

06409712

# Moving forward

InfraStrata plc Annual Report  
& Financial Statements 2010

WEDNESDAY



\*ANN4TQQX\*

A17

12/01/2011

169

COMPANIES HOUSE

## Contents

Chairman's statement	3
Chief Executive's operating review	4
- Corporate and social responsibility	6
Directors' secretary, advisors and shareholder information	7
Report of the Directors	8
- Directors of the Company	10
- Corporate Governance	12
- Directors' responsibilities	13
Independent auditors' report	14
Financial statements and notes	
- Consolidated statement of comprehensive income	15
- Consolidated statement of financial position	16
- Company statement of financial position	17
- Consolidated statement of changes in equity	18
- Company statement of changes in equity	18
- Consolidated statement of cash flows	19
- Company statement of cash flows	19
- Notes to the financial statements	20-36
Letter from the Chairman	37-38
Notice of Annual General Meeting	39
Proxy form	41

# Chairman's statement

As Chairman of InfraStrata I am acutely aware that the year to 31 July 2010 has brought its fair share of frustration and disappointment to our hopes and aspirations for the Group as reflected in a distressed share price performance. However, I am very pleased to report that progress is now being made to move the business forward.

It has become a truism to say that the appetite for investment in gas storage within the short to medium term has deteriorated considerably in recent years and this has had a significantly adverse effect upon our ability to fund our portfolio of projects. In consequence, we have decided during the course of the last year, to expand our sphere of interest based upon our existing assets and areas of executive expertise where we have found there to be natural synergies. In this respect, we have sought to lessen our total dependency upon developing gas storage projects across an international portfolio to one of broadening our range of assets within two core areas in the UK, to include conventional and unconventional oil and gas exploration.

In the year to 31 July 2010 our disappointment centred upon the ongoing difficulties within the capital and gas storage markets. As you will know, a Co-operation Group of potential investors had been formed in October 2009 following which an advisor was appointed to undertake a technical due-diligence exercise. This process continued in parallel with discussions on possible shareholder and capacity agreements co-ordinated by our legal advisors. Regrettably, whilst our view of the project in both technical and financial terms remains undiminished, the Co-operation Group, acting as a whole, were unable to offer commercial terms that were acceptable to us at this time. However, during this time we were able to make considerable progress through our discussions with eCORP International, LLC ("eCORP") culminating in a partnership agreement that not only facilitates substantial progress in the project but also enables our potential participation in exploration activity in the area. We hope that the Portland Project will be brought back to

the market in 2012 when we anticipate an improvement to the situation in the markets.

In addition to our continuing efforts directed at bringing the Portland project to full developmental stage, we have been pursuing our plan to secure planning permission for the project at Islandmagee in Northern Ireland. On 23 March 2010 Islandmagee Storage Limited, on behalf of the Group, submitted a planning application relating to the creation of a 500 million cubic metres natural gas storage facility - a capacity sufficient to store Northern Ireland's peak demand for in excess of 60 days. We are continuing in our discussions with eCORP as potential partner in this enterprise but on a non-exclusive basis as we seek interest from other parties in not only progressing the gas storage project but again broadening our strategy to include exploration.

Slim differentials between summer and winter gas prices continue to affect sentiment for large gas storage developments but the requirement for such long-lead infrastructure remains strong. This position was echoed and reinforced through several of the presentations made during the highly successful independent seminar on gas storage hosted by InfraStrata in September. We therefore remain focused upon the development of the two gas storage projects within the UK that could between them provide over 10% of the total UK and Ireland peak daily demand once operational in the latter part of the decade. However, mindful of the difficulties in obtaining funding interest for the full development of such projects at this stage, we have sought, with some success, to expand our interest into more traditional oil and gas exploration which we hope will bring considerable benefit by enhancing shareholder value.

Your Board has considered the matter of remuneration for the executive team and our decision has been to again freeze salaries for the coming year but consider a reward through the share incentive scheme for milestones achieved. This decision is based

primarily upon the current economic situation and financial outlook and in no way reflects adversely upon the performance of the team which remains one of total dedication and diligence.

In conclusion, I would like to express my gratitude for your continued encouragement and support during difficult economic times and offer my appreciation for the continuing efforts of the executive team on your behalf.

Ken Ratcliff  
Non-Executive Chairman

# Chief Executive's operating review

## Portland Project, Dorset

At a projected 1 000 million cubic metres ('mcm') of working gas the facility would be the largest of the publicly announced onshore gas storage facilities in the UK. The project is owned by Portland Gas Limited. Its two shareholders are a subsidiary of eCORP International LLC, a developer operator and owner of natural gas storage facilities and a developer and explorer of conventional and unconventional natural gas prospects in the US and Internationally (50% interest) and a wholly owned subsidiary of InfraStrata plc (50% interest)

The project has been granted planning permission by Dorset County Council and Pipeline Construction Authorisation by the Department of Energy and Climate Change. The gas storage facility is designed to inject or withdraw gas at 20mcm per day. The total construction cost for the project is approximately £450m.

Further information is available on the website [www.portland-gas.com](http://www.portland-gas.com).

In October 2010 the Company announced that legal agreements had been completed with US independent energy company eCORP International

LLC ('eCORP') relating to InfraStrata's interests in the Portland gas storage project.

A subsidiary of eCORP, eCORP Oil & Gas UK Limited, acquired rights to 50% of the share capital of the project company, Portland Gas Limited in return for matching the project expenditure invested to date by InfraStrata (£22.9m). The Company through its subsidiary InfraStrata UK Limited will retain 50% of the share capital in Portland Gas Limited.

These funds will be used to develop the Portland Project further before bringing it to market, hopefully during 2012. Under the terms of the agreement with eCORP the drilling of the first cavern well during 2011 will be the initial activity. Data will be acquired to better define the pressure ranges over which the caverns can be operated to maximise the responsiveness of the caverns to short term gas demand requirements (the 'extrinsic value' of the project) and finalise elements of the cavern design. InfraStrata will also benefit from an income stream through a technical services agreement.

The Company is pleased to be moving into a new phase in the development of the Company with the partnership. During 2011 we look forward to progressing plans with stakeholders to move the Portland Project forward and expect the major work on the ground to start with construction of the wellpad during Q2 2011.

## Islandmagee Project, Northern Ireland

The proposed 500 million cubic metres ('mcm') facility would be the largest on the island of Ireland and the first for Northern Ireland. It would make a significant contribution to the security of gas supplies. The facility is being designed to inject gas at 12 mcm and withdraw gas at 22 mcm per day. The cost of construction has been estimated at £250 million, including cushion gas. The project is owned by Islandmagee Storage Limited ('IMSL'), an independent Northern Ireland registered company. Its two shareholders are a subsidiary of Mutual Energy, an operator of existing key gas and electrical infrastructure in Northern Ireland (35% interest) and a subsidiary of InfraStrata plc (65% interest).

A planning application for the Islandmagee Storage Project was submitted in March 2010. The submission of the planning application followed more than two years collating information and carrying out very thorough investigative studies into the development of a natural gas storage facility within a Permian salt sequence a mile beneath Larne Lough, including a 3D seismic survey carried out in 2007. Since then IMSL has been consulting extensively with stakeholders and local resident groups and held two well attended public exhibitions during 2009.

Further information is available on the project website [www.islandmageestorage.com](http://www.islandmageestorage.com).

In June 2010 the Company announced that it had signed a Memorandum of Understanding ("MOU") with eCORP relating to a proposed investment in the Islandmagee Project. eCORP, the Company and its partner Mutual Energy agreed in November 2010 to extend the terms of the MOU until 30 April 2011 but on a non-exclusive basis.

Under the MOU and subject to agreement, eCORP retains an option to acquire an interest in the project company Islandmagee Storage Limited on terms specified in the MOU. Should eCORP proceed with an investment in IMSL, eCORP would acquire 40% of the share capital of IMSL in return for funding the project through to the Financial Investment Decision point and paying InfraStrata and Mutual Energy a sum of up to £5m if the project proceeds to development. In addition, eCORP would refund all of the project development costs incurred by IMSL to the date of completion (these have been funded solely by InfraStrata). InfraStrata and Mutual Energy remain committed to introducing a further partner into the project and will be exploring the potential for joint development with eCORP and others over the coming months.

The Islandmagee Storage Project is an important element of InfraStrata's portfolio and the Company remains hopeful that this strategic asset for Northern Ireland will be granted planning permission in the first half of 2011 to enable drilling of the first cavern well to commence before the end of 2011. Front End Engineering Design will commence following acquisition of data from the well leading to the point when the decision to proceed to full construction is expected to be taken during 2012.

### New projects

During 2010 the Company took the decision to focus its resources on the UK gas market, and to enhance the existing gas storage business within its two core areas. This includes conventional and unconventional petroleum exploration, where the Company can use its existing geological and geophysical knowledge and databases to leverage initial funding for the projects. The Company sees an excellent strategic fit between gas production and storage in close proximity to each other.

In November 2010 the Company was offered a petroleum exploration licence over the central part of the Larne-Lough Neagh Basin in Northern Ireland. The offer is in response to an application made to the Department of Enterprise,

Trade and Investment ("DETI") in Northern Ireland in August 2010. The Company expects that DETI should be in a position to issue the licence in Q1 2011 after it has completed the drafting of the terms and conditions of the licence, taking into account the outcome of its consultation with other Departments and agencies. The initial licence term will be five years with a decision on drilling a well required within two years. InfraStrata will be the operator of the licence with a 50% interest. The licence covers an area of 663 square kilometres and the existing Islandmagee gas storage project is located within the boundary.

Following a licence award, seismic data would be acquired during 2011 and it is hoped that interpretation of this data would lead to an exploration well being drilled within two years. Ideally such a well could form part of a programme to include drilling for the Islandmagee gas storage project, where the Company holds a 65% interest, subject to the granting of planning permission for that project.

In response to the decision to focus its resources on its UK projects, the Company decided to seek a buyer for its entire interests in the gas storage projects in Spain and Germany which are both at the exploration application stage.

# Corporate and social responsibility

Portland Gas Limited continues to support local communities in its area of operation.

## The Portland Gas Trust

The Portland Gas Trust is a registered charity that supports initiatives around education, geology and the environment. This year the Trust has continued to support local projects both financially, and in kind through the services of Community Liaison Officer Rachel Barton. The Governor's Garden project received over £45 000 from the Big Lottery fund and the Trust remains a partner in delivering the overall scheme including a botanical garden, wildlife garden and allotments.

The Trust has continued to support the Island Ranger post and is a key partner in the Wild about Weymouth and Portland project that received Access to Nature funding to deliver a range of environmental projects across the area over the next few years

The Trust sponsored the Budmouth College Geology Award and the Portland MEMO project. The Board agreed to support the Portland Museum Trust by offering staff time in advising

and accessing grants. This led to grants being received by the Museum Trust for repairs to the building and IT technology for over £11 000. Other larger grant programmes are also being explored

The Trust has continued to work on the Old Engine Shed and the areas around the building. The Trust received a grant of £4 000 from the COMMA fund which enabled work to be done on site. This has included rebuilding the dry stone walls with volunteers from the community and the YOI, clearing scrub and the production of information panels that have been set in large pieces of Portland Roach stone. Local stone company Albion Stone donated two pieces of stone which have been carved with poetry by the late Skylark Durston and placed within sections of the walling. The Trust is committed to sustainable energies being used on the Shed once the renovation works start and after receiving a grant of £4 125 from CSEP commissioned a feasibility study of the types of energy saving ideas that could be used. Future plans include having activities for the local community at the Old Engine site in 2012 to celebrate the Queen's Diamond Jubilee and the 2012 Olympic Games

## Islandmagee

Islandmagee Storage Limited strongly believes in supporting the local community. Subject to obtaining planning permission and full project funding the Company intends to set up a Trust with objectives around education, geology and the environment. An initial investment of £1 million over three years, with a further £50 000 per annum for a minimum of six years thereafter is planned. Consultation with local residents and interest groups indicated that there is a need to upgrade the community centre. Islandmagee Storage Limited has agreed to assist with this as part of its primary investment phase which in turn will help with the development of the Gobbins tourism project sponsored by Larne Borough Council.

The company is talking to local residents and community groups in the Larne Lough area with regard to ideas and initiatives which could be funded through the proposed Trust. In June 2010 local businesswoman Judith Tweed was appointed as Community Liaison Consultant in order to collate a wide range of ideas for potential funding.

# Directors, secretary, advisors and shareholder information

## Directors

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

## Company secretary

Walter Rookehurst Roberts

## Registered office

Blackstable House  
Longridge  
Sheepscombe  
Stroud  
Gloucestershire GL6 7QX

## Principal office

80 Hill Rise  
Richmond  
Surrey TW10 6UB

## Auditors

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

## Tax advisors

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

## Registrars

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

## Nominated advisor and broker

Seymour Pierce Limited  
20 Old Bailey  
London EC4M 7EN

## Solicitors

Field Fisher Waterhouse LLP  
35 Vine Street  
London EC3N 2AA

## Bankers

Bank of Scotland plc  
155 Bishopsgate  
London, EC2M 3YB

## Investor and public relations

Buchanan Communications Limited  
45 Moorfields  
London EC2Y 9AE

# Report of the Directors for the year ended 31 July 2010

The Directors have pleasure in presenting their report and audited financial statements for the year ended 31 July 2010

## Principal activity and review of business

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

## General

InfraStrata plc is incorporated in and domiciled in England and Wales. The Company changed its name from Portland Gas plc to InfraStrata plc on the 15 December 2009

## Share capital

On the 15 September 2009 the Company issued 919,474 new ordinary shares of 10 pence each which were classified as shares to be issued at 31 July 2009

On the 5 November 2009 the Company placed 2,500,000 new ordinary shares of 10 pence each at 100 pence per share to raise £2,500,000 before expenses

## Business review

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

### Portland Project

At a projected 1,000 million cubic metres of working gas stored in 14 caverns at a depth of 2,400 meters within Triassic salt the facility would be the largest of the publically announced onshore gas storage facilities in the UK. The project has been granted planning permission by Dorset County Council and Pipeline Construction Authorisation by the Department of Energy and Climate Change. The gas storage facility is designed to inject or withdraw gas at 20mcm per day. The current estimate of total construction cost for the project is approximately £450m. The project will use brine compensation technology and will not require cushion gas. Progress was made during the year completing land leases for the 37 kilometre gas pipeline connection to the National Transmission System. A Co-operation Group was established

following a successful first phase of the funding process during the prior year. The Group consisted of five companies each of which had expressed an interest in possibly acquiring a working interest in the Portland Project, together with InfraStrata UK Limited. The Group worked together to conduct a feasibility study in respect of the Project during the year. The Project's finance advisor BNP Paribas and the Company progressed discussions with the European Investment Bank on development of the financing structure and securing debt financing. The EIB technical advisors have completed the first phase of the project finance due diligence. The Co-Operation Group was terminated on 28 June 2010. On the same day a Memorandum of Understanding was signed with eCORP International LLC through which eCORP could acquire 50% of the Project by funding the next stage of investment. The related legal agreements were completed on 1 October 2010.

The initial works on the wellpad area were undertaken during the year. Further works are expected to be undertaken in quarter 2 of the 2011 calendar year in preparation for the drilling of the first cavern well later in 2011. These works will be funded by eCORP.

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

### Islandmagee Project

The Planning Application for the Islandmagee Storage Project was submitted to the Strategic Projects Unit of the Northern Ireland Planning Service during March 2010. The proposed storage facility is designed to store 500 million cubic metres of natural gas in seven caverns to be created at a depth of 1,500 metres within a Permian salt sequence. The site is located close to existing gas infrastructure and in what the Company believe is the thickest development of salt in Northern Ireland at Ballylumford

on Islandmagee, County Antrim. The project will take approximately seven years to construct.

In January 2010 InfraStrata UK Limited, Moyle Energy Investments Limited (a wholly owned subsidiary of Mutual Energy) and Islandmagee Storage Limited entered into a preliminary shareholders agreement whereby Moyle Energy Investments Limited acquired a 35% interest in Islandmagee Storage Limited. InfraStrata UK Limited continues to assume one hundred percent of the risks of ownership and therefore InfraStrata plc includes the total assets and liabilities of Islandmagee Storage Limited in its consolidated results.

On 28 June 2010 a Memorandum of Understanding was signed with eCORP International LLC through which eCORP could acquire 40% of the Project by funding the next stage of investment, refunding back-costs and paying a bonus at the Final Investment Decision point. Discussions are continuing on the Islandmagee Storage Project, and eCORP the Company and its partner Mutual Energy have agreed to extend the terms of the MOU until 30 April 2011, but on a non-exclusive basis.

### Storage asset portfolio development

The Group made progress with its plans for new gas storage projects in Germany and Spain. In Germany a review of the geology and infrastructure has resulted in activity being focused on a salt dome in northern Germany. An application for an exploration licence over a salt dome was made in 2010 by the German subsidiary Sager Meer Energy Limited.

In Spain, the Group awaited the results of an exploration application lodged by a local subsidiary Portland Gas ESP S.L. in 2008.

Following a strategic review the Company has decided to sell its entire interests in these gas storage projects which are currently both at the exploration application stage, to focus on its core areas in the United Kingdom. Discussions are being held with eCORP and others with view to concluding a sale during 2011.



## Health, safety and environment

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

## Key performance indicators

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

Key performance indicators include identification of new economic project opportunities submission of project planning applications in accordance with project scheduling, project development in accordance with project development programme and Group working capital management.

Submission of the Islandmagee project planning application during 2010 the further development of the Portland project and prudent application of available cash resources are in line with the Board's expectation

## Risk factors

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

## Outlook

The 2010/11 financial year will again be an active time for the business

The Group looks forward to progressing the Portland Project with eCORP. The focus will be the drilling of the first cavern borehole

Islandmagee Storage Limited looks forward to the Planning Application determination which is anticipated during the financial year

In addition the Group will continue in its stated objective of developing the UK gas storage business by working in partnerships across all of our projects. The Group are also making applications for petroleum licences

where they believe synergies exist between existing projects and the licence areas applied for

## Results and dividends

The Group made a loss after tax of £1 248 461 during the year (2009 loss after tax of £1 281 002). The loss for the year together with the balance of £3 241 347 brought forward leaves a retained loss of £4 489,808 to be carried forward

The Directors do not recommend the payment of a dividend (2009 £nil)

In accordance with international financial reporting standards, the project assets have been reclassified as assets held for sale and disclosed as such in the consolidated statement of financial position. As a corollary the net loss attributable to the project companies has been classified as arising from discontinued operations in the statement of comprehensive income

## Events since the balance sheet date

On the 1 October 2010 eCORP Oil & Gas UK Limited undertook to fund the first cavern well and thereby acquired the right to match the project expenditure invested to date by InfraStrata (£22.9m) in return for 50% of the share capital of the project company Portland Gas Limited

The Department of Enterprise Trade & Investment ('DETI') has carried out its assessments of the financial and technical aspects of an application made for a petroleum licence in Northern Ireland and offered in November 2010 to grant InfraStrata a 50% licence interest over the area applied for which is known as Central Larne - Lough Neagh Basin. The licence covers an area of 663 square kilometres and the existing Islandmagee gas storage project is located within the boundary. The Company expects that DETI should be in a position to issue the licence in Q1 2011 after it has completed the drafting of the terms and conditions of the licence taking into account the outcome of its consultation with other Departments and agencies

## Charitable and political donations

During the year the Group made various charitable contributions in the UK totalling £400 (2009 £1 050). No donations were made for political purposes (2009 £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 20 (2009 21) 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 23 to the financial statements

## Directors

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

## Executive Directors

A D Hindle  
C S Gouws  
W R Roberts

## Non-executive Directors

K M Ratchiff  
M A Abbott  
J R Davie (Resigned 3 December 2010)  
M E Hazzard

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

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

## Directors of the Company and their abridged CVs are as follows:

### **Ken Ratcliff (Non-Executive Chairman)**

Ken Ratcliff, JP BSc FCA (Non-Executive Chairman) (60) is a Chartered Accountant with extensive finance and business experience. He is currently College Accountant at Epsom College and Accountant and co-founder of Geokinetics Processing UK Limited, an oil and gas industry seismic contractor. He was an audit manager with Touche Ross & Co in London before moving into accountancy and finance positions within the oil and gas industry in 1978. Ken has previously held senior management positions with Ensign Geophysics Limited, Seismic Geocode Limited, Tenneco Corporation and Merlin Geophysical Limited. He joined the Board in 2007 and became Chairman in October 2007. Ken has been a non-executive director of Egdon Resources Plc since 2001.

### **Andrew Hindle (Chief Executive Officer)**

Andrew Hindle, BSc MSc PhD FGS CGeol (Chief Executive Officer) (48) is a highly experienced geologist with 25 years worldwide experience. He holds a degree in Geological Sciences gained in 1983 from Leeds University and following a year with BP gained a MSc degree in Petroleum Geology in 1985 from Aberdeen University. In 1998 he completed a PhD (part-time) through the Open University. He received the J C 'Cam' Sproule Memorial Award from the American Association of Petroleum Geologists in 1999. He worked for Texaco from 1985 until 1996 on UK and international exploration and development projects, working overseas from 1990 to 1994. Subsequently, he worked for Anadarko Algeria Corporation from 1996 to 1997. In 1997 he became a founding director of Egdon Resources Plc and following the demerger of Egdon and InfraStrata, remains a non-executive director of Egdon. Andrew has been the Chief Executive of the Group since 2005. Andrew is also a director of Geofocus Limited and Toffee Limited.

### **Craig Gouws (Chief Financial Officer)**

Craig Gouws BSc CA (SA) (Chief Financial Officer) (43) is a Chartered Accountant and holds an engineering degree. He worked within the forestry sector in South Africa before qualifying as a Chartered Accountant with Ernst & Young in 2001. His finance experience includes working for major auditing organisations in senior financial positions in South Africa, the Middle East and the United Kingdom. Craig joined the Group in an executive role during 2007.

### **Walter Roberts (Legal and Commercial Director and Company Secretary)**

Walter Roberts MA (Cantab) (Legal and Commercial Director and Company Secretary) (59) 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 Egdon Resources Plc. Walter joined the Board of Egdon Resources Plc in 2001 as a non-executive director. He joined the Group in an executive role in 2007.

### **Mark Abbott (Non-Executive Director)**

Mark Abbott BSc FGS (Non-Executive Director) (49) 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, became 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 and a Trustee of the UK Onshore Geophysical Library.

### Maurice Hazzard (Non-Executive Director)

Maurice Hazzard (Non-Executive Director) (72) has extensive business experience in the oil and gas industry particularly in large offshore projects. He has held senior positions with Phillips Petroleum Hamilton Bros Oil & Gas Limited and Halyard Offshore Limited. Between 1979 and 1989 Maurice was responsible for development of the Energy Division of the Tung Group of companies, based in Hong Kong and during this period was Executive Chairman of Houlder Marine Drilling Limited. From 1989 to 1996 he was a consultant with Maritime Audit & Technical Services Limited consulting to the international offshore oil and marine services industry. From 1996 to 1999 he was Chairman and CEO of PD Systems International Limited, a UK electronics manufacturer. He is also non-executive Chairman of Orbitron Technologies Limited a software company.

### Directors Emoluments

The Directors' emoluments are disclosed in note 6 to the Financial Statements.

## Directors and substantial shareholdings

The Directors of the Company held the following beneficial shareholdings as at 13 December 2010

Ordinary shares of 10p each	Number	%
Ken Ratcliff	63,000	0.09
Andrew Hindle	6,695,791	9.07
Craig Gouws	35,000	0.05
Walter Roberts	1,055,460	1.43
Mark Abbott	6,687,666	9.06
Maurice Hazzard	1,144	0.00

The Company has received notification of the following interests in 3% or more of the Company's issued share capital at 13 December 2010. The percentages presented are at the date of notification.

Ordinary shares of 10p each	Number	%
Bluehone Investors LLP	3,675,058	6.95
Credit Suisse Securities (Europe) Limited	15,480,020	20.97

# Corporate Governance

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

## The Board

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

The Board held 8 full Board meetings during the financial year. All were attended by all Directors. In addition there were 4 meetings to approve administrative resolutions which were only partly attended although all Directors had approved the business.

## Audit Committee

The Audit Committee met three times in the year to 31 July 2010. Its members were Jonathan Davie (Chairman), Ken Ratcliff and Mark Abbott. Members of the committee at the time of meetings attended all meetings either in person or by telephone. In addition the Chairman met senior representatives of the external auditors during October 2009, April 2010 and July 2010. The external auditor has 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. The continued adverse economic climate meant that it only felt the need to meet once in the year to 31 July 2010. The members discussed at various times during the year whether to hold a formal meeting and decided that the circumstances did not warrant doing so. Its members are Maurice Hazzard (Chairman) and Mark Abbott and both members were in attendance at the meeting. The Group's policy is to remunerate senior executives fairly in such a manner as to facilitate the recruitment, retention and motivation of staff. The Remuneration Committee agrees with the Board a framework for the remuneration of the Chairman, the Executive Directors and the senior management of the Group. The principal objective of the Committee is to ensure that members of the executive management of the Group are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group. The view of the Committee is that the salaries remain competitive, but are not over generous and therefore did not recommend an adjustment during the current financial year. Non-executive fees are considered and agreed by the Board as a whole and there has been no specific review in this regard during the period.

## Nomination Committee

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

## Going Concern

As explained in note 2 to the financial statements the Directors consider that there exists a material uncertainty which casts significant doubt upon the ability of the Group to continue as a going concern and therefore to realise its assets and discharge its liabilities in the normal course of business. There can be no certainty that the disposal of an interest in Islandmagee Storage Limited will proceed within the timeframe currently expected. Nevertheless after making inquiries and considering all the relevant factors in relation to the proposed disposals the Directors are of the opinion that they will be able to complete any necessary funding and have therefore prepared cash flow forecasts for the Group on this basis. These projections indicate that the Group will have adequate cash resources to meet its obligations as they fall due for a period of not less than one year from the date of approval of these financial statements. For this reason, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## Directors' responsibilities

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

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

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

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

In preparing each of the Group and Company financial statements the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records

that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the InfraStrata plc website.

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

### Disclosure of information to the auditors

In the case of each person who was a Director at the time this report was approved - so far as the Director was aware there was no relevant available audit information of which the Company's auditor was 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 auditor was aware of that information.

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

### Auditors

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

By order of the Board

A Hindle  
Director

13 December 2010



# Independent auditors' report to the shareholders of InfraStrata plc

We have audited the financial statements of InfraStrata plc for the year ended 31 July 2010 which comprise the Consolidated Statement of Comprehensive Income the Consolidated and Parent Company Statements of Financial Position the Consolidated and Parent Company Statements of Cash Flow the Consolidated and Parent Company Statements of Changes in Equity and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent Company financial statements as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of Directors and auditors

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

## Scope of the audit of the financial statements

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

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 July 2010 and of the Group's loss for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Emphasis of matter – Going concern

In forming our opinion on the financial statements which is not qualified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Group's ability to continue as a going concern. The Group's ability to continue as a going concern is dependent on gaining additional funding which is expected to be derived from the part disposal of one of its subsidiaries. These conditions along with the other matters explained in note 2 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

## Opinion on other matter prescribed by the Companies Act 2006

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

## Matters on which we are required to report by exception

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

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

### Andrew Bond

Senior Statutory Auditor,  
for and on behalf of

### Nexia Smith & Williamson

Statutory Auditor  
Chartered Accountants  
1 Bishops Wharf  
Walnut Tree Close  
Guildford GU1 4RA

13 December 2010

Consolidated statement of comprehensive income  
for the year ended 31 July 2010

	Notes	2010 £	2009 £
<b>Continuing operations</b>			
Revenue		-	-
Cost of sales		-	-
<b>Gross profit/(loss)</b>		-	-
Administrative expenses		(397,358)	(386,396)
<b>Operating loss</b>		(397,358)	(386,396)
Finance income	9	23,645	173,439
<b>Loss before taxation</b>		(373,713)	(212,957)
Taxation	10	-	-
<b>Loss for the year from continuing operations</b>		(373,713)	(212,957)
<b>Loss for the year from discontinued operations</b>	11	(874,748)	(1,068,045)
<b>Loss for the year attributable to the equity holders of the parent</b>		(1,248,461)	(1,281,002)
Other comprehensive income		-	-
<b>Total comprehensive loss for the year attributable to the equity holders of the parent</b>		(1,248,461)	(1,281,002)
<b>Basic and diluted loss per share</b>	12		
Continuing operations		051p	030p
Discontinued operations		120p	152p
Continuing and discontinued operations		171p	182p

## Consolidated statement of financial position as at 31 July 2010

	Notes	2010 £	2009 £
<b>Non-current assets</b>			
Plant and equipment	14	7,280	20,346,503
Intangible assets	15	-	1,821,551
<b>Total non-current assets</b>		7,280	22,168,054
<b>Current assets</b>			
Receivables	17	110,732	149,356
Available for sale financial assets	18	12,500	12,500
Cash and cash equivalents	19	1,260,982	3,066,502
		1,384,214	3,228,358
Assets classified as held for sale	20	26,511,034	-
<b>Total current assets</b>		27,895,248	3,228,358
<b>Current liabilities</b>			
Trade and other payables	21	(278,606)	(925,202)
Liabilities directly associated with assets classified as held for sale	20	(4,061,668)	-
<b>Total current liabilities</b>		(4,340,274)	(925,202)
<b>Net current assets and net assets held for sale</b>		23,554,974	2,303,156
<b>Total assets less current liabilities</b>		23,562,254	24,471,210
<b>Non-current liabilities</b>			
Obligations under contractual and operating lease agreements due after one year	22	-	(2,185,741)
<b>Net assets</b>		23,562,254	22,285,469
<b>Shareholders' funds</b>			
Share capital	24	7,380,420	7,038,473
Share premium		11,381,095	8,576,705
Merger reserve	25	8,988,112	8,988,112
Shares to be issued		-	746,337
Share based payment reserve	26	302,435	177,189
Retained earnings		(4,489,808)	(3,241,347)
		23,562,254	22,285,469

Company registration number 06409712

Approved and authorised for issue by the Board on 13 December 2010

A. Gindie Director

C. Gwynne Director



## Company statement of financial position as at 31 July 2010

	Notes	2010 £	2009 £
<b>Non-current assets</b>			
Investments	16	15 257 966	15 249 111
<b>Current assets</b>			
Receivables	17	10 873 566	9 413 119
Available for sale financial assets	18	12 500	-
Cash and cash equivalents	19	1 072 060	94 418
<b>Total current assets</b>		<b>11 958 126</b>	<b>9 507 537</b>
<b>Current liabilities</b>			
Trade and other payables	21	(260 311)	(107 860)
<b>Net current assets</b>		<b>11 697 815</b>	<b>9 399 677</b>
<b>Net assets</b>		<b>26 955 781</b>	<b>24 648 788</b>
<b>Shareholders' funds</b>			
Share capital	24	7 380 420	7 038 473
Share premium		11 381 095	8 576 705
Merger reserve	25	8 466 827	8 466 827
Shares to be issued		-	746 337
Share based payment reserve	26	302 435	177 189
Retained earnings		(574 996)	(356 743)
		<b>26 955 781</b>	<b>24 648 788</b>

Company registration number 06409712

Approved and authorised for issue by the Board on 13 December 2010

A. Hinde, Director

C. Goughs, Director

## Consolidated statement of changes in equity for the year ended 31 July 2010

	Share capital	Share premium	Merger reserve	Shares to be issued	Share based payment reserve	Retained earnings	Total equity
	£	£	£	£	£	£	£
<b>Balance at 31 July 2008</b>	7038 473	8,576 705	8 988,112	-	38 498	(1 960 345)	22 681 443
Loss for the year	-	-	-	-	-	(1,281,002)	(1 281 002)
Total comprehensive loss for the year	-	-	-	-	-	(1 281 002)	(1 281 002)
Commitment to issue shares	-	-	-	746 337	-	-	746 337
Share based payments	-	-	-	-	138,691	-	138,691
<b>Balance at 31 July 2009</b>	7038 473	8 576 705	8 988 112	746,337	177189	(3,241,347)	22 285 469
Loss for the year	-	-	-	-	-	(1 248 461)	(1 248 461)
Total comprehensive loss for the year	-	-	-	-	-	(1 248,461)	(1,248 461)
Shares issued	341 947	2 804,390	-	(746,337)	-	-	2,400 000
Share based payments	-	-	-	-	125,246	-	125 246
<b>Balance at 31 July 2010</b>	7380 420	11,381 095	8 988,112	-	302 435	(4,489 808)	23 562 254

## Company statement of changes in equity for the year ended 31 July 2010

	Share capital	Share premium	Merger reserve	Shares to be issued	Share based payment reserve	Retained earnings	Total equity
	£	£	£	£	£	£	£
<b>Balance at 31 July 2008</b>	7038 473	8 576,705	8 466 827	-	38 498	(167,706)	23 952 797
Loss for the year	-	-	-	-	-	(189 037)	(189 037)
Total comprehensive loss for the year	-	-	-	-	-	(189 037)	(189 037)
Commitment to issue shares	-	-	-	746 337	-	-	746 337
Share based payments	-	-	-	-	138 691	-	138 691
<b>Balance at 31 July 2009</b>	7038 473	8,576 705	8 466 827	746,337	177189	(356 743)	24,648,788
Loss for the year	-	-	-	-	-	(218 253)	(218,253)
Total comprehensive loss for the year	-	-	-	-	-	(218 253)	(218 253)
Shares issued	341 947	2 804,390	-	(746,337)	-	-	2 400,000
Share based payments	-	-	-	-	125 246	-	125 246
<b>Balance at 31 July 2010</b>	7380 420	11 381,095	8 466 827	-	302,435	(574 996)	26 955,781

## Consolidated statement of cash flows for the year ended 31 July 2010

	Notes	2010 £	2009 £
<b>Net cash (used in) operating activities</b>	27	(1 409,715)	(1,175 444)
<b>Investing activities</b>			
Interest received		23 645	173,439
Purchases of intangible assets		(569 274)	(530,729)
Purchase of plant and equipment		(2 250,176)	(4,678 611)
Proceeds on disposal of plant and equipment		-	883
<b>Net cash (used in) investing activities</b>		(2,795 805)	(5 035,018)
<b>Financing activities</b>			
Proceeds on issue of ordinary shares		2 400 000	-
<b>Net cash generated from financing activities</b>		2,400 000	-
<b>Net (decrease) in cash and cash equivalents</b>		(1,895 520)	(6 210 462)
Cash and cash equivalents at beginning of year		3 066,502	9,276 964
<b>Cash and cash equivalents at end of year</b>		1 260,982	3,066,502
<b>Cash and cash equivalents consist of:</b>			
Cash at bank	19	£1 260 982	£3 066 502

**Significant non-cash transaction**

The 2009 cash flow statement excludes the settlement of a liability of £746,337, where the supplier agreed to accept 919 474 new 10p ordinary shares in settlement, the 2010 cash flow statement excludes the subsequent issue of shares

**Cash flows arising from discontinued activities**

Cash flows arising from discontinued operations are analysed in note 27

## Company statement of cash flows for the year ended 31 July 2010

	Notes	2010 £	2009 £
<b>Net cash from operating activities</b>	27	(1,428 795)	15 376
<b>Investing activities</b>			
Interest received		15 292	490
Subscription in share capital of subsidiary company		(8 855)	(2100)
<b>Net cash inflow/ (used in) investing activities</b>		6 437	(1,610)
<b>Financing activities</b>			
Proceeds on issue of ordinary shares		2 400 000	-
<b>Net cash generated from financing activities</b>		2 400 000	-
<b>Net increase in cash and cash equivalents</b>		977 642	13,766
Cash and cash equivalents at beginning of year		94,418	80 652
<b>Cash and cash equivalents at end of year</b>		1,072 060	94 418
<b>Cash and cash equivalents consist of</b>			
Cash at bank	19	£1 072 060	£94 418

**Significant non-cash transactions**

The 2009 cash flow statement excludes an increase in the loan to a subsidiary company of £746 337 and the associated future issue of 919 474 new 10p ordinary shares the 2010 cash flow statement excludes the subsequent issue of shares

# Notes to the financial statements for the year ended 31 July 2010

## 1 General information

InfraStrata plc is a company incorporated in England & Wales under the Companies Acts 1985 - 2006 and is domiciled in the United Kingdom and is listed on the AIM market of the London Stock Exchange

## 2 Accounting policies

The financial statements are based on the following accounting policies which have been consistently applied, except that IFRS 8 Operating segments has been adopted in place of IAS 14 Segmental Reporting and the revisions to IAS 1 Presentation of Financial Statements have been adopted. The adoption of these standards has no impact on the reported result or reported net assets of the Group. The comparative disclosures relating to segmental information have been restated.

### Basis of preparation

InfraStrata plc adopted International Financial Reporting Standards (IFRS) and IFRIC Interpretations as adopted by the European Union and except as noted below, effective in July 2010 as the basis for preparation of its financial statements. The financial information has been prepared under the historical cost convention as modified by the revaluation of certain financial assets.

### Going concern

The Directors have prepared the financial statements on the going concern basis which assumes that the Group will continue in operational existence without significant curtailment in its activities for the foreseeable future.

The Group requires additional funding in order to progress the development of the Islandmagee gas storage project in which it holds a 65% interest and to pay future general and administrative costs. The immediate future development costs of the Portland gas storage project will be funded by partners.

The Directors believe that the disposal

of an interest in Islandmagee Storage Limited is the best way of maximising shareholder value by allowing an entity other than InfraStrata plc to develop this project. It is expected that such a disposal will provide working capital for the Group and will transfer responsibility for funding the immediate future development of the Islandmagee gas storage project to the new partner. It is further proposed to sell the Group's entire interests in Portland Gas ESP S.L. and Sager Meer Energy GmbH.

The Directors consider that there exists a material uncertainty which casts significant doubt upon the ability of the Group to continue as a going concern and therefore to realise its assets and discharge its liabilities in the normal course of business. There can be no certainty that the disposal of an interest in Islandmagee Storage Limited will proceed within the timeframe currently expected. Nevertheless after making inquiries and considering all the relevant factors in relation to the proposed disposals, the Directors are of the opinion that they will be able to complete any necessary funding and have therefore prepared cash flow forecasts for the Group on this basis. These projections indicate that the Group will have adequate cash resources to meet its obligations as they fall due for a period of not less than one year from the date of approval of these financial statements. For this reason they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

If for any reason the uncertainty described above cannot be successfully resolved the going concern basis may no longer be appropriate. The financial statements do not include any adjustments that would result if the Group and Company were unable to continue as a going concern.

## Standards and interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not yet been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU) and that may have a material impact going forward.

IFRS 9 Financial Instruments  
IAS 24 (revised 2009) Related Party Disclosures  
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The Directors anticipate that all of the above standards and interpretations will be adopted in the Group's financial statements in future periods.

## 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.

## Disposal groups held-for-sale

Disposal groups are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

## Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker as required by IFRS 8 "Operating Segments". The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

The accounting policies of the reportable segments are consistent with the accounting policies of the Group as a whole. Segment profit represents the profit earned by each segment without allocation of gains or losses on the disposal of available-for-sale investments, investment income, interest payable and tax. This is the measure of profit that is reported to the Board of Directors for the purpose of resource allocation and the assessment of segment performance.

When assessing segment performance and considering the allocation of resources, the Board of Directors review information about segment assets and liabilities.

## Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss.

The initial cost of an asset comprises its purchase price or construction cost and any costs directly attributable to bringing the asset into operation.

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

Office equipment	20 - 33%
------------------	----------

Capitalised tangible gas storage inclusive of related and pipeline costs are not depreciated as the facility is under construction and not in use. The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

## Gas storage research and development costs

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

## Capitalisation and impairment of intangible gas storage assets

Costs of development of gas storage facilities are capitalised as intangible assets once it is probable that future economic benefits that are attributable to the assets will flow to the Group and until consent to construct has been awarded at which time the capitalised costs are transferred to plant and equipment. The nature of these costs includes all direct costs incurred in project development. No amortisation or depreciation is provided until the storage facility is brought into commercial use.

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

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

## Intangible assets – oil & gas expenditure and evaluation expenditure

The Group accounts for oil & gas expenditure under the full cost accounting method.

Costs (other than payments to acquire rights to explore) incurred prior to acquiring the rights to explore are charged directly to the income statement. All costs incurred after the rights to explore an area have been obtained, such as geological, geophysical data costs and other direct costs of exploration and appraisal, are accumulated and capitalised as intangible exploration and evaluation assets ("E&E").

E&E costs are not amortised prior to the conclusion of appraisal activities. If technical feasibility is demonstrated and commercial reserves are discovered, then following development sanction, the carrying value of the relevant E&E asset will be reclassified as a development and production asset, but only after the carrying value of the E&E asset has been assessed for impairment and where appropriate its carrying value adjusted. If, after completion of appraisal activities in an area, it is not possible to determine technical feasibility or commercial viability, then the costs of such unsuccessful exploration and evaluation are written off to the income statement as a component of costs of sales in the period the relevant events occur. The costs associated with any wells which are abandoned are fully amortised when the abandonment decision is taken.

When oil or gas is sold from E&E assets, the carrying value of the E&E asset is reduced by the gross profit generated from the sale.

## Borrowing costs

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

## Investments

Investments in subsidiaries are stated at cost less provision for impairments

## Taxation

Tax expense represents the sum of the tax currently payable and any deferred tax. The taxable result differs from the net result as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively 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 other comprehensive income in which case the deferred tax is also dealt with in other comprehensive income. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current assets and liabilities on a net basis.

## Foreign currency

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

## Leases

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

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

## Share based payment transactions

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

The equity settled transactions are measured at the fair value of the equity instrument as at the grant date and the expense is recognised, together with a corresponding increase in equity over the period in which the performance and/or service conditions are fulfilled ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent

to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance conditions are satisfied.

Where the terms of an equity settled award are modified as a minimum an expense is recognised as if the terms had not been modified. In addition an expense is recognised for any modification which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

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

## Retirement benefit costs

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

## Financial instruments

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

Trade and other receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in the income statement. Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

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

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the

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

Interest bearing bank loans, overdrafts and other loans are recorded at the proceeds received, net of direct issue costs. Finance costs are accounted for

on an accruals basis in the income statement using the effective interest method.

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as financial assets at fair value through profit and loss, held to maturity investments or loans and receivables. After initial recognition, available for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using appropriate valuation techniques.

### Finance income

Finance income is recognised on an accrual basis.

## 3 Segment information

The Directors have determined the Group's operating segments by reference to the risk profile of the Group's activities which are affected predominately by location of the Group's assets. The Group's head office is located in the United Kingdom with operations located in Dorset, Northern Ireland and Europe. The business of each segment is the development and construction of gas storage and associated facilities.

2010	Discontinued (see note 11 and 20)				Total
	Dorset	Northern Ireland	Continental Europe	Continuing unallocated	
	£	£	£	£	£
<b>Loss on ordinary activities by segment</b>					
Gas storage development	735,259	100,671	38,818	373,713	1,248,461
<b>Assets by segments</b>					
Gas storage development	24,066,195	2,419,261	25,578	1,391,494	27,902,528
<b>Liabilities by segment</b>					
Gas storage development	4,000,554	58,900	2,214	278,606	4,340,274
<b>Net assets by segment</b>					
Gas storage development	20,065,641	2,360,361	23,364	1,112,888	23,562,254
<b>Capital expenditure on segmental assets</b>					
Gas storage development	3,346,830	592,791	-	-	3,939,621
Depreciation	-	-	-	21,070	21,070

### 3 Segment information cont

2009	Discontinued (see note 11)				Total
	Dorset	Northern Ireland	Continental Europe	Continuing unallocated	
	£	£	£	£	£
<b>Loss on ordinary activities by segment</b>					
Gas storage development	850 607	113 943	103 495	212 957	1,281 002
<b>Assets by segments</b>					
Gas storage development	20 396,867	1 872 100	1,982	3 125 463	25 396 412
<b>Liabilities by segment</b>					
Gas storage development	2 871 101	129,654	3 718	106 470	3 110,943
<b>Net assets by segment</b>					
Gas storage development	17,525,766	1 742 446	(1,736)	3 018 993	22 285 469
<b>Capital expenditure on segmental assets</b>					
Gas storage development	5 171 931	557 892	-	-	5 729 823
Depreciation	-	-	-	21 880	21 880

### 4 Other expenditure

	2010	2009
	£	£
<b>Fees payable to the Group's auditor and its associates</b>		
- for the audit of the Company's financial statements	12 750	11,250
- for the audit of the Company's subsidiaries	17,750	17 750
- other services relating to taxation	12 450	11 950
- all other services	3 556	3,726
Depreciation	21 070	21 880
Net foreign exchange loss	5,278	10,482
Operating lease rentals - land and buildings	1,521,146	1 529 152
Research costs	103 716	120 268

### 5 Employee information

	2010	2009
	Number	Number
Executive Directors and staff	7	8
	£	£
<b>Staff costs for the above persons were</b>		
Wages and salaries	854,196	895 766
Social security costs	89 449	102 163
Defined contribution pension plan expenditure	27,808	29 950
Share based payments	125,246	138,691
	1,096,699	1,166,570



## 6 Directors' and key management emoluments and compensation

### Group and company 2010

	Salary & fees	Bonus	Benefits	Pension	Total 2010
	£	£	£	£	£
<b>Executive Directors</b>					
Andrew Hindle	250,000	-	2,042	-	252,042
Craig Gouws	122,219	-	1,462	6,000	129,681
Walter Roberts	120,000	-	2,788	6,000	128,788
<b>Non-executive Directors</b>					
Ken Ratcliff	37,500	-	-	1,875	39,375
Mark Abbott	15,000	-	-	-	15,000
Jonathan Davie	15,000	-	-	-	15,000
Maurice Hazzard	15,000	-	-	750	15,750
	574,719	-	6,292	14,625	595,636
Share based payment attributable to Directors					86,001
Employers national insurance contributions					65,941
					<b>747,578</b>

### Group and company 2009

	Salary & fees	Bonus	Benefits	Pension	Total 2010
	£	£	£	£	£
<b>Executive Directors</b>					
Andrew Hindle	250,000	-	1,757	-	251,757
Craig Gouws	122,048	-	1,260	6,000	129,308
Walter Roberts	120,000	-	2,392	6,000	128,392
<b>Non-executive Directors</b>					
Ken Ratcliff	37,500	-	-	1,875	39,375
Mark Abbott	15,000	-	-	-	15,000
Jonathan Davie	8,750	-	-	-	8,750
Maurice Hazzard	15,000	-	-	750	15,750
	568,298	-	5,409	14,625	588,332
Share based payment attributable to Directors					107,085
Employers national insurance contributions					65,106
					<b>760,523</b>

The total of short-term employee benefits for Directors was £646,952 (2009 £638,813)

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

### Company

Directors' emoluments comprised £574,719 (2009 £568,298) in respect of salary and bonuses £6,292 (2009 £5,409) in respect of benefits. In addition there was a Directors' pension benefit expense of £14,625 (2009 £14,625) and employers' national insurance contributions of £65,941 (2009 £65,106). The charge in respect of share based payments was £86,001 (2009 £107,085).

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:

Directors' and key management emoluments and compensation **cont.**

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

No options were granted to Directors in 2010 or 2009

Key man insurance premiums of £777 (2009: £777) were paid for Executive Directors and directors' indemnity insurance premiums of £18,133 (2009: £18,786) were paid in respect of all Directors. Executive and Non-executive Directors participate in the Group Stakeholder Pension Plan under which Group Life Cover is offered.

## 7 Share based payment plans

A share based payment plan was created in the year ended 31 July 2008. All Directors and employees are entitled to a grant of options subject to the Board of Directors' approval. The options do not have a cash settlement alternative. The options granted are Enterprise Management Incentive share options for qualifying employees.

There were 45,200 options issued during 2010 (2009: nil). The following table illustrates the number and weighted average exercise prices (WAEP) of and movements in share options during year:

	2010 Number	2010 WAEP £	2009 Number	2009 WAEP £
Outstanding at the beginning of the year	255,898	2.44	318,831	2.43
Granted during the year	45,200	0.89	-	-
Forfeited during the year	-	-	62,933	2.39
Outstanding at the end of the year	301,098	2.06	255,898	2.44
Exercisable at the end of the year	-	-	-	-

The weighted average remaining vesting period for the share options outstanding at 31 July 2010 is 0.92 years (2009: 1.8 years). The range of exercise prices for options outstanding at the end of the year was £0.885 - £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 to value the options issued in 2010 and 2008:

	2010	2008
Expected volatility (%)	35%	35%
Risk free interest rate	0.5%	5%
Weighted average contractual life of option (years)	10	9.5
Expected dividend yield	nil	nil
Weighted average share price (£)	0.885	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 InfraStrata plc, which may not necessarily be the actual outcome. The expected life of the options is based on Directors' best estimate and may not necessarily be indicative of the patterns that may occur.

## 8 Retirement benefits

The Group operates a defined contribution retirement plan for all qualifying employees who wish to participate. The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

The total cost charged to expenses of £27,808 (2009: £29,950) represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme for the year. As at 31 July 2010, employer and employee contributions of £4,557 (2009: £3,757) due in respect of the current period had not been paid over to the scheme; the payment was made on the 10 August 2010 (2009: 10 August 2009).

## 9 Finance income

	2010	2009
	£	£
Interest on bank deposits	23,645	173,439

## 10 Income tax

The major components of income tax expense for the years ended 31 July 2010 and 2009 are:

	2010	2009
	£	£
<b>a) Consolidated income statement</b>		
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 2010 and 2009 is as follows

Accounting loss before tax from continuing operations	(373,713)	(212,957)
Loss on continuing activities multiplied by the standard rate of tax (28% 2009 - 28%)	(104,640)	(59,628)
Expenses not permitted for tax purposes and pre-trading expenditure	13,843	(4,111)
Other timing differences	5,900	6,023
Group relief	13	152
Tax losses carried forward	(84,884)	(57,564)

### A discontinued operations reconciliation between tax expense and the product of accounting loss for the years ended 31 July 2010 and 2009 is as follows

	2010	2009
	£	£
<b>Accounting loss before tax from discontinued operations</b>	(874,748)	(1,068,045)
Loss on discontinued activities multiplied by the standard rate of tax (28% 2009 - 28%)	(244,929)	(299,053)
Expenses not permitted for tax purposes and pre-trading expenditure	244,942	299,205
Group relief	13	152
Income tax expense reported in note 11	-	-

### c) Factors that may affect the future tax charge

The Group has trading losses of £588,568 (2009: £327,017) which may reduce future tax charges. Future tax charges may also be reduced by capital allowances on cumulative capital expenditure.

### d) Deferred taxation

The Group has an unrecognised deferred taxation asset arising from trading losses carried forward of £158,914 (2009: £91,565) at year end. The deferred tax asset is not recognised due to the uncertainty over its future recovery.

The deferred tax asset is calculated at a rate of 27%; however, the Government has announced that the rate of corporation tax will reduce by 1% per annum to 24% and this is the rate expected to be in force when the tax losses may be able to be utilised. The deferred tax asset calculated at this tax rate is £141,256.

## 11 Discontinued operations

	2010	2009
	£	£
Revenue	-	-
Net operating costs	874 748	1,068 045
Loss from operations	874 748	1 068,045
Loss before tax	874,748	1 068 045
Tax charge (note 10)	-	-
Loss after tax	874 748	1 068,045

Details of the discontinued operations are given in note 20

The results for the discontinued activities of the Group for the year ended 31 July 2009 have been re-presented as required by IFRS 5 so that the disclosures relate to all operations that have been discontinued by 31 July 2010 for all periods presented

## 12 Loss per share

	2010	2009
	£	£
<b>Loss</b>		
The loss for the purposes of basic and diluted loss per share being the net loss attributable to equity shareholders		
Continuing operations	373,713	212 957
Discontinued operations	874 748	1 068 045
Continuing and discontinued operations	1,248 461	1 281,002
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	73 023,939	70 384 727
<b>Basic earnings per share</b>		
Continuing operations	0.51p	0.30p
Discontinued operations	1.20p	1.52p
Continuing and discontinued operations	1.71p	1.82p

In accordance with IAS 33 diluted earnings per share calculations are not presented as assumed conversion of outstanding share options (note 7) would be anti-dilutive as such the diluted earnings per share is equal to the basic loss per share

## 13 Losses attributable to InfraStrata plc

The loss for the period dealt with in the financial statements of InfraStrata plc was £218,253 (2009 £189 037) As provided by s408 of the Companies Act 2006 no income statement is presented in respect of InfraStrata plc

## 14 Plant and equipment 2010

	Gas storage (under construction)	Office equipment	Total
	£	£	£
<b>Cost</b>			
At 1 August 2009	20 318 153	69,648	20 387,801
Additions	3,346 830	-	3 346 830
Transfer to assets classified as held for sale	(23 664,983)	-	(23 664,983)
At 31 July 2010	-	69,648	69 648
<b>Depreciation</b>			
At 1 August 2009	-	41,298	41,298
Charge for the year	-	21 070	21 070
At 31 July 2010	-	62,368	62 368
<b>Net book value</b>			
At 31 July 2010	-	7,280	7 280

## Plant and equipment 2009

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

## 15 Intangible assets 2010

	Development costs - Gas storage
	£
<b>Cost</b>	
At 1 August 2009	1,821,551
Additions	592,791
Transfer to assets classified as held for sale	(2,414,342)
At 31 July 2010	-
<b>Amortisation</b>	
At 1 August 2009	-
Charge for the year	-
At 31 July 2010	-
<b>Net book value</b>	
At 31 July 2010	-

## Intangible assets 2009

<b>Cost</b>	
At 1 August 2008	1,263,659
Additions	557,892
At 31 July 2009	1,821,551
<b>Amortisation</b>	
At 1 August 2008	-
Charge for the year	-
At 31 July 2009	-
<b>Net book value</b>	
At 31 July 2009	1,821,551

## 16 Investments

	Company 2010	Company 2009
	£	£
Balance at the beginning of the year	15 249 111	15 247 011
Additions	8 855	2 100
Balance at the end of the year	15 257 966	15 249 111

### Subsidiaries

The Company's subsidiary undertakings at 31 July 2010, all of which are wholly owned unless indicated otherwise, are as follows

	Principal undertaking	Country of incorporation
InfraStrata UK Limited	Holding and corporate	England
Portland Gas ESP S.L	Spanish sub surface gas storage developer	Spain
InfraStrata Trading Limited	Dormant	England
Sager Meer Energy GmbH (80% owned)	German sub surface gas storage developer	Germany
<i>InfraStrata UK Limited owns the following subsidiaries</i>		
Portland Gas Holdings Limited	Holding	England
Islandmagee Storage Limited (65% owned)	Sub surface gas storage developer	Northern Ireland
InfraStrata Limited	Holding	England
<i>Portland Gas Holdings Limited owns the following subsidiaries</i>		
Portland Gas Storage Limited	Sub surface gas storage developer	England
Portland Gas Transportation Limited	Gas storage pipeline developer	England

In January 2010 InfracStrata UK Limited, Moyle Energy Investments Limited and Islandmagee Storage Limited entered into a preliminary shareholders agreement whereby Moyle Energy Investments Limited acquired a 35% interest in Islandmagee Storage Limited. InfracStrata UK Limited continues to assume one hundred percent of the risks and rewards of ownership of Islandmagee Storage Limited (including voting rights) and therefore InfracStrata plc includes the total assets and liabilities in its consolidated results.

## 17 Receivables

	Group 2010	Group 2009	Company 2010	Company 2009
	£	£	£	£
Amounts due from Group undertakings	-	-	10 809 819	9 352 960
Other receivables	71 985	75 791	25,000	34 118
Prepayments	38,747	73 565	38 747	26,041
	110 732	149 356	10 873 566	9 413 119

An element of the Company and Group's credit risk is attributable to its receivables. Based on prior experience and an assessment of the current economic environment, the Directors did not consider any provision for irrecoverable amounts was required and consider that the carrying amounts of these assets approximates to their fair value. There are no set terms for the repayment of the amounts due from Group undertakings and they are expected to be recovered following the development of the project and/or following the part disposal of the project companies.

## 18 Available for sale financial assets

	Group 2010	Group 2009	Company 2010	Company 2009
	£	£	£	£
At 1 August	12 500	12 500	-	-
Transfer from subsidiary	-	-	12 500	-
At 31 July	12 500	12 500	12 500	-

The investment in securities above represents an investment in Egdon Resources plc redeemable preference shares. The assets are held at cost as an approximation of fair value. These are the only financial assets which the Group and Company are required to carry at fair value.

## 19 Cash and cash equivalents

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Cash at bank	1 260 982	3 066 502	1 072,060	94 418

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.

## 20 Assets held for sale and discontinued operations

A Memorandum of Understanding ("MOU") was signed with US independent energy company eCORP International LLC ("eCORP") relating to InfraStrata's gas storage projects. The disposal group comprises the assets described in this note. In respect of the Portland Project eCORP Oil & Gas UK Limited undertook to fund the first cavern well and thereby acquired the right to match the project

expenditure invested to date by InfraStrata (£22.9m) in return for 50% of the share capital of the project company Portland Gas Ltd. The transaction was completed after year end.

Under the terms of the MOU the Company and Mutual Energy are continuing discussions with eCORP to acquire 40% of the share capital of Islandmagee Storage Limited. The terms of the MOU have been extended to 30 April 2011 but on a non-exclusive basis.

The Company will also dispose of its interest in the share capital of Sager Meer Energy GmbH and Portland Gas ESP SL its gas storage projects in Germany and Spain.

Whilst the assets held for sale are classified as current assets, due to the nature of the transaction the disposal of the Portland Project will not generate a cash inflow for the Group.

### Assets classified as held for sale

	£
Property, plant and equipment	23,664,983
Intangible assets - gas storage development costs	2,414,342
Trade and other receivables	334,553
Cash and cash equivalents	97,156
	<b>26,511,034</b>

### Liabilities classified as held for sale

#### Current liabilities

Trade creditors and accruals	73,400
Other taxation and social security	4,182
Accruals	114,857
Other contractual agreements	700,000
	<b>892,439</b>

#### Non-current liabilities

Obligations under lease agreements	2,168,286
Other contractual agreements	1,000,943
	<b>4,061,668</b>

## 21 Trade and other payables

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Trade creditors	67,039	174,355	176,080	56,356
Other taxation and social security	37,250	34,904	37,250	34,904
Accruals	174,317	215,943	46,881	16,500
Other contractual agreements	-	500,000	-	-
	<b>278,606</b>	<b>925,202</b>	<b>260,311</b>	<b>107,860</b>

The Directors consider that the carrying amount of trade and other payables approximates to their fair value. Other contractual agreements relate to amounts due to the Portland Gas Trust under a Section 106 deed of undertaking which are not expected to be paid until the Portland project is fully funded. For 2010 these amounts are disclosed within liabilities classified as held for sale (note 20).

## 22 Non-current liabilities

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Obligations under lease agreements	2,168,286	990,741	-	-
Other contractual agreements	1,000,943	1,195,000	-	-
Transfer to liabilities directly associated with non-current assets classified as held for sale	(3,169,229)	-	-	-
	-	2,185,741	-	-

The obligation under a lease agreement is to be settled over a period of 13 years. Under the terms of a separate agreement with the lessor the Group will pay £120,000 per annum of the liability arising under the lease until the Portland project is fully funded. The balance will be settled by way of an interest bearing loan which will be repaid when the project is fully funded. Other contractual agreements relate to payments to be made to the Portland Gas Trust under a Section 106 planning agreement and will be settled over a period of 20 years.

## 23 Financial assets and liabilities

The Group and Company's financial instruments comprise cash and cash equivalents and items such as trade payables and other receivables which arise directly from the Group's operations. The Group's operations expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk and foreign currency exchange risk. Given the size of the Group, the Directors have not delegated the responsibility of monitoring financial risk management

to a subcommittee of the board. The objectives of the financial instrument policies are to reduce the Group and Company's exposure to financial risk. The policies set by the board of Directors are implemented by the Company's finance department.

### Credit risk

The credit risk on liquid funds is limited because the Group and Company policy is to only deal with counter parties with high credit ratings and more than one institution is utilised to deposit cash holdings. The Group held funds in the Bank of Scotland, Northern

Rock and Lloyds TSB bank accounts during the year. At year end all of the funds were held in Bank of Scotland and Northern Rock accounts. The risk of Bank of Scotland bank failure has decreased during the year while Northern Rock was supported by British Government Guarantee. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Available for sale financial assets	12,500	12,500	12,500	-
Other receivables	71,985	29,324	57,364	19,156
Cash and cash equivalents	1,260,982	3,066,502	1,072,060	94,418

The reconciling item between the Other receivables presented above and that presented in note 17 and 20 is the VAT receivable.

### Interest rate risk

The Company and Group is exposed to interest rate risk as a result of positive cash balances, denominated in sterling which earn interest at a variable rate. These attract interest at rates that vary with bank interest rates. Cash at bank at floating rates consisted of money market deposits which earn interest at rates set in advance from periods of 1-3

months by reference to Sterling LIBOR. An effective interest rate increase or decrease by 1% on the cash and cash equivalents balance at year end would result in a before tax financial effect of an increase or decrease in investment revenues and equity for the Group of £13,581 (2009: £30,665) and for the Company of £10,721 (2009: £944).

### Foreign currency risk

The Group is exposed to foreign to currency rate risk as a result of trade payables which are settled in Euros and United States Dollars (USD). During the year the Group and Company did

not enter into any arrangements to hedge this risk as the Directors did not consider the exposure to be significant given the short term nature of the balances. The Group and Company will review this policy as appropriate in the future. As at 31 July 2010, if the Euro had weakened or strengthened 10% against sterling with all other variables held constant, the Group's net loss and equity would have decreased or increased by £1,791 (2009: £4,853).

The currency risk disclosures at 31 July 2010 are as follows:

	Euro	USD	Total
The currency risk disclosures at 31 July 2010 are as follows:			
Accounts payable	£15,009	-	£15,009
The currency risk disclosures at 31 July 2009 are as follows:			
Accounts payable	£53,383	-	£53,383

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



**Liquidity risk**

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

20, 21 and 22. Further information on contractual maturities of significant financial liabilities is disclosed in notes 22 and 28. The Company issues share capital when external funds are required. The reconciling items between the contractual maturities presented below and that presented in

notes 20, 21 and 22 are taxes and the effect of discounting long term liabilities to present value. The following table shows the contractual maturities of the Group's and Company's financial liabilities, all of which are measured at amortised cost.

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Within one month	1,056,626	262,045	87,403	58,989
Within more than one month and less than one year	100,000	614,286	-	-
More than 1 year and less than five years	1,990,634	1,007,741	-	-
More than five years	1,966,973	1,983,000	-	-

Contractual liabilities of £616,622 and £100,000 shown as falling due within one month and within one year, respectively, are not expected to be paid until such time as the Portland project is fully funded.

## 24 Share capital and redeemable preference shares

	Authorised Number	£	Allotted, called up, and fully paid Number	£
<b>Ordinary share capital</b>				
At 31 July 2008 and 2009				
- Ordinary shares of 10 pence each	100,000,000	10,000,000	70,384,727	7,038,473
Issue 10 pence ordinary shares	-	-	3,419,474	341,947
At 31 July 2010				
- Ordinary shares of 10 pence each	100,000,000	10,000,000	73,804,201	7,380,420
<b>Redeemable preference shares of £1 each (classified as liabilities)</b>				
At 31 July 2008	-	-	-	-
Creation and issue of £1 redeemable preference shares	50,000	50,000	50,000	12,500
At 31 July 2010 and 2009	50,000	50,000	50,000	12,500

On the 5 November 2009 the Company completed a placing of 2,500,000 new ordinary shares of 10p each at 100p per share to raise £25 million before expenses.

On the 15 September 2009 the Company issued 919,474 new 10p ordinary shares in settlement of an existing liability of £746,337. These shares have been disclosed as shares to be issued at 31 July 2009.

### *Objectives, policies and processes for managing capital*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to achieve its operational objectives. The Group defines capital as being share capital plus reserves. The Board of Directors monitors the level of capital as compared to the Group's forecast cash flows and long term commitments and when necessary issues new shares.

Dilution of existing shareholder value is considered during all processes which may result in an alteration of share capital in issue.

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

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

## 25 Merger reserve

### **Company**

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

### **Group**

The merger reserve represents the difference between the nominal value of the shares issued on the demerger and the combined share capital and share premium of InfraStrata UK Limited at the date of the demerger. The reserve is not distributable.

## 26 Share based payment reserve

The reserve for share based payments is used to record the value of equity settled share based payments awarded to employees and transfers out of this reserve are made upon the exercise or expiration of the share awards.

The transfer in of £125,426 (2009 £138,691) relates to share options granted. For further information on the share based payment scheme see note 7.

## 27 Cash (used in) operations

	2010	2009
	£	£
Operating loss for the year from continuing operations	(397,358)	(386,396)
<b>Group</b>		
Depreciation	21,070	21,880
Profit on disposal of plant & equipment	-	367
Decrease in trade and other receivables	38,624	156,164
(Decrease) in trade and other payables	(83,280)	(38,105)
Share option expense	125,246	138,691
Cash (used in) discontinued operations	(1,114,017)	(1,068,045)
Cash (used in) continuing and discontinued operations	(1,409,715)	(1,175,444)
The statement of cash flows includes the following amounts which arise from discontinued activities		
<b>Group</b>		
Cash (used in) discontinued operations	(1,114,017)	(1,068,045)
Investing activities	(2,819,450)	(5,209,340)
Financing activities	-	-
<b>Company</b>		
Operating loss for the year	(233,545)	(189,527)
(Increase)/Decrease in trade and other receivables	(1,472,948)	172,557
Increase/(Decrease) in trade and other payables	152,452	(106,345)
Share option expense	125,246	138,691
Cash (used in)/from operations	(1,428,795)	15,376

## 28 Operating lease commitments

### Group

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

	Land and buildings 2010	Land and buildings 2009
	£	£
Amounts due		
Within one year	1,223,600	1,056,933
Within 2 to 5 years	6,493,505	6,023,505
After more than 5 years	10,585,000	12,278,600
	18,302,105	19,359,038

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

The office premises lease rentals are fixed for 5 years and the escalation clause is linked to market rates agreed between the landlord and tenant. The lease provides for a break clause at the fifth anniversary of the lease, exercisable at the Company's option.

The rents due under the gas storage development land leases are fixed to the first review date on the 20 October 2011 and the escalation clause is linked to the Retail Price Index published by the Office for National Statistics. The lease provides for a break clause at the fifteenth anniversary of the lease, exercisable at the Company's option. Until such time as the Group has secured funding for the Portland project only minimal cash payments will fall due with the balance of the liability being settled by way of interest bearing loans, which are payable once the associated gas storage project is fully funded.

## 29 Tangible capital commitments

	2010	2009
	£	£
Approved and contracted	1,795,000	2,038,764

The capital commitments largely relate to commitment a of Portland Gas Storage Limited in relation to a S106 deed of undertaking and for 2009, capital works to be performed on the Upper Osprey site

## 30 Related party transactions

InfraStrata UK Limited leases the Group's head office from Toffee Limited, a company of which Andrew Hindle is a director and shareholder. A fair market rent paid during the period was £45,000 (2009: £45,000). The balance outstanding at 31 July 2010 was £nil (2009: £nil).

The Company has related party relationships with its subsidiaries in the course of normal operations. InfraStrata plc recovered overhead costs from InfraStrata UK Limited of £170,561 (2009: £179,328). Portland Gas Storage Limited of £473,358 (2009: £497,690). Islandmagee Storage Limited of £92,134 (2009: £96,870) and Portland Gas Transportation Limited of £230,457 (2009: £242,304).

The balances outstanding at 31 July 2010 which are not secured are provided in the following table

Related party	Amounts owed by related parties	Amounts owed to related parties
	£	£
<i>The ultimate parent</i>		
InfraStrata plc	10,777,456	100
<i>Subsidiaries</i>		
InfraStrata UK Limited	21,744,838	6,751,126
Portland Gas Storage Limited	4,835,464	22,407,599
Islandmagee Storage Limited	-	2,697,060
Portland Gas Transportation Limited	-	5,347,152
Portland Gas Limited	-	-
InfraStrata NV Limited	-	-
InfraStrata Trading Limited	100	-
Portland Gas ESP S L	-	154,821

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

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

### 31 Judgements in applying accounting policies and key sources of estimation uncertainty

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

#### *Capitalisation of project costs*

The assessment of whether costs incurred on project exploration and evaluation should be capitalised or expensed involves judgement. Any expenditure which is considered to relate to gas storage exploration research activities or where it is not probable that future economic benefits will flow to the Group are expensed. Management considers the nature of the costs incurred and the stage of project development and concludes whether it is appropriate to capitalise the costs. The key assumptions depend on the rock mechanical properties of the halite, the availability of a suitable site for construction of the required facilities and the likelihood of gaining the relevant permissions.

#### *Review of project asset carrying values*

The assessment of capitalised project costs for any indications of impairment involves judgement. When facts or circumstances suggest that impairment exists a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that the carrying amount exceeds recoverable amount. The carrying amount of the intangible asset with an indefinite useful life is £2414342. Recoverable amount is determined to be the higher of fair value less costs to sell and value in use. The key assumptions are the net income expected to be generated from the facilities, the cost of construction and

the date from which the facilities become operational. Management assigns values and dates to these inputs after taking into account market information, engineering design costing and the project programme. A discount rate of 8% is applied in determining project net present values. Salt cavern gas storage projects are long term investments and cash flows are therefore projected over periods greater than 5 years. Engineering design provides for Project life of 40 years. It is assumed that 100% of a project's capacity will be sold from the date that the capacity becomes operational, therefore no cash flow growth is used when performing cash flow projections.

#### *Share based payments*

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

#### *Going concern*

The preparation of the financial statements requires an assessment on the validity of the going concern assumption. The validity of the going concern assumption is dependent on the availability of adequate financial resources to allow the Group to continue in operational existence for the foreseeable future. Should the going concern basis not be appropriate, adjustments would have to be made to the assets and liabilities in the balance sheet of the Group. As with other development companies which have no revenue streams, the Group will only be able to continue its development programme if it has sufficient financial resources to do so. In order to gain such resources, the Group will need to raise additional funds either through the issue of shares

and/or project disposals. The Directors have reviewed the budget, projected cash flows, considered committed expenditure and based on this review are confident that the Group will have adequate financial resources to continue in existence for the foreseeable future. Consequently the Directors consider it appropriate to prepare the financial statements on the going concern basis subject to the going concern disclosure made in note 2.

### 32 Events after balance sheet date

On the 1 October 2010 eCORP Oil & Gas UK Limited undertook to fund the first cavern well and thereby acquired the right to match the project expenditure invested to date by InfraStrata (£22.9m) in return for 50% of the share capital of the project company, Portland Gas Limited.

The Department of Enterprise Trade & Investment ("DETI") has carried out its assessments of the financial and technical aspects of an application made for a petroleum licence in Northern Ireland and offered in November 2010 to grant InfraStrata a 50% licence interest over the area applied for which is known as Central Larne - Lough Neagh Basin. The licence covers an area of 663 square kilometres and the existing Islandmagee gas storage project is located within the boundary. The Company expects that DETI should be in a position to issue the licence in Q1 2011 after it has completed the drafting of the terms and conditions of the licence taking into account the outcome of its consultation with other Departments and agencies.

### 33 Control of the Group

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

## Directors

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

**Registered Office**  
Blackstable House  
Longridge  
Sheepscombe  
Stroud  
GL6 7QX

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

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

13 December 2010

Dear Shareholder,

## 1 Introduction

Notice of the Company's forthcoming annual general meeting to be held on Monday 31 January 2011 ("AGM" or "Annual General Meeting") appears on the following pages

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

## 2. Resolutions to be proposed at the AGM

### Ordinary Business

#### *Annual Report and Accounts (Resolution 1)*

A copy of the annual report and accounts (together with the Directors and Auditors reports on the annual report and accounts) for the Company for the financial year ended 31 July 2010 (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 & 4)*

Andrew Hindle and Maurice Hazzard are the Directors retiring by rotation this year and each offers himself for re-election. All members of the Board are required to submit themselves for re-election at least once every three years. Brief biographical details of each of the Directors appear on pages 10 and 11 of the Accounts

### Special Business

#### *Authority of Directors to Allot Shares (Resolution 5)*

The authority given to the Directors to allot further shares in the capital of the Company requires the prior authorisation of the shareholders in general meeting under section 551 Companies Act 2006. Upon the passing of Resolution 5 pursuant to paragraph (A) of the Resolution, the Directors will have authority to allot shares up to a maximum of £2,460,140 which is approximately one third of the current issued share capital as at 9th December 2010 being the latest practicable date before the publication of this Letter. This authority will expire immediately following the next annual general meeting or if earlier six months following the date to which the Company's next annual report and accounts are made up

In addition, in accordance with the guidance from the Association of British Insurers ("ABI") on the expectations of institutional investors in relation to the authority of directors to allot shares upon the passing of Resolution 5 the Directors will have authority (pursuant to paragraph (B) of the Resolution) to allot an additional number of ordinary shares up to a maximum of £2,460,140, which is approximately a further third of the current issued ordinary share capital as at 9th December 2010, being the latest practical date before the publication of this Letter. However the Directors will only be able to allot those shares for the purposes of a rights issue in which the new shares are offered to existing shareholders in proportion to their existing shareholdings. This authority will also expire immediately following the next annual general meeting or if earlier six months following the date to which the Company's next annual report and accounts are made up to

As a result, if Resolution 5 is passed the Directors could allot shares representing up to two-thirds of the current issued share capital pursuant to a rights issue

#### *Disapplication of Pre-emption Rights (Resolution 6)*

If the Directors wish to exercise the authority under Resolution 5 and offer unissued shares (or sell any shares which the Company may purchase and elect to hold as treasury shares) for cash the Companies Act 2006 requires that unless shareholders have given specific authority for the waiver of the

statutory pre-emption rights the new shares be offered first to existing shareholders in proportion to their existing shareholdings. In certain circumstances it may be in the best interests of the Company to allot new shares (or to grant rights over shares) for cash without first offering them to existing shareholders in proportions to their holdings.

Resolution 6 would authorise the Directors to do this by allowing the Directors to allot shares for cash (i) by way of a rights issue (subject to certain exclusions) (ii) by way of an open offer or other offer of securities (not being a rights issue) in favour of existing shareholders in proportions to their shareholdings (subject to certain exclusions) and (iii) to persons other than existing shareholders up to an aggregate nominal value of £738,042 which is equivalent to 10 per cent of the issued share capital of the Company on 9th December 2010, being the latest practicable date prior to the publication of this Letter. If given, the authority will expire on the conclusion of the following annual general meeting or if earlier, six months following the date to which the Company's next annual reports and accounts are made up.

For this purpose the ABI recommendation for companies on the LSE main list is 5% although it is generally recognised that for smaller companies and those on AIM this may be too constrictive. The nature of our business means that projects in which we will have an interest will normally require up-front investment and can take a long time to fully develop. Consequently I would ask that you approve a 10% disapplication of pre-emption rights to provide your Board with the flexibility to pursue such opportunities without incurring the costs

of a rights issue or the need to market part of the investment opportunity to third parties.

### 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 15,103,461 ordinary shares (representing 20.46 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 31 January 2011.

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

Yours sincerely,

Ken Ratcliff  
Non-executive Chairman

# Notice of annual general meeting

Notice is hereby given that the Annual General Meeting of InfraStrata plc (the "Company") will be held at the offices of Buchanan Communications Limited, 45 Moorfields London EC2Y 9AE United Kingdom on Monday 31 January 2011 at 1100 hours for the purpose of passing the following Resolutions of which Resolutions 1 to 5 will be proposed as Ordinary Resolutions and Resolution 6 will be proposed as a Special Resolution

## Ordinary Resolutions:

- 1 To receive the report of the Directors and the audited accounts of the Company for the year ended 31 July 2010 together with the report of the Auditors on those audited accounts
- 2 That Nexia Smith & Williamson Audit Limited be and are hereby reappointed as auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next meeting at which accounts are laid before the meeting, at a remuneration to be determined by the Directors
- 3 To re-elect Andrew Hindle as Director who retires pursuant to article 92 of the Company's articles of association and who, being eligible, offers himself for re-election.
- 4 To re-elect Maurice Hazzard as Director who retires pursuant to article 92 of the Company's articles of association and who, being eligible offers himself for re-election.
- 5 To consider and if thought fit to pass the following Resolution as an ordinary resolution  
That the Directors be and they are

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

- (A) up to an aggregate nominal amount of £2,460,140, and
- (B) comprising equity securities (within the meaning of section 560 CA 2006) up to a further aggregate nominal amount of £2 460 140 in connection with an offer by way of a rights issue
  - (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings and
  - (ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary and so that Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates legal, regulatory or practical problems in, or under the laws of any territory or the requirements of any regulatory body or stock exchange or any other matter (including any such problems arising by virtue of equity securities being represented by depositary receipts)

The authorities conferred on the Directors under paragraphs (A) and (B) above shall expire at the

conclusion of the next annual general meeting of the Company after the passing of this Resolution or 31 January 2012 whichever is the earlier save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for, or to convert any security into shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for or to convert any security into, shares (as the case may be) in pursuance of such an offer or agreement as if the authority conferred hereby had not expired

## Special Resolutions:

- 6 To consider and if thought fit to pass the following Resolution as a special resolution

That subject to the passing of Resolution 5 above the Directors be and they are hereby empowered pursuant to section 570 CA 2006 to allot equity securities (within the meaning of section 560 CA 2006) for cash pursuant to the authority conferred by Resolution 5, as if section 561 CA 2006 did not apply to any such allotment, provided that this power shall be limited

- (A) to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under paragraph (B) of Resolution 5 by way of a right issue only)
- (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings and
- (ii) to holders of other equity securities

as required by the rights of those securities or as the Directors otherwise consider necessary, and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares fractional entitlements, record dates legal regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter (including any such problems arising by virtue of equity securities being represented by depositary receipts) and

- (B) to the allotment (otherwise than under paragraph (A) of this Resolution 6) of equity securities up to an aggregate nominal amount of £738 042

and shall expire at the conclusion of the next annual general meeting of the Company after the passing of this Resolution or 31 January 2012 whichever is the earlier, except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired

Dated 13 December 2010

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 0871 664 0300. If calling within the United Kingdom or +44 20 8639 3399 if calling from outside the United Kingdom. Lines are open 8.30am - 5.30pm Mon-Fri. Calls to the helpline from within the United Kingdom cost 10 pence per minute (including VAT) from a BT landline. Other service providers' costs may vary. Call to the helpline from outside the United Kingdom will be charged at applicable international rates. Calls may be recorded and monitored for security and training purposes. 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 notationally 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 Capital Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours, excluding non business days, before the time of the holding of the meeting or any adjournment thereof.
- 3 Completion and return of the proxy form does not preclude a member from attending and voting at the meeting in person.
- 4 In the case of joint shareholders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be

accepted. Seniority is determined by the order in which the names of the joint shareholders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

- 5 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions: any amended proxy appointment received after the relevant cut-off time will be disregarded. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
- 6 In order to revoke a proxy instruction you will need to inform the Company by sending notice in writing clearly stating your intention to revoke your proxy appointment to the Company's Registrars, being Capital Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the Company no later than 48 hours, excluding non business days, before the time of the holding of the meeting or any adjournment thereof. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then your proxy appointment will remain valid. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
- 7 In accordance with the permission in Regulation 41(1) of The Uncollected Securities Regulations 2001 (SI 2001 No

3755) only those holders of ordinary shares who are registered on the Company's share register at 18.00 hours on 27 January 2011 shall be entitled to attend the above Annual General Meeting (or in the case of an adjourned meeting, 18.00 hours on the day which is two days before the adjourned meeting) and to vote in respect of the number of shares registered in their names at that time. Changes to entries on the share register after 18.00 hours on 27 January 2011 shall be disregarded in determining the rights of any person to attend and/or vote at the Annual General Meeting.

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



# Proxy Form

## InfraStrata plc (The "Company")

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

Proxy Form for use by shareholders at the Annual General Meeting ("AGM") of InfraStrata plc (the "Company") to be held at the offices of Buchanan Communications Limited, 45 Moorfields London EC2Y 9AE United Kingdom on Monday 31 January 2011 at 1100 hours.

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

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

I/We

(in BLOCK CAPITALS please)

being a Shareholder/Shareholders of InfraStrata plc appoint the Chairman of the AGM or

(see note 1) as my/our proxy to attend and on a poll to vote for me/us and on my/our behalf as indicated below at the AGM and at any adjournment thereof (see notes 2 3 4 5 and 6 below)

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

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

ORDINARY RESOLUTIONS	For	Against	Vote withheld	Discretionary
1 To receive the Report and Accounts for the year ended 31 July 2010				
2 To re-appoint Nexia Smith & Williamson Audit Limited as auditors at a remuneration to be determined by the Directors				
3 To re-elect Andrew Hindle				
4 To re-elect Maurice Hazzard				
5 To grant the directors authority to allot shares on the basis set out in the Notice of AGM				
SPECIAL RESOLUTION	For	Against	Vote withheld	Discretionary
6 To disapply pre-emption rights on the basis set out in the notice of AGM				

Signature(s)

(see note 8)

Date

#### Notes:

- 1 A proxy need not be a member of the Company but must attend the meeting to represent you. If you wish to appoint as a proxy a person other than the Chairman of the 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 initialed by the signatory. If you sign and return this Proxy Form with no name inserted in the box the Chairman of the AGM will be deemed to be your proxy. If the proxy is being appointed in relation to less than your full voting entitlement, please enter the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this Proxy Form has been issued in respect of a designated account for a shareholder the full voting entitlement for that designated account).
- 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 1100 hours on Thursday 27 January 2011.
- 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 (any odd total Proxy Form(s) may be obtained by contacting the Registrars helpline on 0871 664 0300 if calling within the United Kingdom or +44 20 8639 3399 if calling from outside the United Kingdom. Lines are open 8.30am - 5.30pm Mon-Fri. Calls to the helpline from within the United Kingdom cost 10 pence per minute (including VAT) from a BT landline. Other service providers' costs may vary. Call to the helpline from outside the United Kingdom will be charged at applicable international rates. Calls may be recorded and monitored for security and training purposes. Or you may photocopy this form. Please indicate next to the proxy holder's name the

number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

- 4 Completion and return of this Proxy Form will not prevent you from attending in person and voting at the AGM should you subsequently decide to do so.
- 5 If you wish your proxy to cast all of your votes "For" or "Against" a resolution you should insert an "X" in the appropriate box. If you wish your proxy to cast only certain votes "For" and certain votes "Against" insert the relevant number of shares in the appropriate box. In the absence of instructions, your proxy may vote or abstain from voting as he or she thinks fit on 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 2001 (SI 2001 No. 3755), only those holders of ordinary shares who are registered on the Company's share register at 1800 hours on 27 January 2011 shall be entitled to attend the above AGM (or 1800 hours on the day which is two days before the day of any adjourned meeting) and to vote in respect of the number of shares registered in their names at that time. Changes to entries on the share register after 1800 hours on 27 January 2011 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 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions, any amended proxy appointment received after the relevant cut-off time will be disregarded.
- 10 In order to revoke a proxy instruction you will need to inform the Company by sending notice in writing clearly stating your intention to revoke your proxy appointment to the Company's Registrars, being Capita Registrars at The Registry 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the Company no later than 48 hours, excluding non-business days before the time of the holding of the meeting or any adjournment thereof. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then your proxy appointment will remain valid. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
- 11 If you submit more than one valid proxy appointment in respect of the same share or shares, the appointment received last before the latest time for the receipt of proxies will take precedence. If the Company is unable to determine which was received last, none of the proxy appointments in respect of that share or shares shall be valid.

Fold 2 here

Business Reply  
Licence Number  
RSBH-UXKS-LRBC



PXS  
34 Beckenham Road  
BECKENHAM  
BR3 4TU

Fold 1 here

Fold 3 here and tuck in