We plan to create 14 caverns providing storage for 1,000 million cubic metres of gas, equivalent to 1% of the UK's total annual demand - a significant contribution to Britain's energy security. The facility is designed to completely empty or fill within 50 days.

The need for new gas storage facilities in the UK

The project is driven by the need to achieve security and maintain flexibility in the nation's energy supply. Natural gas is an extremely important source of energy currently contributing 37% of the UK's energy needs. The nation is increasingly dependent on gas for domestic and industrial use and for electricity generation. Over the last 40 years the UK has relied on its North

Sea resource of natural gas. That source of a secure and sustainable gas flow has limited the need to provide significant storage volumes, since daily and seasonal demands for gas have been accommodated by the flexibility of supplies close to shore.

This relative luxury is becoming less and less sustainable as the nation becomes increasingly reliant on less flexible imported gas. In order to maintain control of its own supply and demand requirements, the need for a substantial portfolio of natural gas storage facilities is now a national issue.

Salt deposits in the UK

There are very few areas in the UK with suitable geology to develop salt caverns for gas storage facilities. Salt caverns have already been built in Cheshire and East Yorkshire.

Further projects are being constructed in these areas and additional projects are planned in the East Irish Sea area and in Northern Ireland. Dorset is the only other area with suitable geology.

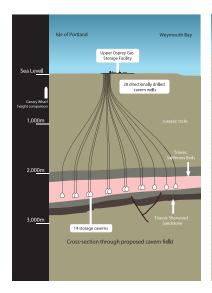
Project Components

The Upper Osprey site on Portland is the project's core. The site is particularly suitable for three reasons:

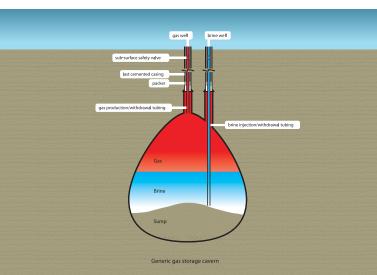
- 1) The presence of adequate underground salt beds.
- 2) The proximity to the sea in order to construct the caverns with injected seawater and to facilitate discharge of the produced brine.
- 3) The presence of a suitable brownfield site being used previously by the Royal Navy for decades.

The Upper Osprey site will comprise:

- 14 caverns, each cavern equipped with two boreholes.
- 28 below ground wellheads, within the well pad area in the southern part of the site.
- The leaching facilities with three major leaching and brine compensation pumps.
- The intake pipelines including pumps and the outfall pipelines including dispersion facilities.
- The gas compressor and gas dehydration unit.



Depth and arrangement of 14 caverns and 28 wells



Completed cavern for gas storage

The Upper Osprey site will be connected to the National Transmission System (NTS) with a 37 km underground 36-inch steel gas pipeline. The connection point will be a new above ground installation (AGI) at Mappowder, some 18 km north east of Dorchester, this being the nearest technically available point of entry.

The geology of Dorset the key to the proposed operation mode

The brine storage site at Stafford Farm, near West Stafford will be connected to Upper Osprey with a 16km underground 30-inch glass-reinforced-plastic brine pipeline being laid in the same trench as the gas pipeline. At Stafford Farm boreholes will be directionally-drilled horizontally into the Sherwood Sandstone to withdraw and inject brine into the aquifer at a depth of 1,400 metres.

There will be an offshore section for the pipeline beneath Weymouth Bay. The gas pipeline will be equipped with a block valve station near Osmington as α

safety feature located close to the land/ sea pipeline interface. When gas is imported from the NTS grid the gas flow will be metered and passed to three compressors. After controlling the temperature of the gas it will be injected into the 14 gas storage caverns with a maximum well head pressure of 385 bar. During injection of gas the brine will be displaced by maintaining a constant pressure within the cavern. Displaced brine will be transported to the Sherwood Sandstone Aguifer at Stafford Farm. On withdrawal of gas, pressure compensation will be provided by near saturated brine delivered from the aquifer.

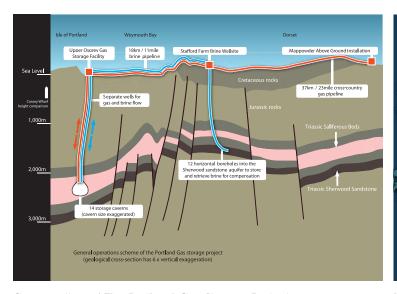
Environmental considerations

A thorough Environmental Impact
Assessment was required given the
location of the project in a very sensitive
environment adjacent to coastline with
World Heritage Status. The work
provided a comprehensive assessment
of the potential impacts for all the
component parts of the project. It set out
proposed mitigation measures to
neutralise or reduce their potential

adverse impact to an acceptable level. The approach has resulted in a thorough understanding of the combined effects of the different impacts. A good example was the mitigation measures developed for construction of the pipelines through some of the most sensitive hedgerows, which involved close interaction between the ecology, landscape, archaeology and engineering teams in consultation with the agencies and planning authorities.

The network benefits of the project

The Portland Gas storage facility will be the most southerly-located merchant storage facility in the UK and will be the largest onshore UK gas storage facility. The pipeline will be a significant enhancement to the NTS to support the physical and strategic supply of gas to both the south and southwest of the country most notably in times of high or peak demand. The Portland Gas storage facility could also provide pressure support to two new gas fired electricity power stations in



Cross section of The Portland Gas Storage Project



Map of salt deposits in the UK

the region thereby also enhancing security of electricity supply to parts of the south and southwest of England.

Timetable

First gas operations planned to start-up during 2011/12 on completion of the surface gas facilities and construction of the pipelines. All the storage space would be available during 2015.

Operations Update

In October 2008 the company announced that CB&I has been awarded the first phase of the EPC contract for the construction of the facilities. The Portland Project manager, Jay Tanna, and his team are now based in the offices of CB&I in Paddington, London.

Larne Lough, Northern Ireland

Portland Gas NI Limited announced in March 2008 the results of the 3-D seismic survey conducted last autumn. The data indicated that the Permian salt sequence encountered in 1981 in the Larne-2 borehole extends as anticipated under Larne Lough into the area where Portland Gas was granted an exploration licence in 2007 by The Crown Estate. Interpretation of the seismic data indicates that the salt in the target area is at a depth of approximately 1,400 metres with a thickness of approximately 200 metres.

Portland Gas plans to drill a borehole in early 2009 on Islandmagee to confirm the seismic interpretation and to take cores of the salt sequence to complete the design of the caverns to store natural gas.

In May 2008 Portland Gas NI Limited agreed Heads of Terms with Moyle Energy Investments Limited, a subsidiary of Northern Ireland Energy Holdings Limited ("NIEH"), operator of the Scotland to Northern Ireland Pipeline (SNIP), for NIEH to participate in the Larne Lough gas storage project taking a 35% equity interest.

Portland Gas is undertaking an Environmental Impact Assessment with the intention of submitting a full planning application for the gas storage project in 2009, subject to concluding any necessary landowner agreements. We are liaising closely with stakeholders to ensure that the surface facilities, required to create the caverns and compress the gas into store, are located in the most appropriate place and designed to minimise visual and environmental impact.

The caverns would be created within the salt sequence below Larne Lough but accessed from directionally drilled boreholes on the land. The nearest point of connection to the national gas infrastructure is at the Scotland to

Northern Ireland Pipeline above ground installation at Ballylumford.

Network, market, technical and economic analyses are also underway to determine the most appropriate storage capacity and the gas injection and withdrawal rates for the facility. Initial studies indicate that the facility could have a storage volume of up to 500 million cubic metres (18 billion cubic feet) of gas.

In this case some reinforcement of the current gas infrastructure will be required to manage the injection and withdrawal of gas and provide sufficient flexibility to meet demand spikes for customers.

Customers for the facility could be based in Northern Ireland, the remainder of the UK or the Republic of Ireland.

New projects

Portland Gas is actively seeking new opportunities in continental Europe to continue the stated objective of creating an international portfolio of sub-surface gas storage assets.

The Group is currently in the process of making a prospecting licence application in continental Europe.

Corporate and social responsibility

Portland Gas believes strongly in the benefits of supporting and developing projects for the public good in local communities.

In Dorset we established The Portland Gas Trust, run by a board of trustees including local people, to benefit community projects on the Isle of Portland and along the pipeline route. We have pledged more than £2M over the next two years to support initiatives connected with geology, education and the environment.

The Old Engine Shed Visitor Centre will be the centrepiece of the Trust's work. We have appointed award-winning museum display consultants Bremner & Orr to help us convert a neglected Grade II listed industrial building into a new visitor centre for Portland. The Old Engine Shed will have three elements - a display area showing the history and geology of Portland and explaining the gas storage facility, a walkers' café and a fully-equipped audio-visual lecture space for hire to education groups of all ages.

Another Trust project of benefit to the island will be the re-opening of a missing section in the South West Coast Path, which runs around the island.

For the first time in more than 20 years walkers will be able to make a complete circuit of Portland. In the

mid-1980s, the Navy closed a section of the path at Portland Port. The route was fenced off and the gates welded shut above Castletown. The Trust has agreed to reinstate access over the next two years as part of our construction work at Upper Osprey. This will entail cutting a new permissive footpath into the side of the hill and erecting a new security fence.

The Trust has already given a bursary of £500 to student Gwen Hawkins from Portland. Gwen used the funds to buy GPS and VHF radio equipment for a field trip to Iceland as part of her Geology degree at the University of Edinburgh.

Andrew Hindle and Portland Gas Trust Officer Rachel Barton at the locked gate on the South West coast path.



Geology student Gwen Hawkins with equipment purchased by The Portland Gas Trust.



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 & Commercial Director) Mark Anthony William Abbott (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
Financial advisors	NM Rothschild & Sons New Court St Swithins Lane London, EC4P 4DU
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 4TU
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 155 Bishopsgate London, EC2M 3YB
Investor relations	Buchanan Communications Limited 45 Moorfields London, EC2Y 9AE
Portland Gas p	lc

Directors of the Company

at 31 July 2008 and their abridged CVs are as follows:

Portland Gas plc Directors



Ken Ratcliff Non-executive Chairman

Ken Ratcliff, JP, BSc., FCA (58) is a Chartered Accountant with extensive finance and business experience. He is currently College Accountant at Epsom College and Accountant and cofounder 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



Dr Andrew Hindle Chief Executive Officer

Andrew Hindle (46) is a highly experienced geologist with over 20 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 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, Toffee Limited and Eskbank Resources Limited.



Craig Gouws Chief Financial Officer

Craig Gouws (41) is a Chartered Accountant and holds an engineering degree; he has extensive international business and finance experience. Craig worked within the forestry sector in South Africa before enrolling at the University of Cape Town for the Accountants' Conversion Course. He qualified as a Chartered Accountant (South Africa) with Ernst & Young in 2001. His previous finance experience includes working for Ernst & Young and Deloitte Touche Tohmatsu in senior financial positions in South Africa, the Middle East and the United Kingdom before moving into accountancy and finance positions within commerce. Craig joined Portland Gas in an executive financial role during 2007 and subsequently joined the Board in July 2007.



Walter Roberts Legal & Commercial Director

Walter Roberts (57) 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 (UK) 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 Bow Valley Petroleum (UK) Limited and other related Bow Valley companies. 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.

Portland Gas plc Directors



Mark Abbott Non-executive Director

Mark Abbott (47) 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.



Maurice Hazzard Non-executive Director

Maurice Hazzard (70) 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.

Portland Project Manager



Jay Tanna Portland Project Manager

Jay Tanna graduated with a mechanical engineering degree from London University in 1964. He became a chartered engineer in the early 1970s, and has also obtained additional qualifications in chemical engineering. He is now a Fellow of the Institution of Mechanical Engineers as well as a Fellow of the Institution of Chemical Engineers. Jay has spent his entire career (over 40 years) in the management of the design, engineering and construction of onshore and offshore oil, gas and petrochemical installations worldwide, and also has some experience of nuclear installations. Jay has successfully managed many fixed price lump sum projects within budget including Rough AD / AP topsides and jackets, Kalimantan fertilizer complex (Indonesia), Carbon Black plant (Nigeria) and Vinyl Chloride Plant (Newton Ayecliffe UK). He has worked for contractors as well as owners, and has acquired experience in many countries including Eastern Europe, the Far East, North and South America and Western Europe.

Report of the Directors

The Directors have pleasure in presenting their report and audited financial statements for the year ended 31 July 2008.

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

On 15 January 2008 Portland Gas demerged from the oil and gas exploration business of Egdon Resources Plc to form an independent sub-surface gas storage company listed on AIM and has now entered an exciting phase of the Group's development.

With effect from 15 January 2008 the new parent company, Portland Gas plc, was introduced to the Group via a share for share exchange between the new parent company, the former parent company Egdon Resources Plc and its shareholders.

The introduction of the new holding company did not result in the addition of any new businesses to the Group, and as such it fell 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 current period has been presented, and that for the prior periods restated, as if the subsidiaries had been owned by Portland Gas plc throughout the current and comparative accounting periods.

Portland Gas plc was incorporated as New Portland PLC on the 25 October 2007. Consequently comparative Company financial information is not presented in these financial statements. The Company changed its name to Portland Gas plc on the 15 January 2008.

Share capital

On incorporation the authorised share capital of the Company was £50,000 divided into 500,000 ordinary shares of 10p each, of which two were issued for cash at par to the subscribers to its memorandum of association. The following changes have occurred to the share capital of the company since incorporation.

On the 6 November 2007, the authorised share capital of the Company was increased to £10,050,000 by the creation of 99,500,000 new ordinary shares of 10p each and 50,000 redeemable preference shares of £1 each. On the same date the 50,000 redeemable preference shares were issued paid up to one quarter of their nominal value to Egdon Resources Plc (now Egdon Resources U.K. Limited).

On the 15 January 2008, 67,801,838 ordinary shares of 10p each were allotted and credited as fully paid on the demerger of Portland Gas from Egdon Resources.

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 net proceeds of the placing is to be applied to support the advanced work on The Portland Gas Storage Project, to provide the funds to drill a confirmation borehole for the Larne Lough project and to provide funds to develop further storage opportunities. In addition 47,676 shares were issued to certain Directors at 409p in lieu of cash bonuses on 27 May 2008. Following the placing, the number of issued and fully paid shares increased to 70,384,727.





Operational review

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

Portland Gas Storage Project

In May 2008 the planning committee of Dorset County Council granted planning permission to Portland Gas Storage
Limited to build a deep underground salt cavern facility at Portland, Dorset.
In July 2008, approval was received from the Department for Business, Enterprise and Regulatory Reform (BERR) to construct a 37 kilometre gas pipeline to connect the underground salt cavern storage facility at Portland to the National Transmission System. Permission was also granted for a 16 kilometre brine pipeline between Stafford Farm, near Dorchester, and Portland.

In August 2006 NM Rothschild & Sons Limited was appointed to advise upon the best means of raising the necessary finance to construct the Dorset project. In consequence the Company embarked upon a process following the grant of planning permission to fund the development through the introduction of partners into a project joint venture structure. Full construction of the Dorset project is anticipated to take seven years with initial gas storage operations commencing in 2011/12.

Larne Lough Project

In May 2008 the Company announced that it had entered into an agreement with Northern Ireland Energy Holdings Limited to become a joint venture partner in the Larne Lough project. 3D seismic data was acquired in the year and has indicated that the area would be suitable for the creation of a sub-surface gas storage facility under Larne Lough where Portland Gas NI Limited was granted an exploration licence in 2007. An Environmental Impact Assessment is currently being undertaken.

Storage asset portfolio development

The Group has continued to evaluate international gas storage opportunities, particularly in the liberalised markets of Europe.

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.

Risk factors

The Group has to manage several business risks. These risks include loss of key employees, delays on planning applications, funding and 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 on going risks and uncertainties the Group faces.

Outlook

The 2008/9 financial year will again be an active time for the business. The Group looks forward to the introduction of joint venture partners to The Portland Gas Storage Project and to continuing the development and construction of the Upper Osprey site.

Portland Gas NI Limited plans to drill a borehole at Larne Lough in order to confirm the suitability of the salt sequence for the creation of caverns for gas storage and to complete the Environmental Impact Assessment. It is anticipated this will result in an application for planning permission during 2009.

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 \$1,569,621 during the year (2007; loss after tax of \$208,515). The loss for the year, together with the balance of \$390,724 brought forward leaves a retained loss of \$1,960,345 to be carried forward.

The Directors do not recommend the payment of a dividend (2007; £nil).

CHARITABLE AND POLITICAL DONATIONS

During the year the Group made various charitable contributions in the UK totalling £350 (2007; £1,125). No donations were made for political purposes (2007; £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 31 (2007; 100) 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 accounts.

DIRECTORS

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

Executive Directors

A D Hindle
W R Roberts
C S Gouws

Non-executive Directors

K M Ratcliff M A Abbott M E Hazzard

Appointment date

25 October 20076 November 20076 November 2007

Appointment date

6 November 200725 October 20076 November 2007

Luciene James Limited and The Company Registration Agents Limited having been appointed the first Directors resigned office on 25 October 2007.

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 accounts.



CORPORATE GOVERNANCE

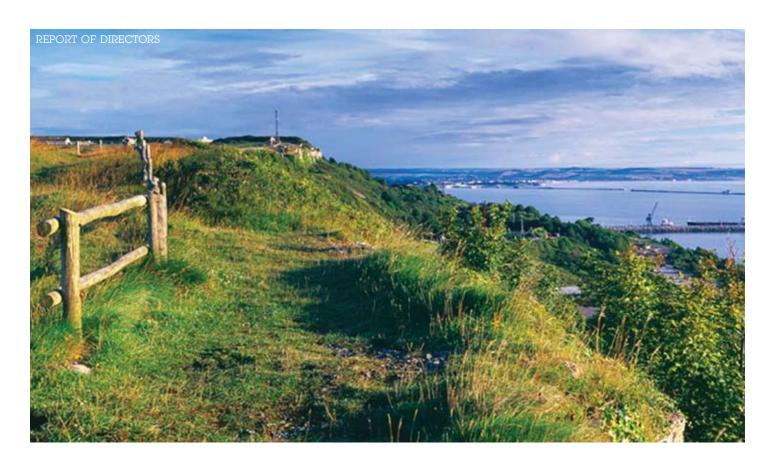
The Combined Code

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 practicable and appropriate for a public company of its size.

The Board

The Board comprises of three Executive Directors and three 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 Chairman and Executive Directors, maintains 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 Company was incorporated to take over the business on demerger from Egdon Resources Plc which took place on 15 January 2008. Prior to that date the business was conducted by Egdon Resources Board although a committee of the Board of Portland Gas plc was appointed to deal with the administration of the demerger and held numerous meetings.

Between 15 January and the end of the financial year the Board held 10 full Board meetings although 4 of those meetings were only attended by 5 Directors. In addition there were 3 meetings to approve administrative resolutions which were only partly attended although all Directors had approved the business.

Audit Committee

The Audit Committee met twice in the period to 31 July 2008. Its members are Ken Ratcliff (Chairman), Mark Abbott and Craig Gouws and all were present either in person or by telephone at the meetings. In addition, the Chairman met senior representatives of the external auditors during October 2007, July 2008 and October 2008. The external auditors have unrestricted access to the Chairman of the committee.

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. It has met three times in the period to 31 July 2008. Remuneration matters were also discussed by the Board of Directors on other occasions. Its members are Maurice Hazzard (Chairman) and Walter Roberts and both members were in attendance at the meetings. Andrew Hindle resigned from the Remuneration Committee on the 18 March 2008 and Walter Roberts was replaced by Mark Abbott with effect from 19 August 2008. 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. Non-executive fees are considered and agreed by the Board as a whole.

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 resources to continue in operation for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and the International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Directors are required to prepare financial statements for each financial year which present fairly the financial position of the Company and of the Group and the financial performance and cash flows of the Company and of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the Company and the Group have complied with IFRS,

subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with these requirements and, having a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the financial statements. Financial statements are published on the Company's website in accordance with the legislation in the UK governing the dissemination of financial statements. The maintenance and integrity of the Company's website, including that of the financial statements contained therein, is the responsibility of the Directors.

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.

AUDITORS

Nexia Smith & Williamson were appointed as auditors during the period and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board

A Hindle, Director

9 October 2008

Nexia Smith & Williamson Independent auditors' report to the shareholders of Portland Gas plc

We have audited the accounts of the group and the parent company ("the accounts") of Portland Gas plc for the year ended 31 July 2008 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Cash Flow Statement, and the related notes 1 to 30. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union applied in accordance with the provisions of the Companies Act 1985.

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

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We state in our report whether in our opinion the information given in the Directors' Report is consistent with the accounts. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Overview and Highlights, the Chairman's Statement, the Operational Review, the statement on Corporate and Social Responsibility and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with International Financial Reporting Standards, as adopted by the European Union applied in accordance with the provisions of the Companies Act 1985 of the state of affairs of the company and the group as at 31 July 2008 and of the loss of the group for the year then ended; and
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.

Nexia Smith & Williamson Chartered Accountants Registered Auditors

l Bishops Wharf Walnut Tree Close Guildford, GUl 4RA

9 October 2008

The maintenance and integrity of the Portland Gas web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the accounts since they were initially presented on the web site.

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

Consolidated income statement for the year ended 31 July 2008

	Notes	2008	2007
		£	£
Continuing operations			
Revenue		-	-
Cost of sales		7	-
Gross profit/(loss)		-	
Administrative expenses	4	(1,767,017)	(351,708)
Operating loss	_	(1,767,017)	(351,708)
Investment revenues	9	197,396	143,193
Loss before taxation		(1,569,621)	(208,515)
Taxation	10		_
Loss for the period		(1,569,621)	(208,515)
Basic and diluted loss per share	11	2.33p	0.33p
Consolidated balance sheet as at	t 31 July 2008		
	Notes	2008	2007
		£	£
Non-current assets			
Plant and equipment	13	15,195,167	4,400
Intangible assets	14	1,263,659	9,049,439
Total non-current assets		16,458,826	9,053,839
Current assets			
Trade and other receivables	16	305,520	328,336
Available for sale assets	17	12,500	
Cash and cash equivalents	18	9,276,964	3,436,695
Total current assets		9,594,984	3,765,031
Current liabilities	10	(1,400,040)	(1,441,000)
Trade and other payables	19	(1,408,848)	(1,441,298)
Net current assets		8,186,136	2,323,733
Non-current liabilities			
Obligations under contractual and			
lease agreements due after one year	20	(1,963,519)	-
Net assets		22,681,443	11,377,572
Shareholders' funds	(-46		
Share capital	22	7,038,473	117,782
Share premium		8,576,705	
Merger reserve	23	8,988,112	11,650,514
Share based payment reserve	24		
			(200.704)
Retained earnings	The second secon	(1,960,345)	(390,724)

Company balance sheet as at 31 July 2008

	Notes	2008
		5
Non-current assets		
Investments	15	178,996,858
Total non-current assets		178,996,858
Current assets		
Trade and other receivables	16	8,839,339
Cash and cash equivalents	18	80,652
Total current assets		8,919,991
Current liabilities		
Trade and other payables	19	(214,205)
Net current assets		8,705,786
Net assets		187,702,644
Shareholders' funds		
Share capital	22	7,038,473
Share premium		8,576,705
Merger reserve	23	172,216,674
Share based payment reserve	24	38,498
Retained earnings		(167,706)
		187,702,644
Approved and authorised for issue by the Board on 9	October 2008. A Hindle, Director	C Gouws, Director

Consolidated statement of changes in equity for the year ended 31 July 2008

	Share capital	Share premium	Merger reserve	Share based payment reserve	Retained earnings	Total equity
	£	£	£	£	£	£
Balance at 31 July 2006	100	-	-	-	(182,209)	(182,109)
Loss for the period	-	-	-		(208,515)	(208,515)
Total recognised income and expenses for the period	-	-	-	-	(208,515)	(208,515)
Issue of equity share capital	117,682	-	11,650,514	-	-	11,768,196
Balance at 31 July 2007	117,782	-	11,650,514	-	(390,724)	11,377,572
Loss for the period	-	-	-	-	(1,569,621)	(1,569,621)
Total recognised income and expenses for the period	-	-	-	-	(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

Company statement of changes in equity for the period ended 31 July 2008

	Share capital	Share premium	Merger reserve	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	6,780,182	-	172,216,674	-	-	178,996,856
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	172,216,674	38,498	(167,706)	187,702,644

	Notes	2008	2007
		£	£
Net cash (used in) operating activities	25	(1,275,246)	(4,682,415)
Investing activities			
Interest received		197,396	143,193
Purchases of intangible assets		(5,645,493)	(3,748,890)
Purchase of plant and equipment		(63,887)	(4,843)
Purchase of financial assets		(12,500)	-
Net cash (used in) investing activities		(5,524,484)	(3,610,540)
Financing activities		70 /00 000	
Proceeds on issue of ordinary shares		12,639,999	11,768,196
Net cash generated from financing activities		12,639,999	11,768,196
Net increase in cash and cash equivalents		5,840,269	3,475,241
Cash and cash equivalents at beginning of year		3,436,695	(38,546)
Cash and cash equivalents at end of year		9,276,964	3,436,695
Cash and cash equivalents consist of:			
Cash in hand and at bank	18	9,276,964	117,319
Short term bank deposits	18	-	3,319,376
		9,276,964	3,436,695
Company cash flow statement for the p	eriod ended	l 31 July 2008	
	Notes		2008
			£
Net cash from operating activities	25		75,429
Investing activities			
Interest received			5,223
Loan to subsidiary company			(8,639,999)

	Notes	2008
		£
Net cash from operating activities	25	75,429
Investing activities		
Interest received		5,223
Loan to subsidiary company		(8,639,999)
Net cash (used in) investing activities		(8,634,776)
Financing activities		
Proceeds on issue of ordinary shares		8,639,999
Net cash generated from financing activities		8,639,999
Net increase in cash and cash equivalents		80,652
Cash and cash equivalents at beginning of year		-
Cash and cash equivalents at end of year		80,652
Cash and cash equivalents consist of:		
Cash in hand and at bank	18	80,652
Bank overdraft		-
		80,652

Notes to the financial statements for the year ended 31 July 2008

1. General information

Portland Gas plc is a Company incorporated in England & Wales under the Companies Act 1985 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 effective in July 2008, 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 IFRS accounting policies adopted by the Group are given in full in this note.

Standards and interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

IFRS 2 (Revised 2008) Share-based Payment (effective for accounting periods beginning on or after 1 January 2009)

IFRS 3 (Revised 2008) Business Combinations (effective for acquisitions made in accounting periods beginning on or after 1 July 2009)

IFRS 8 Operating Segments (effective for accounting periods beginning on or after 1 January 2009)

IAS 1 (Revised 2007) Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2009)

IAS 27 (Revised 2008) Consolidated and

Separate Financial Statements (effective for accounting periods beginning on or after 1 July 2009).

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 the financial statements 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 current period has been presented, and that for the prior periods restated, as if the subsidiaries had been owned by Portland Gas plc throughout the current and comparative 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.

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 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 is written off in the year in which it is incurred. 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 include all direct costs incurred in project development. No amortisation is provided until the storage facility is brought into commercial use. An impairment review is undertaken at the end of each accounting period and any expenditure that is no longer considered recoverable is written off through the income statement.

Impairment of intangible assets

An impairment test is performed annually or 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.

Investments

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

Provisions

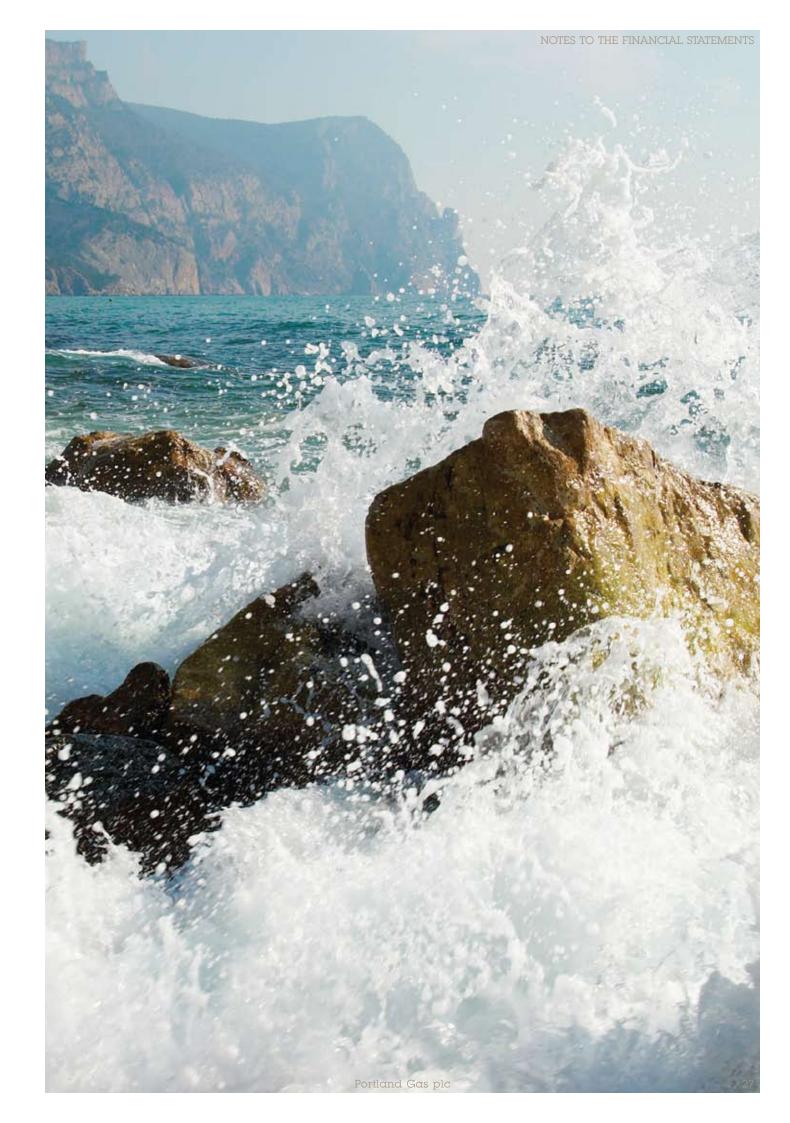
Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be estimated with reasonable certainty. If the effect of the time value of money is material, provisions are discounted using a pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the

provision due to the passage of time is recognised as a borrowing cost.

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.

I.eases

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 an equity settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the 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 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

4. Other expenditure

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.

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.

19,342

430,610

i. Onior experience	2008	2007	
	£	£	
Net foreign exchange loss	1,802	-	
Research costs	40,363	24,748	
Operating lease rentals - land and buildings	669,594	155,205	
Fees payable to the Group's auditor and its associates:			
- for the audit of the company's annual accounts	11,250	14,750	
- for the audit of the company's subsidiaries	17,750	-	
- other services relating to taxation	18,675	1,100	
- all other services including demerger costs	25,005	7 290	

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

5. Employee information

Depreciation

Demerger costs

	2008	2007
	Number	Number
Administration	7	2
	£	£
Staff costs for the above persons were:		
Wages and salaries	833,038	104,031
Social security costs	89,548	10,894
Defined contribution pension plan expenditure	7,775	-
Share based payments	38,498	-
	968,859	114,925

443

6. Directors' emoluments Group

	Salary & fees	Bonus	Benefits	Pension	Total 2008	Total 2007
	£	£	£	£	£	£
Andrew Hindle	141,667	93,600	418	-	235,685	68,750
Walter Roberts	90,833	66,299	569	1,354	159,055	-
Craig Gouws	86,667	37,440	300	1,333	125,740	-
Ken Ratcliff	32,823	18,720		469	52,012	-
Mark Abbott	15,000	11,697	-	-	26,697	-
Maurice Hazzard	23,172	4,679		713	28,564	-
	390,162	232,435	1,287	3,869	627,753	68,750
Share based payr	ment attributable to	o Directors			22,037	
Employers nationa	al insurance contri	butions			67,267	-
ALL STATES		/a		E and the	717,057	68,750

Company

Directors' emoluments comprised £407,911 in respect of salary and bonuses and £5,156 in respect of benefits; the charge in respect of share based payments was £22,037 and employers national insurance contributions of £43,964.

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
		£		
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	l January 2011	31 December 2017
Ken Ratcliff	21,929	2.28	l 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 2007.

Life and critical illness premiums of £131 were paid in respect of key man policies for Executive Directors and directors' indemnity insurance premiums of £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. 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.

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

	2008 Number	2008 WAEP
		£
Granted during the year	318,831	2.43
Outstanding at the end of the year	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 2008 is 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. There were no options issued during 2007.

8. Defined contribution plan

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 £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 2008, employer and employee contributions of £17,578 (2007; £nil) due in respect of the current period had not been paid over to the scheme, the payment was made on the 11 August 2008.

9. Investments revenues

	2008	2008
	£	£
Interest on bank deposits	197,396	143,193

10. Income tax

	2008	2008
	£	£
The major components of income tax expense for the years ended 31 July 2008 and 2007 are:		
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 2008 and 2007 is as follows:	5:	
Accounting loss before tax from continuing operations	(1,569,621)	(208,515)
Loss on ordinary activities multiplied by the standard rate of tax	(460,370)	(62,554
Expenses not permitted for tax purposes and pre-trading expenditure	438,758	91,704
Other timing differences	1,844	(595
Group relief	(6,189)	
Utilisation of tax losses	-	(28,555
Tax losses carried forward	25,957	-
At effective tax rate of 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 £88,499 (2007; £nil) which may reduce charges may also be reduced by capital allowances on cumulative continuous continuo		Future tax
d) Deferred taxation		
The Group has an unrecognised deferred taxation asset of £25,957 (200	07; £nil) at year end	

11. Loss per share

	2008	2007
	р	р
Basic loss per share	2.33	0.33

The calculation of basic loss per share is based upon a loss of £1,569,621 (2007; £208,515) divided by the weighted average number of ordinary shares in issue of 67,381,698 (2007; 63,392,512 being the Egdon Resources Plc weighted average number of shares in issue).

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 accounts of Portland Gas plc was £167,706. As provided by s230 of the Companies Act 1985, no income statement is presented in respect of Portland Gas plc.

13. Plant and equipment

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	<u>-</u>	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
Plant and equipment 2007			Office equipment
			£
Cost or valuation			
At 1 August 2006			-
Additions			4,843
At 31 July 2007			4,843
Depreciation			
At 1 August 2006			-
Charge for the year			443
At 31 July 2007			443
Net book value			
At 31 July 2007			4,400

14. Intangible assets

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	
Net book value At 31 July 2008	1,263,659
	1,263,659 Development costs - Gas storage
At 31 July 2008	Development costs -
At 31 July 2008 Intangible assets 2007 Cost	Development costs - Gas storage
At 31 July 2008 Intangible assets 2007	Development costs - Gas storage
At 31 July 2008 Intangible assets 2007 Cost	Development costs - Gas storage £
At 31 July 2008 Intangible assets 2007 Cost At 1 August 2006 Additions	Development costs - Gas storage £ 4,043,661 5,005,778
At 31 July 2008 Intangible assets 2007 Cost At 1 August 2006 Additions	Development costs - Gas storage £ 4,043,661 5,005,778
At 31 July 2008 Intangible assets 2007 Cost At 1 August 2006 Additions At 31 July 2007	Development costs - Gas storage £ 4,043,661 5,005,778
Intangible assets 2007 Cost At 1 August 2006 Additions At 31 July 2007 Amortisation	Development costs - Gas storage £ 4,043,661 5,005,778
At 31 July 2008 Intangible assets 2007 Cost At 1 August 2006 Additions At 31 July 2007 Amortisation At 1 August 2006 Charge for the year	Development costs - Gas storage £ 4,043,661 5,005,778
At 31 July 2008 Intangible assets 2007 Cost At 1 August 2006 Additions At 31 July 2007 Amortisation At 1 August 2006 Charge for the year	Development costs - Gas storage £ 4,043,661 5,005,778
At 31 July 2008 Intangible assets 2007 Cost At 1 August 2006 Additions At 31 July 2007 Amortisation At 1 August 2006	Development costs - Gas storage £ 4,043,661

15. Investments

	Company 2008
	£
Additions	178,996,858
Balance at 31 July 2008	178,996,858

The company as a consequence of the demerger of Portland Gas from Egdon Resources Plc acquired Portland Gas A Limited via a share for share exchange, the value of the addition being the fair value of the shares acquired (note 22).

Subsidiaries

The Company's subsidiary undertakings at 31 July 2008, all of which are wholly owned, are as follows:

	Principal undertaking	Country of incorporation
Portland Gas A Limited	Holding and corporate	England
Portland Gas A Limited owns the following	ng subsidiaries:	
Portland Gas Holdings Limited	Holding	England
Portland Gas NI Limited	Sub-surface gas storage developer	Northern Ireland
Portland Gas NV Limited	Holding	England
Portland Gas Holdings Limited owns the	following subsidiaries:	
Portland Gas Storage Limited	Sub-surface gas storage developer	England
Portland Gas Transportation Limited	Dormant	England

16. Trade and other receivables

	Group 2008	Group 2007	Company 2008
	£	£	£
Amounts due from Group undertakings	-	105,299	8,772,117
Other debtors	249,578	184,414	55,957
Prepayments	55,942	38,623	11,265
	305,520	328,336	8,839,339

Amounts due from Group undertakings for the Group as at 31 July 2007 represent balances due from the former parent undertaking and its subsidiaries.

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

	2008
	£
At 1 August 2007	-
Additions	12,500
Fair value at 31 July 2008	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 2008	Group 2007	Company 2008
	£	£	£
Cash at bank and in hand	9,276,964	117,319	80,652
Short term bank deposits	-	3,319,376	-
	9,276,964	3,436,695	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-parties are banks with high credit ratings.

19. Trade and other payables

	Group 2008	Group 2007	Company 2008
	£	£	£
Trade creditors	453,546	256,482	53,569
Other taxation and social security	41,442		41,442
Accruals	913,860	1,184,816	30,591
Amount due to Group undertakings	<u>-</u>	-	88,603
	1,408,848	1,441,298	214,205

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

20. Non-current liabilities

	Group 2008	Group 2007	Company 2008
	£	£	£
Obligations under lease agreements	268,519	- 1	-
Other contractual agreements	1,695,000	-	-
	1,963,519	-51	() - ·

The obligation under a lease agreement is to be settled over a period of 14 years while £500,000 of the other contractual arrangements will be settled within a period of 2 years, the balance will be settled on a straight line basis over a period of 20 years. Other contractual agreements relate to payments to be made to The Portland Gas Trust under a Section 106 planning agreement.

Portland Gas plc

21. Financial assets and liabilities

The activities of the Group are funded out of working capital and do not include the use of derivatives or financial instruments other than cash and term deposits. The Group's objective is to minimise financial risk and the policies to achieve this are to fund operations from equity capital and not to make use of complex financial instruments. The Group also has financial instruments in the form of short term debtors and creditors which arise in the normal course of business and are not discounted, offered as security or pledged in any way.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk, interest rate risk and, to an immaterial extent, foreign currency risk. Operations during the year were financed through cash resources derived from shareholder subscriptions. The financial assets of the Group are cash at bank and fixed term bank deposits (money market) all of which were Sterling denominated. 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.

Liquidity risk

The Group 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. The Company issues share capital when external funds are required. At year end the Group had net current assets of £8,186,136 (2007; £2,323,733) and the Company £8,705,786.

Credit risk

The credit risk on liquid funds is limited because the Group policy is to only deal with counter parties with high credit ratings and more than one institution is utilised to deposit cash holdings. At year end the Group had cash and cash equivalents of £9,276,964 (2007; £3,436,695) and the Company £80,652. The balances at 31 July 2008 are held by the principal bankers. Other debtors largely comprise amounts due to the Group for VAT refunds with an insignificant credit risk.

Interest rate risk

Interest bearing assets include only cash balances which earn interest at variable rates. The financial assets of the Group are cash at bank and fixed term bank deposits (money market) all of which were Sterling denominated. 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 of £92,770 (2007; £34,367).

Foreign currency risk

The Group's currency exposure comprises monetary assets and liabilities that are denominated in currency other than sterling. There is no material sensitivity to the Group's foreign currency risk.

The currency risk disclosures at 31 July 2008 (2007; £21,386) 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.

Financial liabilities

The Group's financial liabilities (which are held at amortised cost) mature as follows:

	Group 2008	Group 2007	Company 2008
	£	£	£
Within one month	1,093,275	1,441,298	214,205
Within more than one month and less than one year	315,573	-	-
More than 1 year and less than five years	798,750	-	-
More than five years	1,164,769	-	-

22. Share capital and redeemable preference shares

		Authorised		Allotted, called up, and fully paid
	Number	£	Number	£
Ordi <mark>nar</mark> y share capital				
At 1 August 2006				
- Ordinary shares of £1 each	100	100	100	100
Reduction in nominal value of shares from £1 to 1 pence and increase in the number of authorised shares	14,999,900	149,900	9,900	
Issue of 1 pence ordinary shares	(1) - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -		11,768,196	117,682
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				
- 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)				
Creation and issue of £1 redeemable				
preference shares	50,000	50,000	50,000	12,500
At 31 July 2008	50,000	50,000	50,000	12,500

The share capital presented above at the 1 August 2006 is that of Portland Gas Storage Limited while at the 31 July 2007 it is that of Portland Gas A Limited, each presented as the ultimate parent of the Portland Gas group at that time as described below.

2006 - Share capital of Portland Gas Storage Limited

Portland Gas Storage Limited (formerly Portland Gas Limited) was incorporated on 15 February 2005 with an authorised share capital of 100 ordinary shares of £1 each. On incorporation, 100 ordinary shares of £1 were issued at par for aggregate cash consideration of £100.

2007 - Share capital of Portland Gas A Limited

On 15 December 2006, Portland Gas Limited was incorporated as Portland Gas Storage Limited with an authorised share capital of 15,000,000 ordinary shares of 1p each. The company changed its name to Portland Gas Limited on the 22 December 2006 and to Portland Gas A Limited on the 15 January 2008. On 20 December 2006, one ordinary share representing the entire issued share capital was transferred to Egdon Resources Plc (now re-named Egdon Resources U.K. Limited). On the same day the company acquired from Egdon Resources by means of a share for share exchange the entire issued share capital of Portland Gas Holdings Limited by issuance of 9,999 ordinary shares of 1p each. The nominal value of the consideration shares was £100.

On 25 January 2007, Egdon Resources U.K. Limited subscribed for 11,768,196 ordinary 1p shares in Portland Gas A Limited with a nominal value of £117,682 for aggregate cash consideration of £11,768,196.

On the 26 October 2007 Egdon Resources U.K. Limited subscribed for 4,000,000 ordinary shares of 1p each in Portland Gas A Limited at £1 per share. The premium on issue was credited to share premium in the financial statements of Portland Gas A Limited.

However, as the transaction was predemerger the premium is reflected as a credit to the merger reserve in the Group financial statements.

2008 - Share capital of Portland Gas plc

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 (formerly Egdon Resources Plc). 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.

Objectives, policies and processes for managing capital

The Board objective of managing capital is to ensure the Company is sufficiently capitalised to fund ongoing operations. Ordinary share capital in issue is managed as capital and the redeemable preference shares in issue are managed as current liabilities. The Company is not subject to externally imposed capital restrictions. Management of capital involves participation by financial advisors with the Board assuming ultimate responsibility. Dilution of existing shareholder value is considered during all processes which may result in an alteration of share capital in issue.

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 Portland Gas A Limited. The reserve is not distributable.

Group

The merger reserve represents the difference between the nominal value of the shares issued on the demerger and the combined share capital and share premium of Portland Gas A 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 £38,498 relates to share options granted during the year. For further information on the share based payment scheme see note 7.



25. Cash (used in) operations

Cash (used in) operations	2008	2007
Group	£	£
Operating loss for the year	(1,767,017)	(351,708)
Depreciation	19,342	443
Decrease in trade and other receivables	22,816	5,666
Icrease/(Decrease) in trade and other payables	216,121	(4,336,816)
Share option expense	38,498	-
Shares issued in lieu of bonus	194,994	-
Cash (used in) operations	(1,275,246)	(4,682,415)
Cash from operations		2008
Company		£
Operating loss for the year		(172,927)
(Increase) in trade and other receivables		(199,341)
Increase in trade and other payables		214,205
Share option expense		38,498
Shares issued in lieu of bonus		194,994
Cash from operations		75,429

26. Operating lease commitments

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

	Land and buildings 2008	Land and buildings 2007
	£	£
Amounts payable:		
Within one year	1,529,156	215,440
Within 2 to 5 years	6,116,622	774,400
After more than 5 years	10,083,311	1,790,800
	17,729,089	2,780,640

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. 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.

27. Tangible capital commitments

	2008	2007
	£	£
Approved and contracted	1,795,000	-

28. Related party transactions

Portland Gas A Limited leases the Group's head office from Toffee Limited, a company of whom Andrew Hindle is a director and shareholder. A fair market rent paid during the period was £22,500 (2007; nil). The balance outstanding at 31 July 2008 was £nil (2007; £nil).

Egdon Resources Plc was the ultimate parent Company before demerger. 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. In addition Egdon Resources Plc subscribed for 4,000,000 Portland Gas A Limited ordinary shares

on the 26 October 2007 for £4,000,000 as described in note 22.

The Company and Group also have a related party relationship with its subsidiaries in the course of normal operations.

Portland Gas plc recovered overhead costs from Portland Gas A Limited of £79,427, Portland Gas Storage Limited of £565,937 and Portland Gas NI Limited of £69,477.

Portland Gas A Limited recovered overhead costs from Portland Gas plc of £45,556, Portland Gas Storage Limited of £324,766 (2007; £151,426) and Portland Gas NI Limited of £39,848 (2007; £8,907).

The balances outstanding at 31 July 2008 are provided in the following table.

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

The balances outstanding at 31 July 2007 are provided in the following table.

Related party	Amounts owed by related parties	Amounts owed to related parties	
	£	£	
The ultimate parent			
Egdon Resources Plc	3,260	108,559	
Subsidiaries			
Portland Gas A Limited	10,181,720	3,260	
Portland Gas Storage Limited	10,266,946	-	
Portland Gas NI Limited	1,719	57,456	

29. 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.

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.

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. The discount rate used was 8%.

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. The Directors have reviewed budget, projected cash flows and other financial options, and based on this review are confident that the Group will have adequate financial resources to continue in operational existence for the foreseeable future. Consequently the Directors consider it appropriate to prepare the financial statements on the going concern basis. 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.



30. Control of the Group

The largest Group in which the results of the company are consolidated is that headed by Portland Gas plc (2007; Egdon Resources Plc renamed Egdon Resources U.K. Limited).

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)
Walter Roberts (Legal and Commercial Director)
Craig Gouws (Chief Financial Officer)
Maurice Hazzard (Non-executive Director)
Mark Abbott (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)

Dear Shareholder.

1. Introduction

Notice of the Company's forthcoming annual general meeting to be held on Tuesday 16 December 2008 ("AGM" or "Annual General Meeting") appears on the following pages. 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 2008 (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 8)

Article 87 of the Company's articles of association requires that any Director appointed by the Board shall retire at the first annual general meeting following his appointment. All of the Directors of the Company (being Ken Ratcliff, Andrew Hindle, Walter Roberts, Craig Gouws, Mark Abbott and Maurice Hazzard) are retiring pursuant to this article and Resolutions 3 to 8 propose their re-appointment. Brief biographical details of each of the Directors appear on pages 13 and 14 of the Accounts.

9 November 2008

Special Business

Authority of Directors to allot shares (Resolution 9)

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 80 Companies Act 1985. Upon the passing of Resolution 9, the Directors will have authority to allot shares up to a maximum of £2,346,157 which is approximately one third of the current issued share capital as at 7 November 2008, being the latest practicable date before the publication of this Letter. This authority will expire immediately following the annual general meeting in 2009 or, if earlier, six months following the date to which the Company's next annual report and accounts are made up to.

Disapplication of pre-emption rights (Resolution 10)

If the Directors wish to exercise the authority under Resolution 9 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 1985 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 proportion to their holdings. Resolution 10 would authorise the Directors to disapply the strict statutory pre-emption provisions. This would provide the Directors with α degree of flexibility to act in the best interests of the Company so that (i) the Company can follow normal practice in the event of a rights issue, open offer or other offer of securities in favour of the existing shareholders in proportion to their shareholdings; and (ii) shares may be issued for cash to persons other than existing shareholders up to an aggregate nominal value of £351,923 which is equivalent to 5% of the issued share capital of the Company on 7 November 2008, 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 2009 or, if earlier, six

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

Articles of Association (Resolution 11) We are asking shareholders to approve a number of amendments to our articles of association, primarily to reflect the provisions of the Companies Act 2006. An explanation of the main changes between the proposed and existing articles of association is set out in the Appendix 1 to this Letter on page 46 of this document. The remaining provisions of the Companies Act 2006 are expected to come into force in October 2009. In addition. various regulations that relate to certain of these provisions have yet to be finalised. Consequently, it will be necessary for the Company to undertake a further review of its articles of association in due course in order to reflect these other provisions.

As these further changes to the articles of association will be reasonably substantial in number, it is anticipated that the Company will adopt a new set of articles of association at its annual general meeting in 2009/2010.

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 14,421,887 ordinary shares (representing 20.49 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 16 December 2008.

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

Appendix 1

Changes to the articles of association

Conflicts of interest

The Companies Act 2006 sets out Directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 October 2008 a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The requirement is very broad and could apply, for example, if a Director becomes a Director of another company or a trustee of another organisation.

The Companies Act 2006 allows
Directors of public companies to
authorise conflicts and potential
conflicts, where appropriate, where the
articles of association contain a
provision to this effect. The Companies
Act 2006 also allows the articles of
association to contain other provisions
dealing with Directors' conflicts of
interest to avoid a breach of duty.

The amended articles give Directors authority to approve such situations and include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict. First, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and, secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a Director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the Directors.

It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers to authorise conflicts are operated effectively and that the procedures have been followed.

Convening extraordinary and annual general meetings

The provisions in the current articles dealing with the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular, a general meeting (other than an AGM) to consider a special resolution can be convened on 14 days' notice where previously 21 days' notice was required.

Directors' indemnities and loans to fund expenditure

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with a company's activities as trustee of the scheme. In addition, the existing exemption allowing a company to provide money for the purpose of providing a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

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 16 December 2008 at 14.30 p.m. for the purpose of passing the following Resolutions, of which Resolutions 1 to 9 will be proposed as Ordinary Resolutions and Resolutions 10 and 11 will be proposed as Special Resolutions:

Ordinary Resolutions:

- To receive the report of the Directors and the audited accounts of the Company for the year ended 31 July 2008, 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.
- To re-elect Ken Ratcliff 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 Andrew Hindle as Director who retires pursuant to article 87 of the Company's articles of association and who, being eligible, offers himself for re-election
- To re-elect Walter Roberts as Director who retires pursuant to article 87 of the Company's articles of association and who, being eligible, offers himself for re-election.
- To re-elect Craig Gouws as Director who retires pursuant to article 87 of the Company's articles of association and who, being eligible, offers himself for re-election.
- 7. To re-elect Mark Abbott as Director who retires pursuant to article 87 of the Company's articles of association and who, being eligible, offers himself for re-election.
- To re-elect Maurice Hazzard as
 Director who retires pursuant to
 article 87 of the Company's articles of
 association and who, being eligible,
 offers himself for re-election.
- 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 80 of the Companies Act 1985

("CA 1985") to exercise all the powers of the Company to allot relevant securities (within the meaning of the said section 80) up to an aggregate nominal amount of £2,346,157 provided that this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or, if earlier, 31 January 2010, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offer or agreement. References in this resolution to the CA 1985, or to sections of the CA 1985, shall, where the context requires and where appropriate, include references to the Companies Act 2006 and any corresponding or similar sections of that Act, it being the intention that, to the extent permitted by law, the authority contained in this resolution shall continue in full force and effect notwithstanding any repeal of the CA 1985 or any relevant part or section thereof.

Special Resolutions:

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

THAT, subject to the passing of Resolution 9 above the Directors be and they are hereby empowered, pursuant to section 95 CA 1985 to allot equity securities (within the meaning of section 94 CA 1985) for cash pursuant to the authority given by Resolution 9 above and/or to allot equity securities where such allotment constitutes an allotment of securities by virtue of section 94(3A) CA 1985, as if section 89(1) CA 1985 did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

(a) in connection with an offer of such securities by way of a rights issue or other issue in favour of holders of Ordinary Shares in the Company where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be practicable) to their respective holdings of Ordinary Shares (but subject to such exclusions or other arrangements as the Directors may

deem necessary or expedient in relation to treasury shares, fractional entitlements or any legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange in, any territory or otherwise howsoever); and (b) otherwise and pursuant to sub-paragraph (a) above, up to an aggregate nominal amount of £351,923.

and shall expire at the conclusion of the next annual general meeting of the Company after the passing of this Resolution, or 31 January 2010, if 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 notwithstanding such expiry the Directors may allot equity securities in pursuance of such offer or agreement. References in this resolution to the CA 1985, or to sections of the CA 1985, shall, where the context requires and where appropriate, include references to the Companies Act 2006 and any corresponding or similar sections of that Act, it being the intention that, to the extent permitted by law, the

- authority contained in this resolution shall continue in full force and effect notwithstanding any repeal of the CA 1985 or any relevant part or section thereof.
- 11. To consider and, if thought fit, pass the following resolution as a special resolution:

THAT, with effect from the conclusion of the annual general meeting, 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.

Dated 9 November 2008

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. If a member wishes to appoint more than one proxy and so requires additional proxy forms, the member should contact Capital Registrars on +44 (0)871 664 0300 (calls cost 10p per minute plus network extras). 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.
- 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 pm on 14 December 2008 shall be entitled to attend the above Annual General Meeting (or, in the

- case of an adjourned meeting, 18.00 pm 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 pm on 14 December 2008 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 more than one corporate representative 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 $\boldsymbol{\alpha}$ 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 Memorandum and articles of association marked to show the changes being proposed in Resolution 11 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 14.15 pm until the conclusion of the meeting.

Proxy Form

Portland Gas plc (The "Company")

(Incorporated and registered in England and Wales under the Companies Act 1985 (as amended) 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 16 December 2008 at 14.30 p.m.

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,			CAPITALS please)	
being a shareholder/shareholders of Portland Gas plc, appoint the	e Chairman of	the AGM or		
(see note 1) as my/our proxy to attend, speak and vote in respect below at the AGM and at any adjournment thereof (see notes 2, 3	4 '	0	n my/our behalf a	s indicated
Please tick here if this proxy appointment is one of the multip one proxy, please see note 3.	le appointment	s being made. *I	For the appointme	nt of more than
Please clearly mark the boxes below to instruct your proxy how to	vote.			
ORDINARY RESOLUTIONS	For	Against	Vote withheld	Discretionary
To receive the Report and Accounts for the year ended 31 July 2008				
To re-appoint Nexia Smith & Williamson Audit Limited as auditors at a remuneration to be determined by the Directors				
To re-elect Ken Ratcliff				
To re-elect Andrew Hindle				
To re-elect Walter Roberts				
To re-elect Craig Gouws				
To re-elect Mark Abbott				
To re-elect Maurice Hazzard				
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
To disapply pre-emption rights on the basis set out in the notice of AGM				
To amend the articles of association of the Company				
Signature(s)				(see note 8)
Date				

Notes

- l. 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 $\boldsymbol{\alpha}$ designated account for a shareholder, the full voting entitlement for that designated account).

 2. To be effective, this Proxy Form (together with any
- 2. To be effective, this Proxy Form (together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such authority) must be received by post or (during normal business hours only) by hand at the office of the Company's Registrars, being Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by no later than 14.30 p.m. on 14 December 2008.
- 3. You are entitled to appoint more than one proxy provided that each proxy is appointed to exercise rights attached to a different share or shares held by you. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional Proxy Form(s)

- may be obtained by contacting the Registrars helpline on +44 (0)871 664 0300 (calls cost 10 p per minute plus network extras) or you may photocopy this form. Please indicate next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
- 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
- shiry you wish your plaxy to cust uit 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 things 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.
- 6. The "Vote Withheld" option is provided to enable you to instruct your proxy to abstain from voting on a particular resolution. A "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "For" or "Against" a resolution. The "Discretionary" option is provided to enable you to give discretion to your proxy to vote or abstain from

voting on a particular resolution as he or she thinks fit.

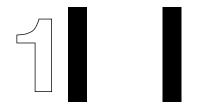
7. In accordance with the permission in Regulation 41 of the Uncertificated Securities Regulations 1001 (S1 2001 No. 3755), only those holders of ordinary shares who are registered on the Company's share register at 18.00 pm on 14 December 2008 shall be entitled to attend the above AGM (or 18.00 pm on 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 pm on 14 December 2008 shall be disregarded in determining the rights of any person to

attend and/or vote at the AGM

- 8. This Proxy Form must be signed by the shareholder or his/her attorney. Where the shareholder is a corporation, the signature must be under seal or signed by a duly authorised representative stating their capacity (e.g. Director, secretary). In the case of joint shareholders, any one shareholder may sign this Proxy Form or may vote in person at the 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.
- 9. 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.

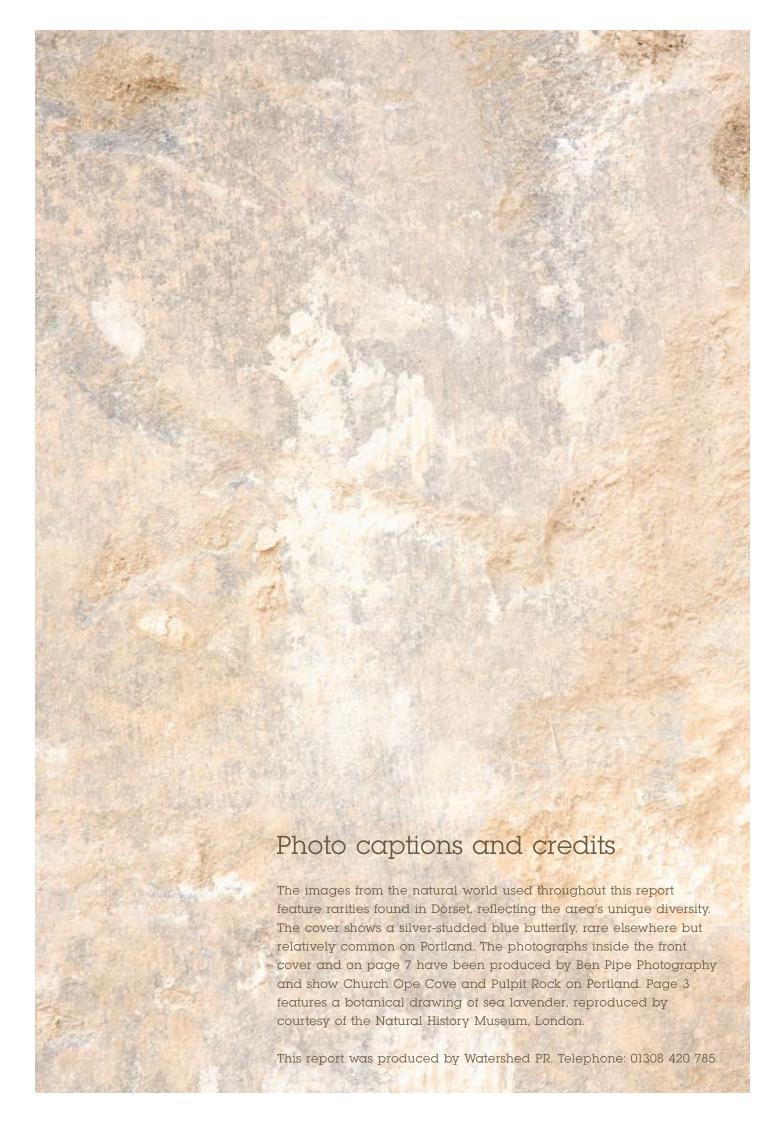
3rd Fold and tuck in

BUSINESS REPLY SERVICE Licence No. MB 122



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

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