

Private & Confidential

6409712

Dated 7 November 2007

EGDON RESOURCES PLC (1)

and

NEW EGDON PLC (2)

and

NEW PORTLAND PLC (3)

THURSDAY



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COMPANIES HOUSE

DEMERGER AGREEMENT

CERTIFIED TRUE COPY

NORTON ROSE

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CFD-#5589613-v1

Date 5/12/2007

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THIS AGREEMENT is made on **7** November 2007 **BETWEEN**

- (1) **Egdon Resources Plc**, a public limited company registered in England and Wales with registered number 03424561 whose registered office is at Suite 2, 90-96 High Street, Odiham, Hampshire RG29 1LP ("**Egdon**"),
- (2) **New Egdon PLC**, a public limited company registered in England and Wales with registered number 6409716 whose registered office is at Suite 2, 90-96 High Street, Odiham, Hampshire RG29 1LP ("**New Egdon**"), and
- (3) **New Portland PLC**, a public limited company registered in England and Wales with registered number 6409712 whose registered office is at Blackstable House, Longridge, Sheepscot, Stroud, Gloucestershire GL6 7QX ("**New Portland**")

WHEREAS

- (A) Egdon has announced its intention to insert a new holding company, New Egdon, above Egdon by way of scheme of arrangement and reduction of capital and to demerge its Gas Storage Business to form a new and separate group, the holding company of which is to be New Portland
- (B) Following the Scheme of Arrangement becoming effective, New Egdon will become the holding company of Egdon and its subsidiaries. It is proposed that Egdon will distribute its subsidiary Portland Gas Limited ("**Portland Gas**") to New Egdon prior to the transactions referred to in recital (C) taking place
- (C) Following the transfer referred to in recital (B) taking place, and pursuant to a reduction of capital of New Egdon, it is intended that New Egdon will transfer Portland Gas to New Portland in consideration for which New Portland will allot and issue, credited as fully paid up, the Demerger Shares to the Egdon Shareholders subject to the terms of this agreement
- (D) The parties wish to record certain terms upon which it is intended that the transactions referred to in recital (C) will be effected and upon which relations between them and their respective subsidiaries shall be governed subject to and following Completion

NOW IT IS HEREBY AGREED as follows

1 Interpretation

1.1 Definitions

In this Agreement unless the context otherwise requires

"**Act**" means the Companies Act 1985,

"**Admission**" means admission to trading on AIM becoming effective in accordance with the AIM Rules,

"**agreed form**" means a document listed in Schedule 7 and in the form initialled for the purpose of identification by any person so authorised on behalf of each of New Egdon and New Portland on or prior to the execution of this Agreement, subject to any changes which any of the parties may agree,

"**AIM**" means AIM, a market operated by London Stock Exchange,

"**AIM Companies Rules**" means the provisions of AIM Rules for Companies published by London Stock Exchange (as amended or reissued from time to time),

"AIM Nomad Rules" means the provisions of AIM Rules for Nominated Advisers published by London Stock Exchange (as amended or reissued from time to time),

"AIM Rules" means together, the AIM Companies Rules and AIM Nomad Rules,

"Business Day" means a day (not being a Saturday or Sunday) when clearing banks are open for business in London for the transaction of normal banking business,

"certificated" or "in certificated form" means where a share or other security is not in uncertificated form,

"Certificated Holder" means an Egdon Shareholder who holds Egdon Shares in certificated form,

"Circular" means the circular in the agreed form to be dated on or around 9 November 2007 to be sent to the shareholders of Egdon and incorporating a notice of an extraordinary general meeting of Egdon expected to be held on 6 December 2007 in relation to the approval of the Scheme of Arrangement and the Demerger,

"Claim" has the meaning ascribed to it in Clause 4 1,

"Connected Person" means, in the case of New Portland, the Gas Storage Group Companies (or any of them) and any of such companies' directors, officers or employees and, in the case of New Egdon, the O&G Group Companies (or any of them) and any of such companies' directors, officers or employees,

"Costs" means reasonable costs, losses, charges and out of pocket expenses including, without limitation, the reasonable costs of advisers (including, without limitation, legal advisers), in each case of any nature whatsoever,

"Court" means the High Court of Justice in England and Wales,

"CRESTCo" means CRESTCo Limited,

"CREST System" means the settlement system operated by CRESTCo,

"Default Rate" means the rate of interest provided for in clause 16 8, from time to time,

"Demerger" means the proposed transfer of Portland Gas by New Egdon to New Portland pursuant to the New Egdon Capital Reduction and in accordance with clause 3,

"Demerger Effective Time" means the time at which the New Egdon Capital Reduction becomes effective, expected to be 7 30 a m on 16 January 2008,

"Demerger Record Time" means 6 00 a m on the date on which the Demerger becomes effective, expected to be 16 January 2008,

"Demerger Shares" means the New Portland Shares to be allotted and issued, credited as fully paid up, to the New Egdon Shareholders in accordance with clause 3 1,

"Egdon Shareholders" means the holders of Egdon Shares,

"Egdon Shares" means ordinary shares of 1p each in Egdon,

"Guarantee" means any guarantee, indemnity, bond, suretyship, letter of comfort or other assurance or security given or undertaken by a person to secure or support the obligations (actual or contingent) or any other person and whether given directly or by way of counter-indemnity to any other person who has provided a Guarantee,

"Gas Storage Business" means the business of developing facilities for the underground storage of natural gas carried on within the Gas Storage Group,

"Gas Storage Group" means New Portland and those companies which will be its subsidiaries immediately following the Demerger Effective Time,

"Gas Storage Group Company" means any member of the Gas Storage Group,

"Gas Storage Side Liability" has the meaning ascribed to it in Schedule 1,

"Gas Storage Subsidiaries" means Portland Gas and its subsidiaries,

"London Stock Exchange" means London Stock Exchange plc,

"New Egdon Admission Document" means the document in the Agreed Form proposed to be issued in connection with the admission of New Egdon shares to AIM,

"New Egdon Capital Reduction" means the reduction of capital of New Egdon proposed to take place on 16 January 2008 as more particularly described in the Circular,

"New Egdon CREST Instruction" means the issuer instruction to credit the New Egdon Shares to accounts maintained by Uncertificated Holders within the CREST system,

"New Egdon Indemnified Persons" means each of the O&G Group Companies and each of their respective directors, officers and employees and **"New Egdon Indemnified Person"** means any of the foregoing,

"New Egdon Shareholders" means the holders of New Egdon Shares,

"New Egdon Shares" means the ordinary shares of 230p each in New Egdon to be issued to Egdon Shareholders pursuant to the Scheme of Arrangement,

"New Portland Admission Document" means the document in the Agreed Form proposed to be issued in connection with the admission of New Portland Shares to AIM,

"New Portland CREST Instruction" means the issuer instruction to credit the Demerger Shares to accounts maintained by Uncertificated Holders within the CREST System,

"New Portland Indemnified Persons" means each of the Gas Storage Group Companies and each of their respective directors, officers and employees and **"New Portland Indemnified Person"** means any of the foregoing,

"New Portland Shares" means the ordinary shares of 1 pence each in the capital of New Portland,

"Portland Gas Shares" means the whole of the issued share capital of Portland Gas,

"O&G Business" means the business of exploration and production of oil and gas carried on within the O&G Group,

"O&G Group" means New Egdon and the companies which will be its subsidiaries immediately following the Demerger Effective Time,

"O&G Group Company" means any member of the O&G Group,

"O&G Side Liability" has the meaning ascribed thereto in Schedule 1,

"Public Documents" means the Circular, the New Egdon Admission Document and the New Portland Admission Document,

"Regulatory Authority" means any relevant government, governmental, supranational, competition, antitrust, supervisory, trade, regulatory or environmental agency, body or authority, in each case in any jurisdiction, including the UK Listing Authority and any Taxation Authority,

"Scheme Effective Time" means the time at which the Scheme of Arrangement becomes effective, expected to be at or around 7 00 a m on 15 January 2008,

"Scheme of Arrangement" means the Scheme of Arrangement between Egdon and Egdon Shareholders pursuant to section 425 of the Companies Act 1985, whereby existing Egdon shares will be cancelled and Egdon Shareholders will be issued with New Egdon shares,

"Taxation Authority" has the meaning set out in Schedule 6,

"uncertificated" or "in uncertificated form" means recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST, and title to which, by virtue of the Uncertificated Securities Regulations 2001, may be transferred by means of CREST,

"Uncertificated Holder" means an Egdon Shareholder who holds Egdon Shares in uncertificated form

- 1 2 References to a statutory provision include any subordinate legislation made from time to time under that provision
- 1 3 The Interpretation Act 1978 shall apply to this Agreement in the same way as it applies to an enactment
- 1 4 References to a statutory provision include that provision as from time to time modified or re-enacted before the date of this Agreement so far as such modification or re-enactment applies or is capable of applying to any transactions entered into in accordance with this Agreement and (so far as liability thereunder may exist or can arise) shall also include any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced provided that nothing in this clause 1 4 shall operate to increase the liability of any party beyond that which would have existed had this clause 1 4 been omitted
- 1 5 The words **"company"**, **"holding company"** and **"subsidiary"** shall have the same meanings in this Agreement as in the Companies Act 1985 as modified by the Companies Act 1989
- 1 6 References to this Agreement include its Schedules and this Agreement as from time to time amended and references to Schedules, clause and sub-clauses are to Schedules, clauses and sub-clauses of this Agreement
- 1 7 Headings shall be ignored in construing this Agreement
- 1 8 References to times of day are to London time unless otherwise stated
- 1 9 References in this Agreement (including the definitions in Clause 1 1) to the singular include the plural and vice versa

2 Condition Precedent

- 2 1 The obligations of the parties in this Agreement (save in respect of clause 2 1) are conditional on the Scheme of Arrangement becoming effective on or before 15 January 2008 or such later date (being not later than 30 April 2008) as the directors of Egdon may determine
- 2 2 The parties agree to use all reasonable endeavours to ensure the satisfaction of the condition in clause 2 1

- 2 3 If the condition in clause 2 1 is not satisfied or waived on or before 30 April 2008 or such other date as the parties may agree, this Agreement shall lapse and no party shall have any claim against any other under it

3 Transfer of Portland Gas and issue of the Demerger Shares

- 3 1 With effect from and upon the Demerger Effective Time, New Egdon shall transfer to New Portland the Portland Gas Shares with full title guarantee and together with all rights, benefits and advantages attaching thereto by delivering to New Portland or as it may direct duly executed transfers of the Portland Gas Shares in favour of New Portland or as it may direct accompanied by the relevant share certificates, in consideration for which New Portland shall allot to the New Egdon Shareholders entitled to receive the Demerger Shares, credited as fully paid and ranking *pari passu* in all respects, one Demerger Share for each fully paid New Egdon Share held by them at the Demerger Record Time and shall procure that each Demerger Share so allotted shall immediately be registered in the names of the New Egdon Shareholders respectively entitled thereto provided that the number of Demerger Shares allotted to any New Egdon Shareholders who hold New Portland Shares as at the Demerger Effective Time shall be reduced by the number of New Portland Shares held by them
- 3 2 New Egdon shall provide New Portland with the names and addresses of the New Egdon Shareholders who are entitled to receive the Demerger Shares in time to enable New Portland to comply with its obligations under clause 3 1
- 3 3 New Portland shall procure (in each case as set out in the Circular) that (i) definitive share certificates in respect of the Demerger Shares will be despatched to those Certificated Holders entitled thereto, and (ii) the New Portland CREST Instruction is sent so as to credit the Demerger Shares to the accounts maintained in the CREST System by Uncertificated Holders entitled thereto to take effect as soon as practicable following Admission of the New Portland Shares
- 3 4 New Egdon shall procure (in each case as set out in the Circular) that (i) definitive share certificates in respect of the New Egdon Shares will be despatched to those Certificated Holders entitled thereto, and (ii) the New Egdon CREST Instruction is sent so as to credit the New Egdon Shares to the accounts maintained in the CREST System by Uncertificated Holders entitled thereto to take effect as soon as practicable following Admission of the New Egdon Shares
- 3 5 Pending registration of the Portland Gas Shares in the name of New Portland or its nominees New Egdon will hold the Portland Gas Shares as nominee for New Portland and will exercise the voting and other rights attaching thereto in such manner as New Portland shall from time to time direct
- 3 6 The allotment and issue by New Portland of the Demerger Shares pursuant to clause 3 1 to the New Egdon Shareholders entitled to receive the Demerger Shares shall extinguish any obligation on New Portland to issue any further shares in the capital of New Portland to any holder of any shares or other securities in New Egdon (whether such person shall have been a holder before or after the Demerger Record Time) in connection with the transfer of the Portland Gas Shares by New Egdon to New Portland

4 Indemnities

- 4 1 Subject as provided in this clause 4, and with effect from the Demerger Effective Time, New Portland undertakes to New Egdon (for itself and on trust for each of the other New Egdon Indemnified Persons) to keep fully and effectively indemnified and hold harmless New Egdon or the relevant New Egdon Indemnified Person (on demand and on an after tax basis), from and against all or any claims (whether or not successful, compromised or settled), actions, liabilities, demands, proceedings or judgements (each a "Claim") asserted or established against New Egdon or the relevant New Egdon Indemnified Person in any jurisdiction and against all associated Costs, to the extent the same arises, directly or indirectly, from

4 1 1 any Guarantee provided by any member of the O&G Group in respect of the obligations of any member of the Gas Storage Group pending its release in accordance with clause 6,

4 1 2 any Gas Storage Side Liability,

4 1 3 any allegation that information relating to the Gas Storage Business contained in

(a) the Public Documents or any of them, or

(b) any other document published, or statement or announcement made, by any New Egdon Indemnified Person, before the Demerger Effective Time which was approved by New Portland or any of its directors in advance of its publication or before it is made,

was untrue, inaccurate, incomplete, misleading or not based on reasonable grounds or that the Public Documents or any such other document, statement or announcement did not contain or fairly present, all information relating to the Gas Storage Business required to be contained therein,

4 1 4 the breach by New Portland of any of its obligations under this Agreement, and

4 1 5 the costs apportioned to New Portland pursuant to clause 10

provided that neither Egdon nor any other New Egdon Indemnified Person shall be entitled to any indemnity under this clause 4 1 for any Claim or Cost to the extent that it results, directly or indirectly, from

(a) the failure by Egdon or New Egdon to reflect accurately and in a manner which was not (by omission or otherwise) misleading in the Circular or the New Egdon Admission Document information relating to the Gas Storage Business provided by any Gas Storage Group Company,

(b) the failure by Egdon, New Egdon or the relevant New Egdon Indemnified Person to delete or correct any information after being requested to do so by any Gas Storage Group Company, or

(c) the negligent, wilful default or fraud of the relevant New Egdon Indemnified Person or any O&G Group Company

and provided that no person shall be entitled to be indemnified under clause 4 1 3 if he is a director of New Portland at the time the relevant document, statement or announcement is published or made

4 2 Subject as provided in this clause 4, and with effect from the Demerger Effective Time, New Egdon undertakes to New Portland (for itself and on trust for each of the other New Portland Indemnified Persons) to keep fully and effectively indemnified and hold harmless New Portland or the relevant New Portland Indemnified Person (on demand and on an after-tax basis), from and against all or any Claims asserted or established against New Portland or the relevant New Portland Indemnified Person in any jurisdiction and against all associated Costs, to the extent the same arises, directly or indirectly, from

4 2 1 any Guarantee provided by any member of the Gas Storage Group in respect of the obligations of any member of the O&G Group pending its release in accordance with clause 6,

4 2 2 any O&G Side Liability,

4 2 3 any allegation that information relating to the Demerger or the O&G Business contained in

(a) the Public Documents or any of them, or

- (b) any other document published, or statement or announcement made, by any New Portland Indemnified Person, before the Demerger Effective Time which was approved by New Egdon or Egdon or any of their directors in advance of its publication or before it is made,

was untrue, inaccurate, incomplete, misleading or not based on reasonable grounds or that the Public Documents or any such other document, statement or announcement did not contain or fairly present, all information relating to the Demerger or the O&G Business required to be contained therein,

4 2 4 the breach by New Egdon of any of its obligations under this Agreement,

4 2 5 the Costs apportioned to New Egdon pursuant to clause 10,

provided that neither New Portland nor any other New Portland Indemnified Person shall be entitled to any indemnity under this clause 4 2 for any Claim or Cost to the extent that it results, directly or indirectly, from

- (a) the failure by New Portland to reflect accurately and in a manner which was not (by omission or otherwise) misleading in the New Portland Admission Document information relating to the O&G Business provided by any O&G Group Company,
- (b) the failure by New Portland or the relevant New Portland Indemnified Person to delete or correct any information after being requested to do so by any O&G Group Company, or
- (c) the negligence, wilful default or fraud of the relevant New Portland Indemnified Person or any Gas Storage Group Company

and provided that no person shall be entitled to be indemnified under clause 4 2 3 if he is a director of Egdon or New Egdon at the time the relevant document, statement or announcement is published or made

5 Inter-Company Indebtedness

The parties shall give effect to the provisions set out in Schedule 2

6 Release of Guarantees and Undertakings

- 6 1 With effect from the Demerger Effective Time, New Portland, acting in good faith, shall use all reasonable endeavours, including incurring costs and making expenditure where reasonable to do so, to obtain the full and effective release of the relevant O&G Group Company from each of the Guarantees listed in Part A of Schedule 3 and from any further Guarantees provided by any member of the O&G Group Company in respect of obligations of any member of the Gas Storage Group
- 6 2 With effect from the Demerger Effective Time, New Egdon, acting in good faith, shall use all reasonable endeavours, including incurring costs and making expenditure where reasonable to do so, to obtain the full and effective release of the relevant Gas Storage Group Company from each of the Guarantees listed in Part B of Schedule 3 and from any further Guarantees provided by any member of the Gas Storage Group in respect of obligations of any member of the O&G Group,

7 Insurance

The provisions of Schedule 4 shall have effect from the Demerger Effective Time

8 Wrong Pocket Provisions

- 8 1 If and to the extent that, any asset including cash which relates or is attributable, exclusively, to the Gas Storage Business is, following the Demerger Effective Time, held or received by a O&G Group Company (referred to in this clause 8 1 as the "O&G Group Holder") then New Egdon shall
- 8 1 1 procure that the O&G Group Holder shall execute all such agreements or documents as may be necessary for the purpose of transferring the relevant interest in such asset to such Gas Storage Group Company as New Portland may request in writing and
- (a) if the asset is included in the combined financial information of the O&G Group for the period ended 31 July 2007 contained in the New Egdon Admission Document then New Portland shall, unless and to the extent
- (i) it or another Gas Storage Group Company has already paid an amount in respect of the purchase thereof, or
- (ii) the asset is also included in the combined financial information of the Gas Storage Group contained in the New Portland Admission Document,
- pay (on behalf of the relevant Gas Storage Group Company) the book value of such asset as at the Demerger Effective Time (adjusted for any subsequent depreciation) to New Egdon (on behalf of the O&G Group Holder) together with any applicable Value Added Tax chargeable on such supply, or
- (b) if the asset (or part thereof) is not included in such financial information in the New Egdon Admission Document or if Sub-clauses 8 1 1(a)(i) or (a)(ii) apply, it shall be transferred at no additional charge, and
- 8 1 2 do all such further acts or things as may be necessary validly to effect the transfer and vest the relevant interest in such asset in the relevant Gas Storage Group Company, including, where necessary, by New Egdon making (or procuring that there is made) any payment (or additional payment) to the O&G Group Holder necessary to ensure that the transfer is lawful,
- provided that if any third party consent or approval is required for the transfer of a particular asset to be effective or lawful then
- (a) New Egdon shall, and shall procure that any relevant O&G Group Holder shall, use its reasonable endeavours to obtain that consent or approval as soon as reasonably practicable, and
- (b) pending such consent or approval being given, New Egdon shall ensure that the O&G Group Holder shall, where permitted by the terms on which the O&G Group Holder has the right to such asset, hold the asset, and any monies, goods or other benefits arising after the Demerger Effective Time by virtue of it, as agent of and trustee for the relevant Gas Storage Group Company and allow the relevant Gas Storage Group Company to have full enjoyment and use of such asset and New Egdon shall ensure that the O&G Group Holder will promptly on receipt pay or deliver such monies, goods or other benefits to the relevant Gas Storage Group Company
- 8 2 If, and to the extent that, any asset including cash which relates or is attributable exclusively, to the O&G Business is, following the Demerger Effective time, held by a Gas Storage Group Company (referred to in this clause 8 2 as the "Gas Storage Group Holder"), then New Portland shall
- 8 2 1 procure that the Gas Storage Group Holder shall execute all such agreements or documents as may be necessary for the purpose of transferring the relevant interest in such asset or part thereof to such O&G Group Company as New Egdon may request in writing and

- (a) if the asset is included in the combined financial information of the Gas Storage Group for the period ended 31 July 2007 contained in the New Portland Admission Document then New Egdon shall, unless and to the extent

- (i) it or another O&G Group Company has already paid an amount in respect of the purchase thereof, or
- (ii) the asset is also included in the combined financial information of the O&G Group contained in the New Egdon Admission Document,

pay (on behalf of the relevant O&G Group Company) the book value of such asset as at the Demerger Effective Time (adjusted for any subsequent depreciation) to New Portland (on behalf of the Gas Storage Group Holder) together with any applicable Value Added Tax chargeable on such supply, or

- (b) if the asset is not included in such financial information in the New Portland Admission Document or if sub-clauses 8.2.1(a)(i) or (a)(ii) apply it shall be transferred at no additional charge, and

8.2.2 do all such further acts or things as may be necessary validly to effect the transfer and vest the relevant interest in such asset in the relevant O&G Group Company including, where necessary, by New Portland making (or procuring that there is made) any payment (or additional payment) to the Gas Storage Group Holder necessary to ensure that the transfer is lawful,

provided that if any third party consent or approval is required for the transfer of a particular asset to be effective or lawful then

- (a) New Portland shall, and shall procure that any relevant Gas Storage Group Holder shall, use its reasonable endeavours to obtain that consent or approval as soon as reasonably practicable, and
- (b) pending such consent or approval being given, New Portland shall use its reasonable endeavours to ensure that the Gas Storage Group Holder shall, where permitted by the terms on which the Gas Storage Group Holder has the right to such asset, hold the asset, and any monies, goods or other benefits arising after the Demerger Effective Time by virtue of it, as agent of and trustee for the relevant O&G Group Company and allow the relevant O&G Group Company to have full enjoyment and use of such asset and New Portland shall ensure that the Gas Storage Group Holder will promptly on receipt pay or deliver such monies, goods or other benefits to the relevant O&G Group Company

8.3 Any other Costs ancillary to the transfer of the relevant assets under clause 8.1 and 8.2 above shall be split equally between New Egdon and New Portland on an after tax basis

9 Confidential Information and Trade Names

9.1 Each of New Egdon and New Portland shall (and shall procure that, in the case of New Egdon, each O&G Group Company shall and, in the case of New Portland, each Gas Storage Group Company shall)

9.1.1 keep confidential all information, whether in written or any other form, which has been disclosed to it (whether before or after the date of this Agreement but prior to the Demerger Effective Time or, in relation to information disclosed pursuant to clause 12, whether before or after the Demerger Effective Time) by or on behalf of the other or by a O&G Group Company or an Gas Storage Group Company, as the case may be, in confidence or which by its nature ought to be regarded as confidential (including, without limitation, any information relating to the customers, business, assets, trade secrets, affairs of or other business information relating to that other party or a O&G Group Company of an Gas Storage Group Company, as the case may be), and

9 1 2 procure that its officers, employees and representatives and, in the case of New Egdon, those of the other O&G Group Companies and, in the case of New Portland, those of the other Gas Storage Group Companies, keep secret and treat as confidential all such information

9 2 Clause 9 1 does not apply to information

9 2 1 which is disclosed to an officer, employee, representative or professional adviser of, in the case of New Egdon, a member of the O&G Group and, in the case of New Portland, a member of the Gas Storage Group, who reasonably requires the information for the proper performance of his duties,

9 2 2 which shall after the date of this Agreement become published or otherwise generally available to the public, except in consequence of a wilful or negligent act or omission by any other party to this Agreement in contravention of the obligations in clause 9 1,

9 2 3 to the extent made available to the recipient by a third party who is entitled to divulge such information and who is not under any obligation of confidentiality in respect of such information to any other party or which has been disclosed under an express statement that it is not confidential,

9 2 4 to the extent disclosed in the Public Documents (or contained in documents put on display in connection with Admission of the New Egdon Shares or the New Portland Shares) or to the extent required to be disclosed by any law or by any recognised stock exchange or governmental or other Regulatory Authority or supervisory body or authority of competent jurisdiction to whose rules the person making the disclosure is subject, whether or not having the force of law, provided that the person disclosing the information shall take all reasonable steps to consult with the other parties in advance as to the form, content and timing of the disclosure and shall take all reasonable action to avoid and limit such disclosure,

9 2 5 which has been independently developed by the recipient, to the extent that the information was acquired otherwise than in breach of clause 9 2,

9 2 6 which, in order to perform its obligations under or pursuant to this Agreement, any party is required to disclose to a third party,

9 2 7 disclosed to any applicable Taxation Authority either to the extent required by a legal obligation or to the extent reasonably required to assist the settlement of the disclosing party's tax affairs or those of any of its shareholders or any other person under the same control as the disclosing party, or

9 2 8 which the recipient can prove was already known to it before its receipt from the disclosing party and in relation to which it was not subject to an obligation of confidentiality, or

9 2 9 which is permitted to be disclosed in accordance with the terms of this Agreement or as agreed in writing by New Egdon and New Portland,

provided that New Egdon or New Portland, as appropriate, shall procure that any person receiving information in accordance with clauses 9 2 1 and/or 9 2 6 shall be informed that such information is confidential and New Egdon or New Portland, as appropriate, shall use its reasonable endeavours to procure that such person keeps secret and treats as confidential all such information

9 3 The provisions of this clause 9 shall survive any termination of this Agreement

10 Costs

The costs incurred in connection with the Demerger shall be apportioned as the parties may agree in writing prior to the Demerger Effective Time

11 Disputes

- 11 1 Subject to clause 11 2, the parties agree that the terms of Schedule 5 shall apply to any dispute, controversy or claim ("**Dispute**") arising out of or in connection with this Agreement
- 11 2 For the avoidance of doubt, the parties agree that nothing in this clause 11 or Schedule 5 shall prevent or otherwise limit the parties (or any of them) from taking any and all necessary steps (including, but not limited to, the commencement and pursuit of proceedings of any nature) in relation to or for the purposes of the pursuit and/or securing of any form of interim or injunctive relief

12 Co-operation and Further Assurances

- 12 1 Each of the parties agree that it and each of its subsidiaries shall, and shall use their reasonable endeavours to ensure that any necessary third party shall, execute such documents and do such acts and things as any other party may reasonably require for the purpose of giving to that other party the full benefit of all the provisions of this Agreement and the implementation of the transactions and other matters contemplated by this Agreement
- 12 2 In respect of any financial period ending after the Demerger Effective Date in relation to which any O&G Group Company is required by statute, regulation or otherwise to report any information (of a financial or non-financial operating nature) relating to any Gas Storage Group Company or to the Gas Storage Business for the purpose of financial reports and accounts, management or regulatory accounts, New Portland shall to the extent necessary to enable the relevant O&G Group Company to comply with such requirements
 - 12 2 1 permit (and use reasonable endeavours to procure that each Gas Storage Group Company shall permit) New Egdon's auditors to have access at reasonable times and upon reasonable notice to the auditors and management of any Gas Storage Group Company as they may reasonably require for the purposes of preparing any consolidated accounts of New Egdon in respect of any such financial period subject to any reasonable requirements which may be imposed by the auditors of such Gas Storage Group Company being met,
 - 12 2 2 upon reasonable notice, provide (and use reasonable endeavours to procure that each Gas Storage Group Company provides) to New Egdon such financial information and non-financial operating data (including in relation to any relevant Gas Storage Group Company) as may be reasonably requested by New Egdon for the purpose of preparing its consolidated accounts in respect of any such financial period, and
 - 12 2 3 upon reasonable notice, provide (and use reasonable endeavours to procure that each Gas Storage Group Company shall provide) to New Egdon such financial and other information as may be reasonably requested by New Egdon for the purpose of complying with any request by or requirement of a Regulatory Authority
- 12 3 In respect of any financial period ending after the Demerger Effective Date in relation to which any Gas Storage Group Company is required by statute, regulation or otherwise, to report any information (of a financial or non-financial operating nature) relating to any O&G Group Company or the business of the O&G Group for the purpose of financial reports and accounts or management accounts, New Egdon shall to the extent necessary to enable the relevant Gas Storage Group Company to comply with such requirements
 - 12 3 1 permit (and use reasonable endeavours to procure that each O&G Group Company shall permit) the auditors of New Portland to have access at reasonable times and upon reasonable notice to the auditors and management of any O&G Group Company as they may reasonably require for the purposes of preparing any consolidated accounts of New Portland in respect of any such financial period subject to any reasonable requirements which may be imposed by the auditors of such O&G Group Company being met,
 - 12 3 2 upon reasonable notice, provide (and use reasonable endeavours to procure that each O&G Group Company provides) to New Portland such financial information and non-financial

operating data (including in relation to any relevant O&G Group Company) as may be reasonably requested by New Portland for the purpose of preparing its consolidated accounts in respect of any such financial period, and

- 12 3 3 upon reasonable notice, provide (and to procure that each O&G Group Company shall provide) to New Portland such financial and other information as may be reasonably requested by New Portland for the purpose of complying with any request by or requirement of a Regulatory Authority
- 12 4 New Egdon and New Portland shall respectively use all reasonable endeavours to co-operate with each other for the purpose of co-ordinating the content and timing of all announcements of their respective interim results for the period ending 31 January 2008. Each party will afford the other a reasonable prior opportunity to review and comment on a draft of the financial results to be contained in such announcements and interim and annual results (in each case only in so far as they relate to the financial and/or operational results of the other) before the same is released and will in good faith give due consideration, so far as it may properly and lawfully do so, to any comments by the other party
- 12 5 In addition to the information referred to in clauses 12 2, 12 3 and 12 4, New Egdon and New Portland recognise that O&G Group Companies may have in their possession documentation and data (including information and data held on tape, microfiche, computer disk or in electronic form) that belongs, or substantially relates, to Gas Storage Group Companies (and vice versa) ("**Relevant Data**"), and agree to co-operate in good faith to assist one another in procuring prompt and unrestricted access during normal business hours (unless otherwise agreed) to such Relevant Data and to allow the other to use such Relevant Data, solely
- 12 5 1 to the extent reasonably necessary to deal with any of the commercial affairs as they are carried on as at the Demerger Effective Date of the relevant Gas Storage Group Company or O&G Group Company, as the case may be, or
- 12 5 2 for the purposes of complying with statutory or regulatory obligations or an order of any court of competent jurisdiction or where required for disclosure to any Regulatory Authority to whose jurisdiction the relevant Gas Storage Group Company or O&G Group Company, as the case may be, is or becomes subject, or
- 12 5 3 to the extent that the relevant Gas Storage Group Company or O&G Group Company, as the case may be, has a reasonable requirement for such access or questioning (and provides a written explanation of the basis of this requirement to the Gas Storage Group Company or O&G Group Company in possession of the Relevant Data) and the Gas Storage Group Company or O&G Group Company, as the case may be, in possession of the Relevant Data gives its consent (such consent not to be unreasonably withheld) in writing to such access or questioning,
- provided that nothing in this clause 12 5 shall oblige any O&G Group Company or Gas Storage Group Company to breach any contract or duty of confidence or disclose any Relevant Data to the extent that such disclosure may be materially damaging or materially prejudicial to the business of the disclosing person or to breach any law or regulation (including the Data Protection Directive 95/46/EC relating to personal data)
- 12 6 Subject to clause 12 5, each of New Egdon and New Portland will provide or use its reasonable endeavours to procure the provision of access to the Relevant Data on reasonable notice during normal business hours (unless otherwise agreed) to, and only to, representatives of the other whose identity has been notified to it from time to time as the other may reasonably require and will, promptly upon request
- 12 6 1 provide, or use its reasonable endeavours to procure the provision of, copies (certified if reasonably practicable and where requested) of the Relevant Data, or
- 12 6 2 make available, or use its reasonable endeavours to procure that the same is made available, the Relevant Data for copying after which it shall promptly be returned, or

- 12 6 3 where such Relevant Data is in documentary form, make available, or use its reasonable endeavours to procure that the same is made available, such original documents as are required for the purpose of litigation

Copies provided pursuant to clause 12 6 1 shall be without charge to the requesting party, provided that if the frequency of such requests and the volume of material requested is such that the party so requested considers it appropriate, it shall be entitled to charge at cost for the copying involved

- 12 7 If either New Egdon or New Portland considers that any of the Relevant Data belongs or relates exclusively to a O&G Group Company or an Gas Storage Group Company, as the case may be, and it or the relevant O&G Group Company or Gas Storage Group Company, as the case may be, no longer wishes to continue to store it (or to store it without charge) it shall notify the other so that arrangements can be made for such Relevant Data to be delivered to the other or to continue to be stored on such charging basis as each of New Egdon and New Portland may from time to time agree
- 12 8 Each of New Egdon and New Portland shall use their respective reasonable endeavours to ensure that, before any O&G Group Company or Gas Storage Group Company, as the case may be, destroys any Relevant Data, it shall notify the other of such intention, giving reasonably adequate time to enable the other to consider whether or not it wishes, at its cost, to take delivery of such Relevant Data
- 12 9 Neither New Egdon nor New Portland nor any of their respective Connected Persons shall be responsible to the other or to the other Connected Persons
- 12 9 1 for loss or damage to Relevant Data which is in the possession of a O&G Group Company or an Gas Storage Group Company, as the case may be, where such loss or damage occurs as a result of events or circumstances beyond its or the relevant O&G Group Company's or Gas Storage Group Company's as the case may be, control and which are not attributable to negligence or wilful default on its or the relevant O&G Group Company's or Gas Storage Group Company's, as the case may be, part, or
- 12 9 2 for any loss or damage suffered or incurred by any Gas Storage Group Company or O&G Group Company (respectively) as a result of their respective use of Relevant Data provided, disclosed or otherwise made accessible pursuant to clause 12 5
- 12 10 The provisions of this clause 12 shall be without prejudice to the provisions of Schedule 6 and in the case of any inconsistency the provisions of Schedule 6 shall apply

13 Taxation

The provisions of Schedule 6 shall have effect from the Demerger Effective Date

14 No Warranties

- 14 1 This Agreement sets out the entire agreement and understanding between the parties in respect of the subject matter of this agreement
- 14 2 The parties agree that
- 14 2 1 no party (nor any of its Connected Persons) has entered into this agreement in reliance upon any representation or warranty of any other party (or any of its Connected Persons),
- 14 2 2 no party (nor any of its Connected Persons) has entered into this agreement in reliance upon any undertaking of any other party (or any of its Connected Persons) which is not expressly set out or referred to in this Agreement,

14 2 3 this clause 14 shall not exclude any liability for, or remedy in respect of, fraudulent misrepresentation by a party (or any of its Connected Persons), and

14 2 4 save as expressly set out in this agreement or in any other agreement or document referred to in this agreement, no party (nor any Connected Person) shall owe any duty of care to another party (or any of its Connected Persons) in connection with the transactions and agreements contemplated by this agreement

14 3 Except in the event of fraudulent misrepresentation, each party agrees that this Agreement shall not be capable of unilateral rescission by any party, whether before or after the Demerger Effective Time

14 4 Each party contracts in this clause 14 on its own behalf and as agent for each of its Connected Persons Each Connected Person which contracts through the agency of a party may enforce this clause 14 directly against any of the parties and/or any Connected Person

15 Notices

15 1 Save as otherwise provided in this agreement, any notice, demand or other communication to be served under this agreement shall be in writing and shall be served upon any party hereto only by posting by first class post or delivering the same to its address given or referred to in this clause 15 or sending the same by facsimile transmission to the number given in this clause 15 for the addressee or at such other address or number as he or it may from time to time notify in writing in accordance with this clause 15 to the other parties hereto

15 2 A notice or demand served by first class post shall be deemed duly served on an addressee in the same country forty-eight hours (disregarding days which are not Business Days) after posting, and a notice or demand delivered personally or sent by facsimile transmission shall be deemed duly served at the time of delivery or transmission (save that if the delivery or transmission occurs after 6 00 pm on a Business Day or on a day which is not a Business Day the notice or demand shall be deemed duly served at 9 00 am on the next Business Day following delivery or transmission) and in proving service of the same it will be sufficient to prove, in the case of a letter, that such letter was left at or delivered to the correct address of the party to be served as provided in this agreement or in the case of properly stamped or franked first class post, addressed to the address of the party to be served given in this clause 15 and placed in the post and, in the case of a facsimile transmission, that such facsimile was duly transmitted to the number of the party to be served given in this clause 15 and an electronic acknowledgement was received

15 3 All notices, demands or other communications given under this agreement, shall be given to the following addresses and numbers (or to such other addresses and numbers as any of the parties may notify in writing to each of the others from time to time)

If to New Egdon
New Egdon PLC
Suite 2
90-96 High Street
Odiham
Hampshire RG29 1LP

Telephone Number 01256 702 292

For the attention of Mark Abbott

If to New Portland New Portland PLC
Blackstable House
Longridge
Sheepscombe
Stroud
Gloucestershire GL6 7QX

Telephone Number 0208 332 1200

For the attention of Andrew Hindle

16 Miscellaneous

- 16 1 No failure or delay by any party in exercising any right or remedy provided by law under or pursuant to this Agreement shall impair such right or remedy or operate as or be construed as a waiver or variation of it or preclude its exercise at any subsequent time and no single or partial exercise of any such right or remedy shall preclude any other or further exercise of it or the exercise of any other right or remedy in respect of any other or further failure whether of a like or different character
- 16 2 No variation of this Agreement shall be valid unless it is in writing and signed by or on behalf of the parties to it
- 16 3 If and to the extent that any provision of this Agreement is held to be illegal, void or unenforceable such provision shall be given no effect and shall be deemed not to be included in this Agreement but without invalidating any of the remaining provisions of this Agreement. The parties shall meet to negotiate in good faith to agree a valid, binding and enforceable substitute provision or provisions establishing, as nearly as possible, the same commercial effect of the provision found to be illegal, void or unenforceable
- 16 4 Time shall be of the essence in this Agreement, both as regards the dates and periods mentioned and as regards any dates and periods which may be substituted for them in accordance with this Agreement or by agreement in writing between the parties
- 16 5 A person who is not a party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms but this does not affect any right or remedy of a third party which exists or is available apart from that Act
- 16 6 No party to this agreement may assign all or any part of the benefit of, or its rights or benefits under, this agreement, without the prior written consent of the other parties, but subject to this clause 16 6, this agreement shall be binding on and shall enure for the benefit of the parties' respective assigns
- 16 7 Each party hereby waives and relinquishes any right of set-off, counter-claim, deduction or retention which it might otherwise have in respect of any Claim under this Agreement (including, for the avoidance of doubt, the provisions of Schedule 6) provided that the parties may agree, on behalf of themselves and their subsidiaries, to set-off any payments due from one or the other or due from any of their subsidiaries to the other or to the subsidiaries of the other and payment of the aggregate amount due from one to the other after setting-off all such amounts shall constitute a good discharge of all amounts taken into account and set-off in the calculation of such aggregate amount
- 16 8 If any party fails to pay any sum payable by it under this agreement on the due date for payment (including, for the avoidance of doubt, any sum due in accordance with Schedule 6), such party shall pay interest on such sum (at a rate equal to 2 per cent above the base rate from time to time of Barclays Bank PLC), which may, without limiting the rights of the party to whom such sum is owed, be claimed as a debt or liquidated demand, for the period from and including the due date up to the date of actual payment (after as well as before judgement). Interest under this clause shall accrue from day to day and shall be paid by the defaulting party

16.9 No liability in respect of any matter which may give rise to a Claim both under the provisions of Schedule 6 and under any other provisions of this Agreement shall be met more than once and to the extent that any such liability is satisfied by way of a Claim under Schedule 6 any amount otherwise payable in respect of the same matter under any other provision of this Agreement shall be reduced accordingly, and vice versa

17 Termination

This Agreement may not be terminated or rescinded without the agreement of all parties, except in accordance with clause 2

18 Counterparts

This Agreement may be executed in any number of counterparts and by the parties to it on separate counterparts, each of which when so executed shall be an original, but all counterparts shall together constitute one and the same instrument

19 Governing Law

This Agreement and the relationship between the parties shall be governed by and shall be interpreted in accordance with English law

As witness this Agreement has been signed by the duly authorised representatives of the parties the day and year first above written

Schedule 1

O&G Side Liabilities and Gas Storage Side Liabilities

"O&G Side Liabilities" means Liabilities, whenever and howsoever suffered or incurred by any Gas Storage Group Company which are directly or indirectly attributable to the O&G Business or to any of the steps involved in the Demerger or the Reorganisation being held to be illegal, void or unenforceable other than Liabilities which are otherwise provided for under this Agreement (including, for the avoidance of doubt, any liabilities provided to be dealt with in accordance with Schedule 6),

"Gas Storage Side Liabilities" means Liabilities, whenever and howsoever suffered or incurred by any O&G Group Company which are directly or indirectly attributable to the Gas Storage Business other than Liabilities which are otherwise provided for under this Agreement (including, for the avoidance of doubt, any liabilities provided to be dealt with in accordance with Schedule 6),

"Liabilities" means any liabilities, losses, damages, demands, fines, penalties, costs, expenses or obligations, in each case whether matured or unmatured, liquidated or unliquidated, fixed or contingent, known or unknown at the date hereof, and whether arising out of circumstances existing prior to, on or subsequent to the Demerger Effective Time,

"Reorganisation" means the transfer of Portland Gas from Egdon to New Egdon and the steps provided for in Schedule 2

Schedule 2

Repayment of Inter-Company Indebtedness

- 1 In this Schedule, unless the context otherwise requires, the following words and expressions have the following meanings

 "O&G Debt" means the aggregate of all amounts (expressed in pounds sterling) owed by any member of the O&G Group to any member of the Gas Storage Group as evidenced by the accounting records of the relevant companies, or otherwise agreed between New Egdon and New Portland, other than any Trading Debt,

 "Gas Storage Debt" means the aggregate of all amounts (expressed in pounds sterling) owed by any member of the Gas Storage Group to any member of the O&G Group as evidenced by the accounting records of the relevant companies, or as otherwise agreed between New Egdon and New Portland, other than any Trading Debt,

 "Trading Debt" means any amount owed by any member of the Gas Storage Group to any member of the O&G Group or by any member of the O&G Group to any member of the Gas Storage Group in respect of the provision of goods or services by way of trade or in the capacity of management company (including, for the avoidance of doubt, any management charges, recharges in respect of expenditure incurred for another company's behalf and overhead costs allocations)

2 New Portland agrees to procure that any Gas Storage Debt remaining undischarged as at the Demerger Effective Time shall be repaid in full at the earliest practicable date following the Demerger Effective Time (and in any event not later than 29 February 2008) and, with effect from (and including) the day following the Demerger Effective Time, to pay interest to New Egdon on any amounts of Gas Storage Debt at the Default Rate

3 New Egdon agrees to procure that any O&G Debt outstanding as at the Demerger Effective Time shall be repaid in full at the earliest practicable date following the Demerger Effective Time (and in any event not later than 29 February 2008) and with effect from (and including) the day following the Demerger Effective Time, to pay interest to New Portland on any amounts of O&G Debt at the Default Rate

4 New Portland agrees to procure repayment of any Trading Debt owing between any member of the Gas Storage Group and any member of the O&G Group in accordance with normal group practice

5 New Egdon shall procure the repayment of all amounts of Trading Debt owing between any member of the O&G Group and any member of the Gas Storage Group in accordance with normal group practice

6 New Portland and New Egdon agree that, with effect from the date of this Agreement until the date falling six months after the Demerger Effective Time, any person nominated by the finance director of the other shall have access at all reasonable times and upon reasonable notice to any documentation or information reasonably required for the purpose of establishing the amount of any indebtedness outstanding between the Gas Storage Group and the O&G Group or between the O&G Group and the Gas Storage Group

7 Save as expressly provided in Schedule 6 nothing done, or omitted to be done, pursuant to this Schedule shall satisfy, vary, release or reduce any obligation or liability of any party under Schedule 6

Schedule 3 Guarantees

Part A - New Portland to release O&G Group Companies from

- (1) Lease of Upper Osprey, Portland Port, Portland, Dorset dated 20 October 2006 entered into between Portland Port Limited (1), Portland Gas Limited (2) and Egdon (3)

Part B - New Egdon to release Gas Storage Group Companies from

Schedule 4 Insurance

- 1 New Egdon shall procure that all members of the Gas Storage Group who at the date of this agreement enjoy the benefit of any policies of insurance in any part of the world written in the name of New Egdon or any O&G Group Company, shall continue to enjoy the benefit of such policies until the day in which the Demerger Effective Time falls (the "**Demerger Effective Date**")
- 2 The Gas Storage Group Companies shall purchase independent insurance policies in respect of all risks and liabilities, as appropriate, arising in connection with the Gas Storage Business, which are to be effective from the Demerger Effective Date
- 3 Other than as expressly provided in paragraph 5(b) in this Schedule 4, as at the Demerger Effective Date (i) the O&G Group shall cease to be responsible for insuring any part of the Gas Storage Business, including in respect of any events that occurred before the Demerger Effective Date but in respect of which a claim is made thereafter and the Gas Storage Group shall not benefit from any O&G Group insurance cover thereafter, and (ii) the Gas Storage Group shall not be responsible for insuring any part of the O&G Business, including in respect of any events that occurred whether before or after the Demerger Effective Date and the O&G Group shall not benefit from any Gas Storage Group insurance cover
- 4 In circumstances where an insurance claim is made prior to the Demerger Effective Date in respect of an event that caused loss to the Gas Storage Business and a O&G Group Company receives (whether before or after the Demerger Effective Date) payment under an insurance policy in respect of such claim, New Egdon shall procure that such O&G Group Company shall account to the Gas Storage Group for the amount so received
- 5 Notwithstanding paragraph 3 in this Schedule 4, the parties agree that the directors' and officers' liability insurance policies maintained by the O&G Group following the Demerger Effective Date
 - (a) will not cover any insurance claims made after the Demerger Effective Date in respect of any Gas Storage Group Company's directors or officers and relating to occurrences taking place after the Demerger Effective Date, but
 - (b) will cover, on a basis consistent with that which currently applies to Egdon's directors' and officers' liability insurance, any insurance claims made after the Demerger Effective Date but in respect of any Gas Storage Group Company's directors or officers and relating to occurrences taking place before the Demerger Effective Date and New Egdon undertakes to procure that Egdon maintains insurance policies that, in its reasonable opinion (acting in good faith), are adequate for this purpose
- 6 The parties agree to co-operate with each other in providing reasonable assistance and information required for the purposes of controlling any insurance claims arising

Schedule 5

Dispute Resolution

In this Schedule, unless the context otherwise requires, words and expressions shall have the meanings given to them in this agreement

- 1 If any Dispute arises, the parties shall, within 20 Business Days of a written request from any party addressed to another party, attempt to resolve the Dispute by negotiating with each other in good faith. The persons responsible for negotiating in good faith in respect of any particular Dispute on behalf of any party involved in the Dispute shall be such person nominated by the chief executive officers of such party and identified in writing to all other parties involved in the Dispute within five Business Days of the date of the written request referred to above (the "**Representatives**" for the purposes of this Schedule 5)
- 2 If the Dispute is not resolved by the Representatives by an agreement in writing within 20 Business Days of the written request referred to in paragraph 1 being received, any party to the Dispute may within a further 20 Business Days notify in writing the other party or parties to the Dispute (including the appropriate Representatives) that such Dispute shall be referred to the chief executive officers of New Egdon and New Portland
- 3 Unless the parties to the Dispute otherwise agree in writing, all the negotiations between them in connection with the Dispute shall be conducted in confidence and be without prejudice to the rights of the parties in any future legal proceeding, including without limitation judicial or arbitral proceedings, and no party shall refer in any such subsequent proceedings to such negotiations and/or documents and statements, whether written or oral, submitted or made in the course of, or created for the purposes of, such negotiations
- 4 If the officers referred to in paragraph 2 above agree upon terms, or a method for, the resolution of the Dispute, then such agreement shall be reduced to writing. The agreement shall specify the date(s), or a means of calculating the date(s), on which any payment(s) shall be due. The parties to that agreement shall be bound by such terms and each of those parties shall duly execute the document(s) recording the agreement
- 5 If any Dispute has not been resolved in accordance with paragraphs 1 to 4 above, any party may proceed to seek any remedy available to it at law

Schedule 6

Taxation Liabilities

1 Interpretation

In this Schedule 6, unless a contrary intention is expressed or the context otherwise requires

"Claimant" means a party to this Agreement that is or may be entitled to receive a payment under paragraph 2 of this Schedule,

"Claimant Group" means, where New Portland is the Claimant, the Gas Storage Group, and where New Egdon is the Claimant, the O&G Group,

"Clearance Applications" means the following

(a) clearance application made under sections 138 and 139 TCGA, section 707 ICTA and section 701 ITA 2007 on 10 October 2007, and

(b) the Section 75 Letter,

or such of them as the context may require,

"Covenantor" means a party to this Agreement that is or may be required to make a payment to the other party under paragraph 2,

"Election" means any claim, election, surrender, disclaimer, notice or consent for any Taxation purpose,

"Group" means, in relation to New Egdon, the O&G Group, and in relation to New Portland means the Gas Storage Group,

"ICTA" means the Income and Corporation Taxes Act 1988,

"ITA 2007" means the Income Tax Act 2007,

"Other Group" means the Gas Storage Group, in relation to New Egdon and/or the O&G Group, and the O&G Group in relation to New Portland and/or the Gas Storage Group,

"Parent" means New Egdon, in relation to the O&G Group, and New Portland, in relation to the Gas Storage Group,

"Records" means all books, accounts and documents, whether in written or electronic form, including, without limitation, all tax returns, computations, invoices, ledgers and contracts and correspondence, agreements and concessions with any Tax Authority and all information contained therein,

"Relevant Company" means any member of the O&G Group or the Gas Storage Group

"Relief" means any loss, allowance, exemption, set-off, deduction, credit or other relief relating to any Taxation or to the computation of income, profits or chargeable gains for the purposes of any Taxation including the Substantial Shareholding Exemption,

"Section 75 Letter" means the letter to be submitted to HM Revenue & Customs seeking relief for Stamp Duty under section 75 Finance Act 1986 for the transfers of the entire issued share capitals of the Gas Storage Subsidiaries to New Portland pursuant to the Demerger,

(c) in the ordinary course of business of that member as carried on immediately before the Demerger Effective Time, or

4 1 3 where such Taxation Liability is a liability to interest or penalties, such Taxation Liability would not have arisen but for the relevant member of the Claimant Group failing to make payment to the relevant Taxation Authority of an amount of Taxation equal to the payment made by the Covenantor to it hereunder in respect of such Taxation not later than the business day following the date such payment is made hereunder

5 Payment dates

5 1 Any payment required to be made under paragraph 2 shall be made on the later of

5 1 1 in the case of a payment due to a Taxation Authority, two Business Days before the last date on which payment can be made to the relevant Taxation Authority without a liability to interest and/or penalties arising,

5 1 2 in the case of the setting off of a Relief, two Business Days before the last date on which payment of the Taxation Liability which would have been due had the relevant Relief not been available could have been made to the relevant Taxation Authority without a liability to interest and/or penalties arising, and

5 1 3 ten (10) Business Days after the date of service by the Claimant of notice of the claim under paragraph 7

5 2 Where amounts are payable under this Schedule in respect of a Taxation Liability or costs or liabilities of a company other than New Egdon or New Portland, such amounts shall be paid to the company which has suffered the Taxation Liability, cost or liability, and such payment shall satisfy the liability of the relevant Covenantor to the relevant Claimant to the extent of the payment made

6 Rebate

6 1 Paragraph 6 2 shall apply where a Covenantor has paid any amount due to a Claimant under paragraph 2 in respect of any Taxation Liability (in this paragraph 6, the "**Relevant Payment**") and the Claimant or any member of the Claimant Group (in this paragraph 6, the "**Relevant Recipient**") receives (whether by way of actual receipt, credit, set-off or otherwise) from any other person (other than any member of the Claimant Group) a payment in respect of such Taxation Liability (in this paragraph 6, the "**Relevant Receipt**")

6 2 The Claimant agrees with the Covenantor that, where this Paragraph 6 2 applies, it shall repay, or cause to be repaid, to the Covenantor a sum equal to the lesser of

6 2 1 the amount of the Relevant Receipt after deduction therefrom of the aggregate of

(a) the reasonable costs incurred by the Claimant or the Relevant Recipient in obtaining it (to the extent that such costs have not been reimbursed pursuant to the indemnity given in paragraph 6 3), and

(b) any Taxation Liability of the Relevant Recipient in respect of the Relevant Receipt, and

6 2 2 the amount of the Relevant Payment (except so much of the Relevant Payment as represents an amount payable by virtue of paragraph 3)

6 3 If the Claimant shall become aware of its actual or potential entitlement or the actual or potential entitlement of any member of the Claimant Group to any Relevant Receipt, the Covenantor shall give or cause to be given written notice thereof in accordance with clause 15 the Covenantor as soon as reasonably practicable after becoming so aware. If so requested by the Covenantor, and subject to the Claimant being indemnified to the reasonable satisfaction of the

Claimant against all costs and expenses which may be thereby incurred, the Claimant shall take or cause to be taken such action as the Covenantor shall reasonably request to secure receipt of the payment in question

- 6 4 The Claimant and the relevant member of its Group (if any) shall not be required to take any action which, in the reasonable opinion of the Claimant, materially prejudices the legitimate interests of the Claimant Group or could reasonably be viewed as being unlawful, unethical or contrary to good business practice

7 Conduct of Tax Claims

- 7 1 If any Claimant shall become aware of any Tax Claim which might give rise to a claim by it (or any member of its Group) under this Schedule, the Claimant shall, by way of covenant but not as a condition precedent to the liability of the Covenantor hereunder, give or cause to be given written notice thereof to the Covenantor as soon as reasonably practicable
- 7 2 As regards any such Tax Claim, the Claimant shall take or cause to be taken such action as the Covenantor may, by written notice given to the Claimant, reasonably request to cause that Tax Claim to be withdrawn or to dispute, resist, appeal against, compromise or defend that Tax Claim and any determination in respect thereof, or to apply to postpone (so far as legally possible) the payment of any Taxation pending the determination of any appeal, but subject to the Claimant being indemnified to the reasonable satisfaction of the Claimant against all losses (including any additional Taxation Liability of that person), interest, costs, damages and expenses which may be thereby suffered or incurred by the Claimant or the company the subject of the relevant Tax Claim ("**Subject Company**") (but excluding any costs or expenses which are not reasonably incurred and the cost of any employee or officer of the Claimant and/or the Subject Company spending time on such matters), and provided that
- 7 2 1 any request made by the Covenantor pursuant to this paragraph 7 2 shall be made within a reasonable time of receipt by the Covenantor of any notice given to the Covenantor in accordance with paragraph 7 1,
- 7 2 2 the Claimant and the Subject Company shall not be obliged to comply with any request of the Covenantor which involves contesting any assessment of Taxation before any court or any other appellate body (including any tribunal or court) unless they have been advised in writing, at the expense of the Covenantor, by leading tax counsel instructed by agreement between the Claimant and the Covenantor or, failing such agreement, in accordance with the procedure set out in paragraph 7 3, that an appeal against such assessment will, on the balance of probabilities, be won by the Claimant or, as the case may be, the Subject Company,
- 7 2 3 save where the Covenantor provides satisfactory indemnities in respect of the same, neither the Claimant nor the Subject Company shall be obliged to take any action which is likely to increase the liability to taxation for accounting periods ending after the Demerger Effective Time or to have a material adverse effect on the business or financial reputation, interest or goodwill of any company in the Claimant Group,
- 7 2 4 where the Covenantor does not make any such request within the period referred to in paragraph 7 2 1, the Subject Company shall (without prejudice to the rights of the Claimant under this Schedule in respect of the Tax Claim) be free to take such action as it considers reasonable in the circumstances to settle the relevant liability to which the Tax Claim relates, and
- 7 2 5 the rights of the Covenantor under this paragraph 7 2 shall cease if legal proceedings are commenced with a view to its winding-up, dissolution or administration, or for the appointment of a receiver, administrator, trustee or similar officer in respect of it or of any of its assets (otherwise than for the purpose of its voluntary reconstruction or amalgamation)
- 7 3 If the Covenantor and the Claimant shall not have agreed upon leading tax counsel within 14 days, such matter shall thereupon be referred to such leading counsel as the President for the

time being of the Law Society of England and Wales shall (at the request of either the Claimant or the Covenantor) nominate

- 7 4 The Claimant shall afford reasonable access for the purposes of the Tax Claim to the Records and personnel of the Claimant Group to the Covenantor, and shall supply copies of its Records if reasonably requested by the Covenantor free of charge, unless the frequency of requests and/or the volume of copies requested is such that it is reasonable for the Claimant to charge for them. Any Records obtained or information supplied shall be kept confidential and shall not otherwise than as required by law be disclosed to any third party (other than a Taxation Authority) without the consent of the Claimant and shall be used solely for the purposes of the Tax Claim.

8 Reliefs and Corresponding Savings

- 8 1 Where the Covenantor has made a payment to the Claimant under this Schedule in respect of any Taxation Liability (in this paragraph 8, "**the Relief Payment**") and a Relief which would not otherwise have arisen or been available but for the circumstances giving rise to that Taxation Liability, arises or is available to the Subject Company (as defined in paragraph 7) or any other member of the Claimant Group (in this paragraph 8, "**the Relevant Relief**"), the Claimant shall make payment to the Covenantor (on the date specified in paragraph 8 2) of an amount equal to the amount by which the liability to Taxation of any member of the Claimant Group (in this paragraph 8, "**the Relevant Company**") is reduced or extinguished as a result of the Relevant Relief being utilised, provided that the Claimant shall not be liable to make a payment in excess of the Relief Payment.
- 8 2 Payment under paragraph 8 1 shall be made not later than five Business Days after the date on which the liability to Taxation of the Relevant Company is reduced or extinguished as a result of the utilisation of the Relevant Relief.
- 8 3 On a written request from the Covenantor, the Claimant shall procure that the amount of any payment due to the Covenantor under paragraph 8 1 shall be determined by an independent firm of chartered accountants (who shall act as experts and not arbitrators and whose determination shall, in the absence of manifest error, be final and binding) to be agreed between the Claimant and the Covenantor or (failing agreement within 14 Business Days) to be nominated, upon the request of either the Claimant or the Covenantor, by the President for the time being of the Institute of Chartered Accountants in England and Wales. The costs of such independent firm of Chartered Accountants shall be borne by the Covenantor.
- 8 4 A surrender of losses or the notional transfer of an asset in accordance with paragraph 10 3 of this Schedule in circumstances where no payment is due for such surrender or transfer shall be treated, for the purposes of paragraph 2, as the payment to the Claimant by the Covenantor of an amount equal to the payment which, but for such surrender or notional transfer, the Covenantor would have been liable to make under paragraph 2.

9 VAT Groups

- 9 1 In this paragraph

"Representative Member" means Egdon Resources Plc,

"VAT Group" means the VAT group of which the Representative Member is the representative member and of which Egdon Resources (New Ventures) Limited, Egdon Resources (Purbeck) Limited, Portland Gas Limited, Portland Gas Holdings Limited, Portland Gas Storage Limited and Portland Gas NI Limited are members,

"Exiting Members" means Portland Gas Limited, Portland Gas Holdings Limited, Portland Gas Storage Limited and Portland Gas NI Limited, and

"Exiting Member" shall mean any of Portland Gas Limited, Portland Gas Holdings Limited, Portland Gas Storage Limited and Portland Gas NI Limited

- 9 2 The Representative Member shall properly report all supplies of goods and services made by and to the companies in the VAT Group up to and including the Relevant Date (as defined in paragraph 9 8) in its group VAT returns, and New Portland shall after the Demerger Effective Time procure that all information necessary to enable the Representative Member to do this is supplied by the members of the Gas Storage Group to the Representative Member on a timely basis and also comply with VAT regulations
- 9 3 The Representative Member shall account to the Exiting Members for an amount equal to any net repayment of VAT attributable to the businesses carried on by the Exiting Members and supplies made to such companies and by such companies since the last return made to HM Revenue & Customs by the Representative Member as the representative member of the VAT Group and up to and including the Relevant Date
- 9 4 New Portland shall as trustee for the Exiting Members account to the Representative Member for an amount equal to any net payment of VAT attributable to the businesses carried on by the Exiting Members and supplies made to such companies and by such companies since the last return made to HM Revenue & Customs by the Representative Member as the representative member of the VAT Group and up to and including the Relevant Date
- 9 5 For the purposes of paragraphs 9 3 and 9 4, any repayment or payment due to or from any Exiting Member and attributable to the business carried on by such Exiting Member shall be determined as if such company was not a member of the VAT Group, but disregarding any supplies made to or by members of the said group
- 9 6 For the purposes of paragraphs 9 3 and 9 4, any amount due to or from any Exiting Member shall be determined by the Representative Member as soon as possible after the Demerger Effective Time. Payments shall be made no later than the last date on which the Representative Member can make payment to HM Revenue & Customs, without incurring any liability to pay penalties or interest and any repayments will be paid by the representative member after it receives the repayment HM Revenue & Customs
- 9 7 The Representative Member shall, promptly following the Demerger Effective Time, submit to HM Revenue & Customs all such notices as are necessary in order that the Exiting Members cease to be members of the VAT Group
- 9 8 The **"Relevant Date"** for the purpose of this paragraph 9 shall be the date on which the Demerger Effective Time occurs, or such later date as shall be notified by HM Revenue & Customs as the date that the Exiting Members cease to be member of the VAT Group
- 9 9 The Representative Member shall afford the members of the Gas Storage Group such access to any of its records relating to VAT as may reasonably be required to prepare, submit and agree the VAT returns of the members of the Gas Storage Group for all periods beginning after the Relevant Date
- 9 10 New Egdon shall procure that the Representative Member shall do all such things as it is required to do in accordance with this paragraph 9

10 Tax compliance

- 10 1 The following principles shall apply in the conduct of the Gas Storage Group's and the O&G Group's Taxation Affairs and to the parties' respective obligations under this Schedule
- 10 1 1 each of the parties shall use their reasonable endeavours not to prejudice any existing arrangement or agreement relating to Taxation with any Taxation Authority of which it is aware or of which it has been informed by or on behalf of the other party and which benefits the other party and/or the Other Group,

- 10 1 2 without prejudice to their respective specific obligations under this Schedule, the parties shall co-operate in good faith with a view to minimising the aggregate Taxation Liabilities of the O&G Group and the Gas Storage Group in respect of periods ended on or before the Demerger Effective Time and to achieving a reasonable balance of the interests of both Groups,
- 10 1 3 without prejudice to their respective specific obligations under this Schedule, neither party nor their respective Group shall be obliged to do anything which in the view of the relevant Parent materially prejudices the legitimate interests of its Group or is unethical or contrary to good business practice,
- 10 1 4 neither party nor their respective Groups shall be required to do anything unlawful or to refrain from doing something if the refraining from doing such act would result in an unlawful act or event occurring,
- 10 1 5 each party shall provide, and procure that their Group provides, such information and assistance and access to its Records and personnel to the other party as is reasonable in relation to the Taxation affairs of the other party and its Group. Copies of Records shall be supplied if reasonably requested, and at no cost, unless the party supplying the copies reasonably considers that the frequency of requests and or the volume of copies requested is such that a charge should be made. Any information or Records or copy Records supplied shall be kept confidential and shall not otherwise than as required by law be disclosed to any third party (other than a Taxation Authority) without the consent of the party supplying the same and shall be used solely for the purposes of the other party's (and/or its Group's) Taxation affairs,
- 10 1 6 each party shall provide such assistance (or use its reasonable endeavours to procure the provision of such assistance) as is reasonable to assist the other at any time after the Demerger Effective Time in establishing and finding records of facts and valuations relating to past events to enable each Group to determine the Taxation Liability or Relief which would arise upon any disposal or realisation of each asset owned by the Groups at the Demerger Effective Time
- 10 2 Subject to paragraph 7, each party shall at its own cost prepare all outstanding documentation, computations and returns and deal with all matters (including negotiation and correspondence with the relevant Taxation Authority) relating to the Taxation affairs of its Group for all Accounting Periods
- 10 3 **Surrenders of tax losses and surplus advance corporation tax between Groups**
- 10 3 1 Each party shall be entitled, by notice in writing to the other complying with paragraph 10 3 2, to require that any member of the Other Group (in this paragraph 10 3, "**the Relevant Company**") either
- (a) accepts a surrender from the party giving such notice (or any member of its Group) (in this paragraph 10 3, "**the Relevant Surrenderer**") or from any company which, at any time during any accounting period commencing on or before the Demerger Effective Time (in this paragraph 10 3, "**the Relevant Accounting Period**"), was a member of the same group of companies (within the meaning of section 413(3)(a) ICTA) as the Relevant Surrenderer (in this paragraph 10 3, "**the Surrendering Company**") of trading losses or other amounts eligible for relief from corporation tax by way of group relief pursuant to Part X Chapter IV ICTA (such losses or other amounts being referred to in this paragraph 10 3 as "**losses**"), or
 - (b) makes a surrender to the party giving such notice (or any member of its Group) (in this paragraph 10 3, "**the Relevant Claimant**") or to any company which, at any time during any accounting period commencing on or before the Demerger Effective Time (in this paragraph 10 3, "**the Relevant Accounting Period**"), was a member of the same group of companies (within the meaning of section 413(3)(a) ICTA) as the Relevant Claimant (in this paragraph 10 3, "**the Claimant Company**") of trading losses or other amounts

eligible for relief from corporation tax by way of group relief pursuant to Part X Chapter IV ICTA (such losses or other amounts being referred to in this paragraph 10 3 as "losses"), or

- (c) makes an election under section 171A TCGA, section 179A TCGA or paragraph 66 Schedule 29 Finance Act 2002 (in this paragraph 10 3 a "notional transfer of an asset") in respect of an asset disposed of (or deemed to be disposed of) by a member of the Other Group (in this paragraph 10 3 "the Notional Transferor") where such asset was disposed of (or deemed to be disposed of) at a loss,

10 3 2 A notice may only be given for the purposes of paragraph 10 3 whilst a claim can be made within the time limits specified in the relevant legislation. Such notice, which may (on one or more occasions) be amended at any time prior to the expiry of such time limits, shall specify the amount of the losses or, as the case may be, the asset or part thereof which are to be the subject of the relevant surrender or election as the case may be.

10 3 3 The party to whom notice is given in accordance with this paragraph 10 3 shall ensure that the Relevant Company shall give all such consents, and do all such things, as shall be required under, in the case of surrenders of losses, Part X Chapter IV and Schedule 17A ICTA (or, in the case of accounting periods ending on or after 1st July 1999, Schedule 18 Finance Act 1998) or under section 171A TCGA, section 179A and paragraph 66 Schedule 29 Finance Act 2002 to ensure that relief for such losses is given or a valid election thereunder is made, as the case may be.

10 3 4 Payment shall be made by or to the Relevant Company in relation to any surrender of losses or notional transfer of an asset pursuant to this paragraph 10 3 as follows:

- (a) where the Covenantor would, but for the surrender of losses or notional transfer of an asset pursuant to this paragraph 10 3, be liable to make a payment under this Schedule in respect of any Taxation Liability of the Relevant Company, no payment shall be made, and
- (b) in any other case, the Surrendering Company or Notional Transferor, as the case may be, shall be paid an amount equal to the corporation tax which would have been payable but for such surrender (such payment to be made no earlier than the date or dates on which the corporation tax in question would first fall to be paid but for such surrender).

10 3 5 In the event that any payment is made in accordance with paragraph 10 3 4(b) and it transpires that the relevant loss, or notional transfer was not available, the recipient of such payment shall repay the amount received to the payer of said amount.

10 4 If any surrender or notional transfer to which paragraph 10 3 relates is subsequently determined to have been invalid or ineffective to any extent or excessive (other than by reason of any act or omission (which shall include any claim to carry back losses from subsequent accounting periods) of the party giving the notice under paragraph 10 3 1) at any time, the liability of the parties hereunder shall be determined as if the surrender, notational transfer or reallocation had never been made.

11 Elections

11 1 The parties agree not to disturb or revoke, and procure that no member of their respective Group disturbs or revokes, any Election insofar as it relates to any payment made or transaction effected on or before the Demerger Effective Time if such disturbance or revocation would affect the Taxation Liability of any member of the Other Group.

11 2 Where any Taxation computation has been submitted before the Demerger Effective Time on the basis that an Election will be made or any agreement relating to the Demerger is entered into on the basis that an Election will be made, the relevant Election shall be made unless the parties agree otherwise.

Schedule 7

Agreed Form Documents

- 1 Circular
- 2 New Egdon Admission Document
- 3 New Portland Admission Document

Execution Page

SIGNED by
for and on behalf of
Edgon Resources Plc
in the presence of

KEITH LAW
NORTON ROSE LLP
TRAINEE SOLICITOR

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for and on behalf of
New Egdon PLC
in the presence of

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