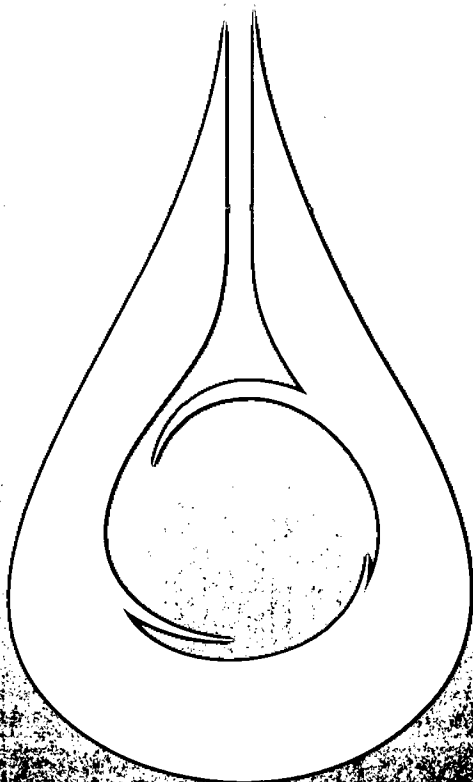


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**INFRASTRATA plc**  
**Annual Report & Financial Statements**  
**2014**



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# CHAIRMAN'S STATEMENT

I am pleased to report on a year that has seen material developments in each of our three key projects as we approach a position where our exploration prospects move towards drilling on a fully-funded basis and our gas storage project can be de-risked and made ready for the final investment decision. As the end of 2014 approaches we are well positioned to realise value in our projects through an active drilling programme in the following twelve months.

During the course of the year there has been meaningful progress in each of our projects as we work towards the milestones capable of yielding value to shareholders. Sustained difficulties in the capital markets and a lack of sentiment towards oil & gas exploration generally have not made life particularly easy in the past twelve months but our dedicated executive team of Andrew Hindle and Stewart McGarrity have worked tirelessly to ensure that significant progress has been made on each limb of our portfolio. Latterly, I am extremely pleased to say, their efforts have been augmented by the appointment of Anita Gardiner who has joined us from BP Gas Marketing and has made a significant early contribution to the executive effort.

With reference to our exploration activities, our strategy has been to farmout to partners such that we retain a material exploration interest but only a minimal financial exposure. This strategy has been successfully deployed during the past and we now approach the phase where we hope to deliver value to shareholders through the drilling of fully funded exploration wells in the next twelve months.

On PL1/10 in County Antrim we have introduced new partners Larne Oil and Gas Limited and, despite recent uncertainties over the extent of their financial commitment, the Board anticipate that the Woodburn Forest well will be fully funded. The well is planned to commence in Q1 2015 subject to receiving approval from Northern Ireland Department of Enterprise, Trade and Investment in response to our Application for Consent to Drill. This well will target a play estimated at 40 million barrels of oil equivalent ("mmboe") - net InfraStrata 11mmboe at 27.5% - and seek to de-risk over 450 mmboe of further potential upside.

In Dorset we have introduced new partners, Southwestern Resources Limited, who will carry the Company through a significant seismic programme in early 2015 and then consider their option to assume a greater licence interest in exchange for the funding of an exploration well later in the year. Prospective resources on the licence have been estimated at over 100 mmboe.

In addition to our principal exploration interests, the Group also has non-operated interests in exploration licences in Hampshire, Dorset and the East Midlands through associated companies Corfe Energy Limited and Brigantes Energy Limited and has recently been successful in the UK 28th Seaward Licensing Round where together with partners Carstone Exploration Limited we have been offered block 3/11a in the East Shetland Basin.

In addition to our exploration activities the Company has also made significant progress in development of the Islandmagee Gas Storage project in County Antrim, Northern Ireland. This project, held through our subsidiary Islandmagee Storage Limited, had been identified by the European Commission as a Project of Common Interest and was then prequalified for UK Governmental debt support. We have had to overcome the disappointment of BP Gas Marketing declining to take up an interest option in exchange for funded drilling as they refocused their business strategy in early 2014. However, further to an application made in August, we have been successful in securing European Commission grant funding, subject to conclusion of a formal grant agreement, for 50% of the cost of a well to obtain a salt core sample and subsequent testing and engineering work. This is an enormous boost for the project and our task is to ensure we deliver the other 50% (£2 million) of the funding through corporate funding, new financial partners or a combination of both. Our intention is to realise value for shareholders from our interest in this project as soon as practicable. With the well site already constructed our aim is to raise sufficient funds to drill this well using the same rig that will be booked for the Woodburn Forest well.

Like many small exploration companies with no significant income streams, your Company is dependent upon not only direct investment in our projects by joint venture partners but also additional funds from existing and new shareholders to meet working capital requirements and provide flexibility for the future support of our projects. The Board continues to believe this to be an integral part of long term delivery of shareholder value through success in our projects and we have prepared the accounts on the basis that such support will continue for the foreseeable future.

Our progress in moving towards a position of delivering on each of our main projects, during a period of economic stringency and increased regulation, is due to the skill and dedication of our small management team and I would like to take this opportunity to thank them on the Board's behalf for their continued effort and determination. To that I would like to add my appreciation of the hard work and continued enthusiasm of all InfraStrata staff and thank our shareholders for their patience and support. I am sure that all will share with me the disappointment of a depressed share price that I do not believe reflects the underlying value of the Company.

In conclusion I confirm that although we continue to be reliant upon external factors, we remain confident in our stated strategy and I trust that in twelve months' time that I will be able to report further success in each of our projects and the monetising of our interests at the appropriate time to the benefit of all shareholders.

Ken Ratcliff, Non-executive Chairman, 1 December 2014

# STRATEGIC REPORT

## STRATEGY AND BUSINESS MODEL

InfraStrata is focused on conventional oil and gas exploration in three operated licences within the United Kingdom, PL1/10 onshore and P2123 offshore County Antrim in Northern Ireland and P1918 offshore Dorset in Southern England. Our strategy is to progress exploration activities under these existing licences up to and including the drilling of exploration wells and to pursue new front-end capture opportunities in accordance with following principles:

- Focus on the Company's core expertise and experience in exploration of the UK Continental Shelf and as an operator which has built very strong stakeholder relationships through the permitting process.
- Target high impact opportunities where successful drilling will make a very material impact upon the prospective returns to shareholders within a relatively short period of time.
- Fund exploration activities through farmout arrangements whereby material costs are borne by joint venture partners in return for a working interest in the licence. In particular we seek to be fully funded by partners through drilling.
- Review strategy for each licence following successful drilling to determine the best way to secure value for shareholders – including early monetisation.
- Build a portfolio of new exploration activities creating a future stream of opportunities to crystallise value for shareholders.

This strategy has been successfully deployed over the past four years as the Group has been awarded its operated licences in County Antrim and Dorset and has successfully funded significant exploration costs such as seismic data acquisition and processing through farmout agreements with joint venture partners whilst retaining a material working interest in each. The next step towards delivering value for shareholders is the drilling of fully funded exploration wells in the next 12 months.

The Group also has non-operated interests in exploration licences in Hampshire, Dorset and East Midlands England through associated companies Corfe Energy Limited ("Corfe") and Brigantes Energy Limited ("Brigantes") and has recently been successful in the UK 28th Seaward Licensing Round where together with partners Carstone Exploration Limited we have been offered block 3/11a in the East Shetland Basin.

The Company is also engaged in the development of the Islandmagee Gas Storage project in County Antrim in Northern Ireland through our subsidiary Islandmagee Storage Limited with a view to realising fair value for our interest in the project as soon as practicable.

A detailed review of the Group's business is provided below alongside our achievements against our key performance indicators and our approach to managing the principal risks and uncertainties our business faces.

## KEY PERFORMANCE INDICATORS

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

Objective	Definition	Strategy
We endeavour to develop projects in accordance with project schedules	Predetermined and agreed project development schedules adhered to including submission of planning applications	Delivery of projects to sensible time schedules. Submit and achieve planning permission approvals in a cost effective and timely manner
We seek to identify new project opportunities	Identify new project opportunities which are expected to increase shareholder value once development commences	Develop a balanced portfolio of projects
We aim to control general and administrative costs keeping costs as low as possible	Management and control of group general and administrative costs	Maintain low cost of Group general and administration expenditure and conserve cash to the extent possible
We aim to prudently manage Group working capital	Management and control of working capital ensuring liquidity as is necessary	Management of working capital to ensure liquidity to develop projects as planned in development schedules

The KPIs are reported at Board meetings. Measurement entails analysing variance between expected and actual progress, financial position and financial performance. Relevant performance measures since our last annual report include:

- Funding of the forthcoming Woodburn Forest well on PL1/10 in County Antrim, Northern Ireland with the introduction of a new partner Larne Oil and Gas Limited.
- Submission of an Application for Consent to Drill the Woodburn Forest well. Following appointment of drilling engineers Acona UK, design and procurement has progressed satisfactorily towards commencement of drilling in Q1 2015.
- Funding of the 2015 seismic acquisition and re-processing programme on P1918 in Dorset with the introduction of a new partner Southwestern Resources Limited who now have options to acquire further interests in the licence in return for a commitment to funding the drilling of an exploration well in late 2015.
- For the Islandmagee gas storage project, success in securing European Commission grant funding (subject to conclusion of a formal grant agreement) for 50% of the cost of a well to obtain a salt core sample and subsequent testing and engineering work. Subject to securing the remaining 50% funding (c.£2m) the well will be drilled as part of a joint drilling programme with the Woodburn Forest well.
- Secured a new development opportunity in the UK 28th Seaward Licensing Round where, together with partners Carstone Exploration Limited, we have been offered block 3/11a in the East Shetland Basin by DECC under the terms of a promote exploration licence.
- Continued prudent application of available cash resources. Working capital at the financial year end was £957,491. The cash cost of management and administrative expenditure during the financial year was £1,126,481 (2013: £1,098,695). In January 2014 aggregate management cash salaries at that date were reduced by 15% including a 20% reduction in the salary of the Chief Executive Officer. We estimate that our current annualised cash cost of management and administration, taking into account anticipated operator overhead recoveries, is just over £1m.

## **OPERATIONAL REVIEW – OIL & GAS EXPLORATION**

### **County Antrim – Onshore PL1/10**

#### Outline

Petroleum Licence PL1/10 (Larne-Lough Neagh Basin) was awarded in March 2011 by the Northern Ireland Department of Enterprise, Trade and Investment (“DETI”). The five year licence covers an area of 663 square kilometres over what the Company believes is a highly prospective largely unexplored sedimentary basin.

The Larne-Lough Neagh Basin is a SW-NE trending Permo-Triassic Basin, overlying an older Carboniferous sequence. The basin has historically received little attention from explorers, primarily due to the thick development of Palaeocene Antrim Flood Basalts overlying the target horizons. This has been a barrier to effective seismic imaging but with the recent technological advances in data processing, exploration in the basin is now entering an exciting phase. Only one exploration well has historically been drilled in the centre of the basin covered by the PL1/10 licence, back in 1971, before any seismic data had been acquired. Drilling in the area over the past 40 years has largely been for coal exploration and geothermal feasibility. However this has confirmed the development of good sandstone reservoirs and seals within the thick Permo-Triassic sedimentary section. Oil-prone source rocks have been identified on the margins of the Basin within the Carboniferous section, and gas-prone coals have also been mined to the west in the Coalisland area, and along the North Antrim coast. The basin is also along trend from the Midland Valley of Scotland where oil and gas prone rocks of Carboniferous age are well known. It is anticipated that in the more deeply buried areas of the Larne-Lough Neagh Basin the Carboniferous will have been buried sufficiently to generate oil and possibly also gas.

During 2011 and 2012 InfraStrata undertook two seismic surveys acquiring over 400km of new 2D seismic data which revealed a basin very similar in structural style to the prolific East Irish Sea Basin with a large number of undrilled structures. In March 2013, the Company published a prospectivity review of the PL1/10 licence prepared by Merlin Energy Resources Limited, a geoscience consultancy, which identified combined un-risked P50 prospective resources on the PL1/10 licence in the Triassic and Permian sandstone reservoir intervals of over 450 mmbbl.

# STRATEGIC REPORT (CONTINUED)

## OPERATIONAL REVIEW – OIL & GAS EXPLORATION (CONTINUED)

### County Antrim – Onshore PL1/10 (continued)

#### Licence participants and Funding

Following its acquisition by Cairn Energy plc, Nautical Petroleum Limited (“Nautical”) withdrew from the PL1/10 licence and agreement was reached for InfraStrata to acquire their 20% interest through the termination of a farmout agreement dating from 2011.

In July 2014, InfraStrata, together with joint venture partners Brigantes and Terrain Energy Limited (“Terrain”), entered into an option agreement with Larne Oil and Gas Limited (“Larne”) with respect to acquiring licence interests in PL1/10 and the adjacent offshore licence P2123. Larne exercised the option in September 2014. Larne is a wholly owned subsidiary of Larne Basin Exploration LLC, a recently formed U.S. based investment company set up for the purpose of investing in oil and gas exploration in the Larne Basin, Northern Ireland.

Under the terms of the agreement, Larne will fund a disproportionate share of the forthcoming Woodburn Forest exploration well to earn its interest in the licence. Should the well cost exceed the Authorisation For Expenditure (“AFE”), which includes a contingency of 10%, then all partners would pay their respective percentage share of such excess. However, InfraStrata has pre-existing farmout agreements with partners Brigantes and Terrain with respect to the Woodburn Forest-1 well, which mean that any excess cost accruing to its interest in the well would still be carried.

Subject to the approval for the licence interest assignments by DETI the licence interests in PL1/10 following the farmout agreement would be:

InfraStrata (Operator)*	20.83%
Larne	50.00% (see below)
Brigantes (40% owned by InfraStrata)*	16.67%
Terrain	12.50%

*\*net InfraStrata 27.5% interest*

The terms of the agreements with Larne and with existing partners Brigantes and Terrain required that the full value of the funds required to drill the Woodburn Forest well be placed in an escrow account. To date Larne has been unable to fulfil this obligation and has given notice that it expects now to be able to fund two thirds of its obligation. The partners have now entered into a supplementary agreement which reduces Larne's obligation to fund the escrow by one third and also reduces Larne's prospective licence interest by one third to 33.33%. All partners will now seek to secure additional investment in the project. InfraStrata does not expect its existing net interest in the licence (27.5%) to be reduced as a result of these transactions. As a result of the terms of the farmout to Larne and agreements with Terrain and Brigantes we are currently over carried in respect of the costs of the well and still anticipate being fully carried through the well.

#### Development progress and Outlook

During the current financial year permission was confirmed under Permitted Development rights for the first PL1/10 exploration well, Woodburn Forest-1, the first exploration well on the licence area since 1971. The well will target prospective resources estimated by the joint venture at 40 mmboe (InfraStrata share 11 mmboe at 27.5%) within conventional Carboniferous, Permian and Triassic sandstones. The Permitted Development rights provide a window for site clearing activities between September and February and the Permitted Development rights require all construction and drilling activities to be completed within a 4 month window.

A Project Environmental Report and Application for Consent To Drill was submitted to DETI in the summer of 2014 and the terms of the lease over the site have been agreed. The Consent to Drill and other remaining consents and approvals are expected in time to commit to a fully funded drilling programme in Q1 2015. Under the terms of the licence, the joint venture must give notification to DETI by March 2015 of its commitment to drilling the well.

Drilling engineers Acona UK were appointed in May 2014 and in addition to well planning and design have substantially completed the procurement process for the rig, consumables and services for the drilling programme. RPS Consulting Engineers in Belfast are undertaking the environmental support work. The actual commitment to the well will be made after all remaining consents and approvals have been received.

Public information events attended by the project team were held in early November 2014.

## **County Antrim – Offshore P2123**

The PL1/10 partners submitted an application for an adjacent prospective area in the UK 27th Seaward Licensing Round in 2012 and the licence was offered by the UK Department of Energy and Climate Change (“DECC”) in November 2013. Un-risked P50 prospective resources of 150 mmbo have been identified within the application area.

Larne will also be assigned a 33.33% interest in P2123 and, subject to the approval for the licence interest assignments by DECC the licence interests in P2123 will be the same as for PL1/10 above. At completion of the agreement Larne will reimburse its share of certain costs to existing partners. During 2015 the partners will undertake planning of the committed work programme under the licence, to be completed by the end of the first licence term in January 2017.

## **Dorset – Offshore P1918**

### Outline

Petroleum licence P1918 comprises blocks 97/14, 97/15 and 98/11 and was awarded in February 2012 by DECC for a period of four years.

Within and immediately adjacent to the licence area there are a number of active oil and gas seeps. A total of seven wells have previously been drilled within the licence area, including the first UK offshore well in 1963 on Lulworth Banks in Block 97/14. Six of these wells encountered oil or gas shows and three flowed oil or gas on test. The advances in technology and higher petroleum prices mean that we are hopeful of being able to develop one or more of the existing discoveries profitably as a base from which to appraise the full potential of the area. The prospective resources on the licence have been estimated by the joint venture at over 100 mmboe.

The focus for a first exploration well has been the offshore extension of the Purbeck Prospect, an anticline in the east of the licence, up dip of the onshore well Southard Quarry-1, which encountered oil and gas shows within Jurassic and Triassic intervals. Only the Sherwood was tested but failed to flow. The Purbeck Prospect immediately overlies the kitchen area for the giant Wytch Farm oilfield. This large structure lies largely within Licence P1918. During the 2013 financial year InfraStrata reprocessed 156km of onshore and offshore 2D data to further define the sub-surface target location. In June 2013, ocean divers collected gas samples from an active gas seep above the Purbeck Prospect. Isotopic analysis of the gas indicates that the gas was generated at the base of the oil window as expected.

A planning application for drilling and testing of the California Quarry-1 well was submitted to Dorset County Council (“DCC”) in July 2013 and DCC granted planning permission for the well in December 2013, subject to conditions in the normal course of business. The well will be drilled from onshore to offshore within licence P1918 and will target prospective resources, within licence, estimated by the joint venture at 10 mmboe (net InfraStrata 6.84 mmboe at 68.4%). The planning conditions preclude construction or drilling activities between March and September.

### Licence participants and Funding

Following its acquisition by Cairn Energy plc, Nautical withdrew from the P1918 licence and agreement was announced in January 2014 that InfraStrata had acquired their 10% licence interest at no cost. InfraStrata intends to re-assign a 2% licence interest to project partner Corfe, subject to DECC approval.

In June 2012 InfraStrata entered into agreements as part of which its licence interest in P1918 became subject to a net profits interest (“NPI”) equivalent to 3.75% on the whole licence in favour of eCORP Oil & Gas UK Limited (“eCORP”). In March 2014 eCORP’s NPI in P1918 was cancelled (and InfraStrata UK Limited acquired the related preference shares held by eCORP in subsidiary Portland Gas Limited) for a consideration of US\$600,000 satisfied by the cancellation of the US\$600,000 still payable by eCORP under the terms of the June 2012 agreements. Also in March 2014, associated company Brigantes agreed to acquire an 18% interest in licence P1918 for a consideration of US\$600,000, subject to DECC approval. The combined effect of these two transactions left InfraStrata in a cash neutral position as regards short term funding, and the removal of the NPI considerably simplified the farmout process.

In October 2014, InfraStrata, together with joint venture partners Corfe and Brigantes entered into an agreement with Southwestern Resources Limited (“Southwestern”) with respect to licence P1918. Southwestern is a subsidiary of DeHay Limited, is a UK based company set up for the purpose of participating in oil and gas exploration and production in the UK.

Under the terms of the agreement, Southwestern will acquire a 10% interest in the P1918 licence, subject to DECC approval, in return for funding 100% of the next £500,000 of expenditure on the licence and thereafter funding its own share. In addition, it has been granted an exclusive option to acquire a further interest in the licence in return for funding future drilling activity.

# STRATEGIC REPORT (CONTINUED)

## OPERATIONAL REVIEW – OIL & GAS EXPLORATION (CONTINUED)

### Dorset – Offshore P1918 (continued)

#### Licence participants and Funding (continued)

Subject to the approval for the licence interest assignments by DECC, the licence interests will be as follows:

InfraStrata (Operator)*	54.00%
Southwestern	10.00%
Corfe (40% owned by InfraStrata)*	19.80%
Brigantes (40% owned by InfraStrata)*	16.20%

*\*net InfraStrata 68.40% interest*

The initial £500,000 funding will include the cost of acquiring two new 2D seismic lines over the Purbeck Prospect, in order to complete the well design for the proposed California Quarry-1 well and also undertaking a Pre-stack Depth Migration re-processing of two offshore 3D seismic surveys in the north of block 98/11 acquired during 1992 and 1999.

The reprocessing of the offshore data will focus on the undeveloped Colter, Old Harry and Ballard Point discoveries. The largest of these, the Colter Prospect, is located within a fault block immediately to the south of the giant Wytch Farm oilfield. The 98/11-3 well was drilled on the prospect in 1989 by Gas Council (Exploration) Ltd and encountered a 10.5 metres vertical oil column in the Sherwood Sandstone with an oil-water-contact at a depth of 1,739 metres sub-sea. Reservoir quality is very similar to that observed in Wytch Farm.

Southwestern has been granted an exclusive option until July 2015 to acquire a further 65% interest from InfraStrata and partners on a pro-rated basis by funding 100% of the costs of an offshore exploration well in the P1918 licence. If the option were exercised, InfraStrata's net interest in P1918 would be 19%, with its costs carried through the drilling of the well.

In the event that Southwestern decides not to exercise the option to drill an offshore well for the first well, it has been granted an option, until September 2015, to acquire a further 40% licence interest by funding 100% of the costs to drill the California Quarry-1 well. If this alternative option was exercised, InfraStrata's net interest in P1918 would be 38%, with its costs carried through the drilling of the well. Because the proposed California Quarry-1 well is an onshore to offshore well it is necessary for the area from which a well is drilled to be held under a petroleum licence, either by InfraStrata or by a third party. The P1918 joint venture group has applied for the required onshore area as part of the UK 14th Landward Licensing Round.

A well is required to be drilled by February 2016, the end of the first term of the licence, to retain P1918 into its second term.

#### Development progress and Outlook

Good progress has been made with the fulfilment of pre-start planning conditions for the California Quarry-1 well. Various licences and consents will be required from a number of stakeholders, including the Environment Agency, DECC and the Health and Safety Executive. Agreements with the landowner at the wellsite have been concluded.

The work programme in the first half of 2015 will focus on acquiring the two new 2D seismic lines over the Purbeck Prospect, in order to complete the well design for the proposed California Quarry-1 well and the re-processing of offshore 3D seismic surveys in block 98/11, both of which will be fully funded by Southwestern. This seismic programme will be completed with a view to drilling a well on the licence in Q4 2015 subject to the options granted to Southwestern above.

A public information event attended by members of the project team was held in October 2014.

### Non-operated exploration interests

The Company has non-operator exploration interests via its shareholdings in associated companies Corfe and Brigantes as follows:

- PEDL201 (Leicestershire) - Corfe 12.5% interest (net InfraStrata 5%)
- PEDL237/PL090 (Dorset) - Corfe 12.5% interest (net InfraStrata 5%)
- PEDL 070 (Hampshire) - Corfe and Brigantes combined 10% (net InfraStrata 4%). Avington field currently producing around 70 barrels of oil per day.



## **New exploration business**

In April 2014, InfraStrata announced that it has entered into a New Ventures Exploration Joint Bidding Agreement with Carstone Exploration Limited ("Carstone").

Under the terms of the agreement, InfraStrata and Carstone will work together to identify early stage opportunities, drawing upon the expertise and experience of each company. The partners will seek to grow an exploration portfolio in line with a focused investment strategy aimed at high impact exploration opportunities excluding the existing core areas of InfraStrata in Northern Ireland and Southern England.

In line with Infrastrata's existing strategy, the exploration teams will work together to capture opportunities in lease rounds and attract quality farm-in partners to fund exploration costs. Each company will hold 50% of the available licence interest in each new venture. The joint venture team is based at InfraStrata's head office. Carstone is a private independent petroleum exploration company. The company was founded in 2014 by principals David Gaudoin, Donal O'Driscoll and John Robbins, who are very experienced geoscientists, with an excellent track record of being members of teams which have discovered significant commercial oil and gas accumulations over the past 30 years.

The first venture together is the UK 28th Seaward Licensing Round where an application was submitted to the DECC in April 2014 and in November 2014 the joint venture was offered block 3/11a in the East Shetland Basin by DECC and the partners intend to accept the offer for the block under the terms of a promote exploration licence.

Block 3/11a contains the undeveloped Oulton oil discovery (3/11-1 and 1ST) estimated to contain approximately 16 million barrels of recoverable oil. The discovery was made over 40 years ago by Amoco, and flowed in excess of 1000 barrels of 41 degrees API oil per day on test from Jurassic Emerald sandstones. InfraStrata believes that the use of modern offshore technologies combined with access to nearby infrastructure will enable Oulton to be successfully developed in the near future. InfraStrata and Carstone will now work together to introduce one or more partners into the project to fund the next stage of the block evaluation and ultimately the drilling of a new well to appraise the discovery.

## **OPERATIONAL REVIEW – GAS STORAGE DEVELOPMENT**

### **Islandmagee project – County Antrim**

#### Outline

Islandmagee Storage Limited ("IMSL") is an independent Northern Ireland registered company and is a joint venture between a wholly-owned subsidiary of InfraStrata plc (65% shareholder) and Moyle Energy Investments Limited, part of the Mutual Energy group of companies (35% shareholder). During 2012, IMSL was granted planning permission for a natural gas storage facility at Islandmagee, County Antrim and a Gas Storage Licence from the Utility Regulator.

IMSL plans to create seven caverns, capable of storing up to a total of 500 million cubic metres of gas in Permian salt beds approximately 1,500 metres beneath Larne Lough. The project has unique advantages including being immediately adjacent to gas and electrical infrastructure, the salt being at an optimum depth for gas storage and close to a water source for solution mining of the salt to create the caverns. The project is also designed to access the extrinsic value of the gas storage market in the UK and Ireland by being able to respond to short-term volatility.

The proposed gas storage facility will make a significant contribution to the security of gas supplies for the whole island of Ireland. Ireland is dependent on gas for around 65% of its electricity generation with 90% of the island's gas imported via a single pipeline from Scotland. The facility, when complete, will store enough gas to satisfy Northern Ireland's demand for around 60 days. Northern Ireland has a target to generate 40% of electricity from renewables by 2020 – this will primarily be achieved through wind-powered generation. A shift to renewable energy sources is likely to result in an increasing reliance on gas-fired power stations to support the inherently intermittent supply from wind. Rapid cycle gas storage facilities, such as this planned project, will be important to respond to the increasingly fluctuating demands for gas to fuel this electricity generation requirement. The estimated timescale for the project is approximately seven years, with the first cavern becoming operational after five years.

# STRATEGIC REPORT (CONTINUED)

## OPERATIONAL REVIEW – GAS STORAGE DEVELOPMENT (CONTINUED)

### Islandmagee project – County Antrim (continued)

#### Development progress and Outlook

The development of the project commenced in 2007 with the acquisition of 3D seismic data to image the Permian salt in the Larne Lough area. During 2012, planning permission was granted for the project and a gas storage licence was issued by the Utility Regulator. A wellsite was constructed in the summer of 2013. During 2014, a sub-surface agreement for lease was signed with The Crown Estate and all other land rights required for the project were secured. Also during 2014, the project was granted marine licences by the Department of Environment for the offshore elements of the project, including a discharge consent subject to the composition of the Permian salt being verified by drilling a well to obtain a sample of the salt.

In October 2013, the project was granted a 'Project of Common Interest' ("PCI") status by the European Commission. PCI status means recognition by the European authorities that the Islandmagee gas storage project brings benefits not only to the Member State in which it is located, but to a much wider area. It confirms the importance of the project at a European level. PCI status also means that the project must be given priority and quick passage by relevant Member States in the permitting process, and cooperation in its development. In addition, a PCI can apply for significant financial support from the European Union – this may be in the form of direct grant or other forms of financial backing from institutions such as the European Investment Bank.

The project has also been 'pre-qualified' (deemed eligible for support) under the Treasury's 'UK Guarantee Scheme' which is making cover of up to £40 billion available to ensure that key infrastructural projects across all sectors in the UK, those that really ought to go ahead, are not held back due to any difficulty in obtaining finance. Under the scheme the Government will guarantee a certain proportion of the capital required to fund projects, so that banks can lend more freely in today's risk-averse lending environment.

In January 2014 it was announced that BP Gas Marketing Limited ("BPGM") who had been funding the development of the project since January 2012 had decided not to take further part in the project following a review of its European wide gas assets portfolio which determined that further investment in gas storage in Northern Ireland is no longer aligned with the portfolio's objectives. BPGM relinquished its option to acquire 50.495% of the shares of IMSL. Much was accomplished during our partnership with BPGM. A total of approximately £5 million has been invested in the project since its inception including £2m by BPGM. This does not include the cost of engineering studies estimated at US\$1m paid for by BPGM but not charged to the project.

The next significant investment in the project is the drilling of a well (Islandmagee-1) to 1,650 metres depth to obtain cores of the salt sequence and subsequently undertake further testing to confirm the depth, thickness, rock mechanical properties and composition of the salt to finalise the preliminary design of the caverns and above ground plant. The aggregate cost of this programme of work is approximately £4m. Procurement of the well is already well advanced and an Application for Consent To Drill has submitted to DETI. The actual commitment to the well will be made after all consents and approvals have been received and full funding has been secured.

In August 2014 IMSL, together with partners Mutual Energy Limited submitted an application to the European Commission for a grant of up to 50% of the cost of the salt core well and associated testing and engineering work under the Connecting Europe Facility, available to PCIs. In November 2014 the European Commission published a list of grant awards with IMSL receiving assistance of up to Euros 2.5m (c.£2m) subject to conclusion of a formal grant agreement. We are now pursuing the £2m balance of funding from a range of potential investors by way of an equity participation in IMSL.

In order to save on the total costs of drilling it is planned to drill the Islandmagee-1 well in Q1 2015 as part of the same drilling programme as the Woodburn Forest-1 oil and gas exploration well, subject to being granted a Consent to Drill by DETI, and IMSL completing the remainder of the funding.

InfraStrata believes the completion of the Islandmagee-1 well and subsequent testing and design programme will complete the project's feasibility stage and allow us to seek the developers who will make the Final Investment Decision ("FID") to construct the project at an estimated cost of £274m during 2016. We anticipate that FID will provide InfraStrata with the opportunity to monetise our interest in the project.

Public information events attended by the project team were held in November 2014.

## **Portland project - Dorset**

In 2012 we reported that the poor seasonal gas storage market, a different market to that being targeted by the Islandmagee project, meant that it is unlikely that the Portland gas storage project will be realised in the near term and we fully impaired our historical investment in the project, with the exception of data obtained from seismic surveys and drilling which are key for the development of the petroleum exploration play.

Our wholly owned subsidiary Portland Gas Transportation Limited continues to renew the gas pipeline construction authorisation with DECC as a potential means of importing or exporting gas from Portland. InfraStrata continues to examine this and other opportunities which may arise to realize some value from our historic investment in the project.

## **OPERATIONAL REVIEW - FUNDING**

### **Financing**

InfraStrata's funding model for our projects is to manage risk for our shareholders by attracting investment from quality partners and thereby minimising our own commitments to pay the costs of exploration and other project development costs. The success of our projects and therefore the carrying value of the projects on InfraStrata's statement of financial position are dependent not only on the underlying economics of the projects but also on our continuing success in attracting such investment and we do not make commitments to significant exploration expenditure in the absence of such investment.

Our share of exploration expenditure on our licences during the year to 31 July 2014 was £347,211 out of a total gross expenditure of £605,574. These costs were mostly related to the planning, permitting and consultation processes as well as paying annual licence fees. As detailed above we have now concluded farmout agreements which complete the funding of the Woodburn Forest-1 well costs (PL1/10) and the seismic programme in Dorset (P1918) such that all significant exploration expenditure in the remainder of the 2015 financial year is fully funded.

As explained on page 6, Larne has been unable to date to fulfil its obligation to fund an escrow account with its share of the Woodburn Forest well costs and the partners have now entered into a supplementary agreement which reduces Larne's obligation to fund the escrow by one third and also reduces Larne's prospective licence interest by one third to 33.33%. All partners will now seek to secure additional investment in the project. As a result of the terms of the farmout to Larne and agreements with Terrain and Brigantes InfraStrata are currently over carried in respect of the costs of the well and still anticipate being fully carried through the well.

In the event that Larne is unable to any extent to place the revised two thirds of its commitment into escrow and new investment is not secured by the date on which the well construction and drilling programme is due to commence then there would be a shortfall in the funding of the well. The licence partners have until 4 March 2015 to commit to the drilling of a well before the end of the licence term on 4 March 2016. In the absence of such a commitment or an agreement by DETI to extend the date by which a commitment to drill must be made, then the licence would need to be relinquished. Despite the uncertainties regarding Larne's funding of the escrow account and the need to secure new partners, the directors remain confident that the well will be fully funded on or before 4 March 2015 being the last date a commitment to drill must be made if there is no extension to that date granted by DETI.

The Group's associated companies, Corfe and Brigantes are self-funded and therefore we have no commitments to fund exploration costs on our non-operated exploration interests.

On the Islandmagee gas storage project gross capital expenditure during the year to 31 July 2014 was £255,292. Total contributions received from BPGM during the financial year prior to their exit in January 2014 were £606,173 meaning that not only was the expenditure during the year fully funded by BPGM but also that IMSL has funds which we anticipate will be sufficient to secure the project until there is new funding to develop the project to the next stage. As explained in note 15 to the financial statements, no part of the aggregate funding of £2,033,450 provided by BPGM is reimbursable to them and it has been transferred from non-controlling interests to retained earnings.

The Company intends to raise £2m through a new equity fundraising to provide flexibility in the support of its projects generally and intends to use these funds to underwrite £2m funding required by IMSL to drill the salt core well in anticipation of new direct equity participation in IMSL being secured in due course. However, the success of any equity fundraising cannot be guaranteed and the directors have therefore concluded that a material uncertainty exists with regard to the availability of funding to progress the Islandmagee gas storage facility.

# STRATEGIC REPORT (CONTINUED)

## OPERATIONAL REVIEW - FUNDING (CONTINUED)

### Financing (continued)

Receipts from eCORP in relation to subscriptions for preference shares in our subsidiary Portland Gas Limited aggregated £367,474 (US\$600,000) during the year. As explained above, in March 2014 we acquired all the issued preference shares in Portland Gas Limited from eCORP and the net profits interest in favour of eCORP in licence P1918 was cancelled for a total consideration of £361,012 (US\$600,000), equivalent to the outstanding subscriptions due from eCORP at that time. As explained in note 13 to the financial statements this resulted in a capitalisation to intangible exploration and evaluation assets of the same amount by way of a transfer from trade and other receivables. Also in March we received £360,000 from Brigantes as consideration for the sale of an 18% interest in licence P1918, thereby leaving InfraStrata in a cash neutral position regarding short term funding as a result of these transactions.

On 23 September 2013 the Company completed the Placing of 8,000,000 new ordinary 10p shares at 10p per share to raise £800,000 before expenses.

The Group's cash and cash equivalents at 31 July 2014 was £1,648,955 (2013 - £774,745) and net current assets were £957,491 (2013 - £5,008,801). The principal reason for the disparity in net current asset value is the reclassification of the gas storage development assets as explained in note 15 to the financial statements.

As explained in note 2 to the financial statements the directors have prepared the accounts on the going concern basis which assumes that the Group will continue in operational existence without significant curtailment of its activities for the foreseeable future. Forward cash flow forecasts assume that all significant future exploration costs will continue to be funded by joint venture partners and that the management and administrative costs of the Group will remain at current levels, consistent with the delivery of the Group's strategy and the management of challenges and risks associated with the Group's development programmes. The cash flow forecasts reflect that the Group requires an additional £600,000 to meet management and administrative costs and working capital requirements till the end of December 2015.

The directors anticipate that additional funding can be generated through an equity fundraising. It is proposed that the Company's share capital be restructured to a par value of 1p at the forthcoming AGM to facilitate access to the equity markets given that the Company's shares are currently trading at or below par value; however, the success of any equity fundraising cannot be guaranteed and the directors have concluded that at the date of this report a material uncertainty must therefore exist that may cast significant doubt upon the Group's ability to continue as a going concern.

### Management and administration costs

Like other oil and gas exploration companies InfraStrata needs to be seen to be taking steps to ensure that cash spent on management and administrative expenses is good value for money in light of the progress being made against programme, success against key performance indicators and mitigation of the principal risks and uncertainties facing our business.

The remuneration committee sets salaries for individual members of the management team which are competitive, but not over generous. There are no additional cash incentive elements attached to remuneration packages with incentivisation achieved through the granting of share options being preferred as a means of conserving cash and aligning management rewards to the interests of shareholders. Nevertheless in January 2014 changes were implemented which reduced aggregate management cash salaries by 15% including a 20% reduction in the salary of the Chief Executive Officer to £200,000. In October 2014 our management team was greatly strengthened by the appointment of a Commercial Development Director. Every member of the management team makes an indispensable contribution to effective delivery of our strategy, performance against our key performance indicators and effective management of the risks and uncertainties our business faces. We expect to recover an increased proportion of our management costs from our partners by way of operator overhead recoveries as we progress the exploration programmes in 2015.

Administrative expenditure is further analysed in note 4 to the financial statements showing that the cash cost of management and administrative costs in the year to 31 July 2014 was £1,126,482. We estimate that our current annualised cash cost of management and administration, taking into account anticipated operator overhead recoveries, is just over £1m.

## PRINCIPAL RISKS & UNCERTAINTIES

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

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

There is no assurance that the Group's exploration and development activities will be successful. The directors seek to manage and mitigate these risks by developing a balanced portfolio of projects, recruitment and retention of suitably skilled personnel, through compliance with applicable legislation and careful management of cash resources and requirements.

The successful progression of the Group's activities depends not only on technical success, but also on the ability of the Group to obtain appropriate financing through equity financing, farm downs, disposing of interest in projects or other means. If the Group is unable to obtain additional financing needed to fulfil its planned work programmes some interests may be relinquished and/or the scope of operations reduced.

Deterioration of capital markets, particularly sentiment towards oil and gas exploration, may reduce our ability to raise new equity funding. Group management works closely with our advisors and brokers to identify the optimum approach and timing to secure new equity financing to provide working capital and flexibility in the way we fund our projects.

We place great emphasis on regular communication with shareholders including the release of announcements for the interim and annual results and after significant developments. We seek to ensure that through such communication our shareholders are aware of our strategy and operations and that management has their continuing support.

The Company's system of Corporate Governance is set out in the Report of the Directors on pages 20 to 21.

### **Financial risks - failure to meet financial obligations**

The Group's management manages risk for our shareholders by attracting investment through quality partners thereby minimising our own commitments to pay the costs of exploration and other project development costs. We do not make financial commitments to exploration costs unless such funding has been secured through joint venture partners or we have a high degree of confidence that it will be secured. We seek to be fully funded before commitment to any drilling activity including the financial risk posed by delays or other cost overruns during such drilling activity.

Access to adequate working capital is critical to our ability to pursue our existing and future projects and to continue as a going concern. This is particularly important in circumstances where we are subjected to delays arising outside of our control such as may be imposed through changes to the regulatory framework. We work closely with our advisors and brokers to identify the optimum approach and timing to secure new equity financing to provide working capital.

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

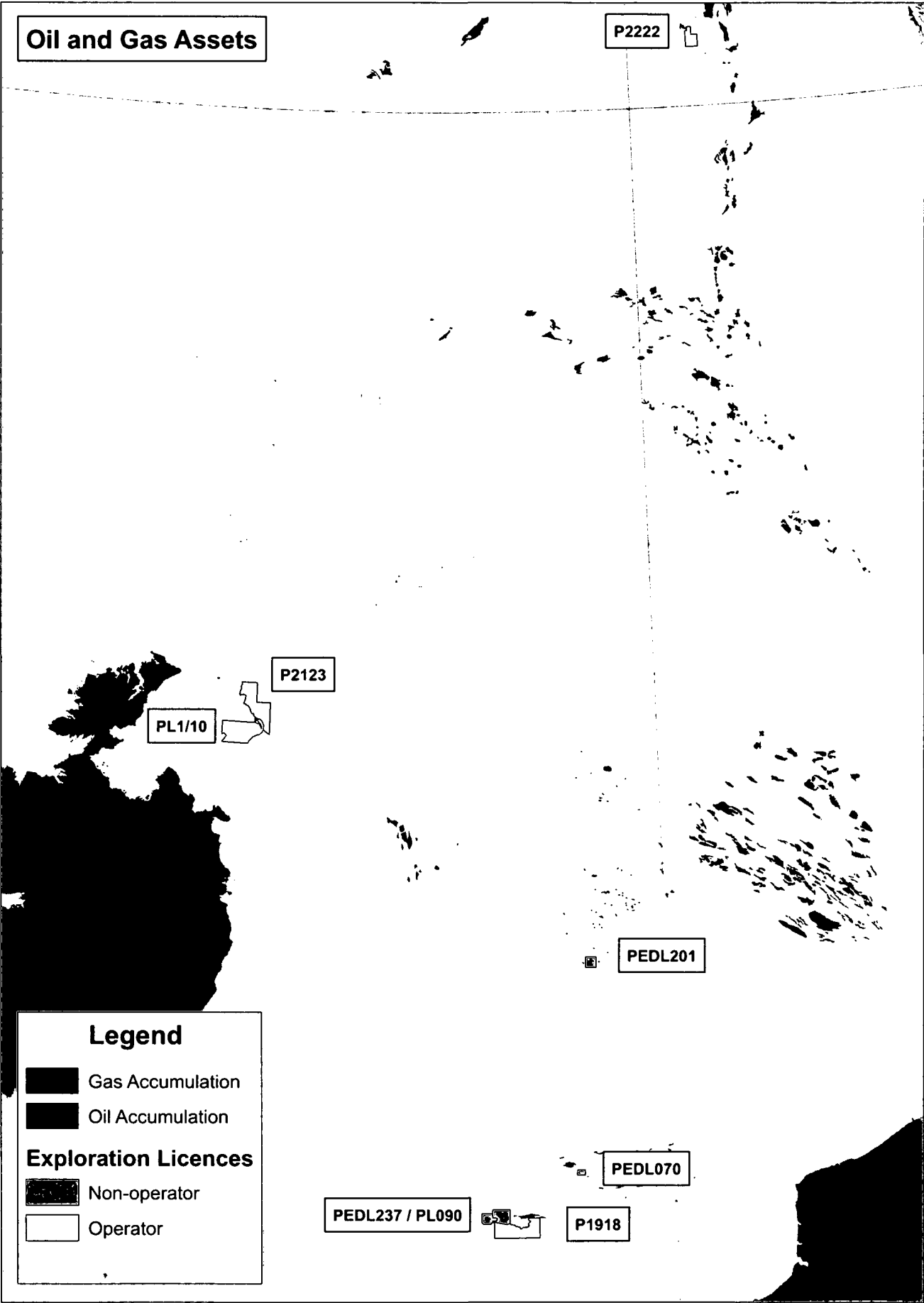
InfraStrata attracts and retains a high quality management team to manage operational risks on our projects and ensure they are progressed in the shortest possible timescales in a cost effective manner. We have built up our core competencies in oil and gas exploration and have developed excellent relationships with government and public stakeholders in the geographical areas in which we operate.

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

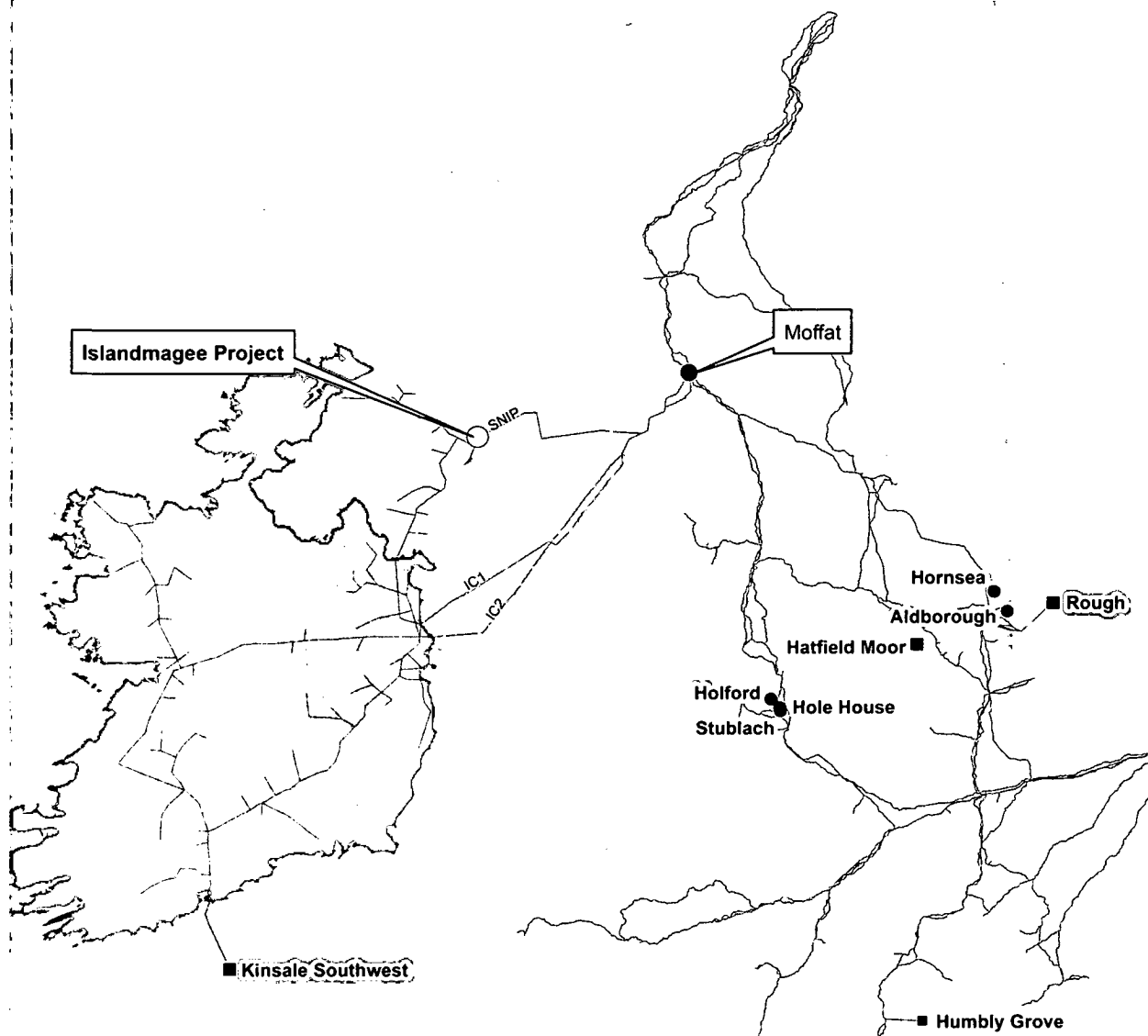
On behalf of the Board  
Andrew Hindle,  
Chief Executive Officer  
1 December 2014



# OPERATIONS OVERVIEW



## Gas Storage Asset



### Salt Cavern Storage

	Islandmagee
<b>Hornsea</b>	IMSL
Scottish & Southern (SSE)	Under development
325 million m <sup>3</sup>	(online in winter 2019)
<b>Holford</b>	
E.ON.	
165 million m <sup>3</sup>	
<b>Aldborough</b>	
SSE / Statoil	
330 million m <sup>3</sup>	
<b>Hole House Farm</b>	
EDF	
55 million m <sup>3</sup>	
<b>Stublach</b>	
Storengy	
40 million m <sup>3</sup>	

### Depleted Field Storage

<b>Rough</b>
Centrica Storage
3300 million m <sup>3</sup>
<b>Humbly Grove</b>
Petronas
279 million m <sup>3</sup>
<b>Hatfield Moor</b>
Scottish Power
115 million m <sup>3</sup>
<b>Kinsale Southwest</b>
Petronas
218 million m <sup>3</sup>

# DIRECTORS, SECRETARY, ADVISORS AND SHAREHOLDER INFORMATION

Directors	Kenneth Maurice Ratcliff (Non-executive Chairman) Andrew David Hindle (Chief Executive Officer) Stewart McGarrity (Finance Director) Anita Elizabeth Gardiner (Commercial Development Director) Maurice Edward Hazzard (Non-executive Director) William Colvin (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
Auditor	Nexia Smith & Williamson 1 Bishops Wharf, Walnut Tree Close Guildford Surrey, GU1 4RA
Tax advisors	Smith & Williamson LLP 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 joint broker	Arden Partners plc 125 Old Broad Street London, EC2N 1AR
Joint broker	VSA Capital Limited New Liverpool House 15-17 Eldon Street London, EC2M 7LD
Solicitors	Field Fisher Waterhouse LLP Riverbank House 2 Swan Lane London, EC4R 3TT
Bankers	Bank of Scotland plc 33 Old Broad Street London, EC2N 1HZ
Investor and public relations	Buchanan Communications Limited 107 Cheapside London, EC2V 6DN



# REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JULY 2014

The directors have pleasure in presenting their report and audited financial statements for the year ended 31 July 2014.

## General

InfraStrata plc is incorporated and domiciled in England and Wales.

## Health, safety and environment

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

## Share capital

On 23 September 2013 the Company issued 8,000,000 new ordinary shares of 10 pence each at 10 pence per share to raise £800,000, before expenses, to institutional and other shareholders. Following the placing, the Company has 99,491,599 ordinary shares in issue.

## RESULTS AND DIVIDENDS

As explained in note 15 to the financial statements, following BPGM's decision to withdraw from the Islandmagee gas storage project and in compliance with International Financial Reporting Standards, the Group's interest in the asset and liabilities of our subsidiary IMSL are no longer classified as held for sale and have been reclassified under the appropriate heading on the Group's statement of financial position. The results attributable to the operations of IMSL are now classified as continuing activities and the loss arising from IMSL in the year ended 31 July 2013 amounting to £197,298 has been reclassified as such. The aggregate funding of £2,033,450 received from BPGM has been reclassified from non-controlling interests to retained earnings as no part of it is refundable.

The Group recognised cash revenue of £17,764 (2013: £62,428) which arose from activities including operatorship income, consulting and technical services. Administrative expenses totalled £1,331,350 (2013: £2,002,080). As detailed in note 4 to the financial statements the 2013 total included payments under leases in relation to the gas storage project in Portland totalling £750,000; these leases were terminated in May 2013.

The Group incurred a loss after tax of £1,246,701 (2013: £1,642,760). The loss for the year, the reclassification of BPGM's previous non-controlling interest of £2,033,450 together with the losses of £21,508,727 brought forward leaves a retained loss of £20,721,978 to be carried forward.

The directors do not recommend the payment of a dividend (2013: £nil).

## CHARITABLE AND POLITICAL DONATIONS

Portland Gas Trust is a charity which supports initiatives focusing on the environment, geology and education with its activities centered on Portland, Dorset. In 2014 the Group supported the Trust by making a donation of £20,000. In 2013, the Group waived loans to the Trust which amounted to £125,708. As these loans had previously been impaired, no expense was recognised in the year in respect of them.

No donations were made for political purposes (2013: £nil).

## RISK MANAGEMENT

The financial risk management objectives and policies of the Company in relation to the use of financial instruments, and the exposure of the Company and its subsidiary undertakings to its main risks, credit risk and liquidity risk, are set out in note 22 to the financial statements. The principal risks and uncertainties relating to the Group's business and how we mitigate them are detailed in the Strategic Report at page 13.

# REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JULY 2014 (CONTINUED)

## DIRECTORS

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

### Executive Directors

A D Hindle

S McGarrity (appointed 25 September 2013)

A E Gardiner (appointed 28 October 2014)

C S Gouws (resigned 25 September 2013)

### Non-executive Directors

K M Ratcliff

WR Roberts (resigned 28 October 2014)

M E Hazzard

W Colvin

The status of WR Roberts changed from Executive to Non-executive Director on 1 January 2014.

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 and the particulars of share options granted to directors at 31 July 2014 are detailed in note 6 to the financial statements. Since the year end options granted to those who are directors at the date of this report at an exercise price of 10p per share, and exercisable one year after grant, are as follows:

Director	Date of grant	Number
A D Hindle	19 September 2014	800,000
S McGarrity	19 September 2014	600,000
AE Gardiner	13 October 2014	508,000
KM Ratcliff	19 September 2014	150,000
ME Hazzard	19 September 2014	60,000
W Colvin	19 September 2014	60,000

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

### Ken Ratcliff (Non-Executive Chairman)

Ken Ratcliff, JP, BSc, FCA, is a Chartered Accountant with extensive finance and business experience. He is currently College Accountant at Epsom College 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, is a highly experienced geologist with over 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 petroleum 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, remained a non-executive director of Egdon until February 2011. Andrew has been the Chief Executive of the Group since 2005. Andrew is also a director of Geofocus Limited and Toffee Limited.

**Stewart McGarrity (Finance Director)**

Stewart McGarrity, BCom, CA, has 27 years of UK and international experience in both senior finance and commercial roles. Following qualification as a Chartered Accountant, Stewart spent a number of years with Deloitte in Zimbabwe and Hong Kong in senior audit and technical roles. Stewart then held a senior financial position with the Airport Authority in Hong Kong during the construction and commercial development of Hong Kong International Airport. Since returning to the UK he has worked with property investor and developer MEPC plc, based in London as Group Financial Controller and with tie Limited, in Edinburgh, developing and maintaining the business case for Edinburgh Trams and other transport projects.

**Anita Gardiner (Commercial Development Director)**

Anita Gardiner, BA, MA, MCIPS graduated from Queens University, Belfast and started her career at the Prudential plc where she worked in a number of commercial roles in procurement and supply chain, real estate and operations. She moved to BP in 2005 and held various project and managerial positions in the UK and India, most recently as Business Development Manager for BP Gas Marketing where she had responsibility for asset development and origination activities across Europe.

**Maurice Hazzard (Non-Executive Director)**

Maurice Hazzard, 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.

**William Colvin (Non-Executive Director)**

William Colvin, BCom, CA, is a Chartered Accountant and has wide experience in the oil and gas, and healthcare sectors in senior management and board positions of large corporations. He was Finance Director of British-Borneo Oil & Gas Plc from 1992 to 1999. From 1990 to 1992, William was Finance Manager/Director at Oryx UK Energy. From 1984 to 1989, he worked in a variety of financial roles for Atlantic Richfield (ARCO) Inc. He qualified as a Scottish Chartered Accountant in 1982 and holds a Bachelor of Commerce degree from the University of Edinburgh. William is currently a non-executive director of Energy XXI, the independent oil & natural gas exploration and production 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 30 November 2014:

<b>Ordinary shares of 10p each</b>	<b>Number</b>	<b>%</b>
Ken Ratcliff	104,000	0.10
Andrew Hindle	7,422,625	7.46
Stewart McGarrity (appointed 25 September 2013)	-	-
Anita Gardiner (appointed 28 October 2014)	-	-
Maurice Hazzard	19,326	0.02
William Colvin	272,727	0.27

The Company has received notification of the following interests in 3% or more of the Company's issued share capital at 30 November 2014. The percentages presented are at the date of notification.

<b>Ordinary shares of 10p each</b>	<b>Number</b>	<b>%</b>
JP Morgan Asset Management Holdings Inc.	15,516,600	18.26
Mark Abbott	6,294,806	6.92
Maven Income and Growth VCT 5 PLC	2,974,013	3.80
Calculus Nominees Limited	1,858,950	3.60
Alan Booth	3,000,000	3.02
Eugene Whyms	3,159,725	3.17

# REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JULY 2014 (CONTINUED)

## CORPORATE GOVERNANCE

### The UK Corporate Governance Code

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

### The Board

At the financial year end the Board was comprised of two Executive Directors and four Non-executive directors whose background and experience are relevant to the Company's activities. Following the year end Anita Gardiner joined the Board on 28 October 2014 as Commercial Development Director. At the same time Walter Roberts resigned as a director although he continues as the Company Secretary. The directors are of the opinion that the Board has a suitable balance. 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. All directors have access to the advice and services of the company secretary who is responsible to the Board for ensuring that the Board procedures are followed and that the applicable rules and regulations are complied with. In addition, the company secretary will ensure that the directors receive appropriate training as necessary. The appointment and removal of the company secretary is a matter for the Board as a whole.

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

	Board	Audit Committee	Remuneration Committee
Number of meetings held during the 2014 financial year	7 <sup>§</sup>	3	4
	Number of meetings attended	Number of meetings attended	Number of meetings attended
<i>Executive Directors</i>			
Andrew Hindle	7	-	-
Stewart McGarrity (appointed 25 September 2013)	6	-	-
Craig Gouws (resigned 25 September 2013)	1	-	-
<i>Non-executive Directors</i>			
Ken Ratcliff	6	3	4
Maurice Hazzard	4	-	4
Walter Roberts	7	-	-
William Colvin	6	3	4

*§ Of which one was minimally attended as it was to finalise business already approved by all directors*

### Audit Committee

The Audit Committee met three times in the year to 31 July 2014. Its members are William Colvin (Chairman) and Ken Ratcliff. Members of the committee attended all meetings either in person or by telephone. Senior representatives of the external auditors attend these meetings if considered appropriate. The external auditor has unrestricted access to the Chairman of the committee.

The role of the Audit Committee includes:

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

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

function. Notwithstanding the absence of an internal audit function, the Committee keeps under review the effectiveness of the Group's internal controls and risk management systems.

### **Remuneration Committee**

The members of the Remuneration Committee are Maurice Hazzard (Chairman), Ken Ratcliff and William Colvin. The committee met four times during the year and the meeting was attended by all current members. The Group's policy is to remunerate senior executives fairly in such a manner as to facilitate the recruitment, retention and motivation of staff. The Remuneration Committee recommends to the Board a framework for the remuneration of the Chairman, the Executive Directors and the senior management of the Group.

The principal objectives of the Committee include:

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

The Committee recognises the continuing financial pressures on the Company and is appreciative of the contribution made by the Chief Executive in taking a 20% reduction in salary. Salaries for Executive Directors have not been increased in aggregate for three years now and no bonuses have been contemplated in the year under review. The Committee remains acutely aware of the need to balance the financial performance of the Company with the need to maintain incentive and motivation for an executive which has worked tremendously hard over the last year to achieve the position we are now in.

### **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.

### **Relations with Shareholders**

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

Representatives of the Board, at least twice per year, together with the Company brokers go on road shows during which existing and new investors are updated on Company affairs. The Company maintains a website ([www.infraStrata.co.uk](http://www.infraStrata.co.uk)) for the purpose of improving information flow to shareholders as well as potential investors. The website contains all press announcements and financial reports as well as extensive operational information about the Group's activities and enquiries from individual shareholders on matters relating to their shareholdings and the business of the Group are welcomed. The Board encourages shareholders to attend the Annual General Meeting, at which members of the Board are available to answer questions.

Arden Partners plc, the company's Nominated Advisor and broker, actively researches the Company and its business followed by research notes being issued.

### **Internal controls**

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

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

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

### **GOING CONCERN**

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

# REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JULY 2014 (CONTINUED)

## DIRECTORS' RESPONSIBILITIES

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

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 AUDITOR

In the case of each person who was a director at the time this report was approved: - so far as the director was aware there was no relevant audit information of which the Company's auditor was unaware; and the director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant 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.

## AUDITOR

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

On behalf of the Board  
A Hindle  
Director  
1 December 2014



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INFRASTRATA PLC

We have audited the financial statements of InfraStrata plc for the year ended 31 July 2014 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 32. 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 auditor**

As explained more fully in the Directors' Responsibilities Statement on page 22, 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 Financial Reporting Council's (FRC'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 FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## **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 2014 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 – carrying value of the Group's development costs relating to the Islandmagee gas storage facility and the amounts due to the Company from its subsidiaries**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Group's development costs relating to the proposed Islandmagee gas storage facility with a carrying value of £3,641,437 and the balances due to the Company from its subsidiaries.

As described in note 2, to continue to develop the Group's Islandmagee gas storage facility and to enable the Company to recover balances due to it from its subsidiaries, the Group is dependent upon securing further funds. The financial statements do not include the impairments that would result if the Group were unable to continue to raise such funds.

## **Emphasis of matter – carrying value of the Group's license interest in License PL1/10**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Group's interest in the PL1/10 license, which has a carrying value of £532,856 (comprising costs directly held and the Group's share of capitalised costs incurred by the Group's associate, Brigantes Energy Limited).

As described in note 2, the license will have to be relinquished by 4 March 2015 unless either the Group can commit to undertaking exploration drilling on the license by that date or the Northern Ireland Department of Enterprise, Trade and Investment agrees to extend the date by which a commitment to drill must be made. The ability of the Group to commit to undertake the drilling is dependent on the receipt of funding for the exploration well. The financial statements do not include the impairments that would result if the funding is not received and the date is not extended.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INFRASTRATA PLC (CONTINUED)

## Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Group's and the Company's ability to continue as going concerns. Financial projections prepared by the directors that future funding is required within the forthcoming year in order for the Group and the Company to continue as going concerns. The directors anticipate generating additional funding by way of an equity fundraising. If such funding cannot be raised, the Group and Company would need to seek alternative sources of funding to enable them to meet their liabilities as they fall due for the foreseeable future.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group and Company's abilities to continue as going concerns. The financial statements do not include the adjustments that would result if the Group and / or Company were unable to continue as going concerns.

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

In our opinion the information given in the Strategic Report and 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  
Walnut Tree Close  
1 Bishops Wharf  
Walnut Tree Close  
Guildford, GU1 4RA

1 December 2014



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2014

	Notes	2014 £	2013 £
<b>Continuing operations</b>			
Revenue		17,764	62,428
Cost of sales		-	-
<b>Gross profit</b>		<b>17,764</b>	<b>62,428</b>
Administrative expenses	4	(1,331,350)	(2,002,080)
<b>Operating loss</b>		<b>(1,313,586)</b>	<b>(1,939,652)</b>
Finance income	9	8,921	25,566
Share of loss of Associates	17	(82,961)	(43,862)
<b>Loss before taxation</b>		<b>(1,387,626)</b>	<b>(1,957,948)</b>
Taxation	10	140,925	315,188
<b>Loss for the year attributable to the equity holders of the parent</b>		<b>(1,246,701)</b>	<b>(1,642,760)</b>
<b>Other comprehensive income</b>			
Reclassification of funds received from BP Gas Marketing Limited	15	2,033,450	-
<b>Total comprehensive profit/(loss) for the year attributable to the equity holders of the parent</b>		<b>786,749</b>	<b>(1,642,760)</b>
<b>Basic and diluted earnings per share</b>	<b>11</b>		
Continuing operations		(1.27)p	(1.81)p

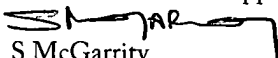
# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 31 JULY 2014

	Notes	2014 £	2013 £
<b>Non-current assets</b>			
Intangible fixed assets:			
Exploration & Evaluation	13	3,827,066	3,478,843
Gas Storage Development	14	3,641,437	-
Property, plant and equipment	16	440,100	1,974
Investments in associates	17	2,545,012	2,627,973
<b>Total non-current assets</b>		<b>10,453,615</b>	<b>6,108,790</b>
<b>Current assets</b>			
Trade and other receivables	18	144,823	906,063
Cash and cash equivalents	19	1,648,955	774,745
		1,793,778	1,680,808
Assets classified as held for sale	15	-	4,190,267
<b>Total current assets</b>		<b>1,793,778</b>	<b>5,871,075</b>
<b>Current liabilities</b>			
Trade and other payables	20	(836,287)	(533,236)
Deferred income tax liabilities	21	-	(179,478)
Liabilities directly associated with assets classified as held for sale	15	-	(149,560)
<b>Total current liabilities</b>		<b>(836,287)</b>	<b>(862,274)</b>
<b>Net current assets</b>		<b>957,491</b>	<b>5,008,801</b>
<b>Non-current liabilities</b>			
Deferred income tax liabilities	21	(745,183)	(706,630)
<b>Net assets</b>		<b>10,665,923</b>	<b>10,410,961</b>
<b>Shareholders' funds</b>			
Share capital	23	9,949,160	9,149,160
Share premium		11,920,219	11,920,219
Merger reserve	24	8,988,112	8,988,112
Share based payment reserve	25	530,410	434,920
Retained earnings		(20,721,978)	(21,508,727)
<b>Attributable to owners of the parent</b>		<b>10,665,923</b>	<b>8,983,684</b>
Non-controlling interests	15	-	1,427,277
<b>Total equity</b>		<b>10,665,923</b>	<b>10,410,961</b>

Company registration number: 06409712. Approved and authorised for issue by the Board on 1 December 2014

  
A Hindle  
Director

  
S McGarrity  
Director

# COMPANY STATEMENT OF FINANCIAL POSITION

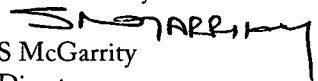
## AS AT 31 JULY 2014

	Notes	2014 £	2013 £
<b>Non-current assets</b>			
Intangible exploration assets	13	101,145	113,934
Property, plant and equipment	16	-	1,974
Investments	17	600	600
<b>Total non-current assets</b>		<b>101,745</b>	<b>116,508</b>
<b>Current assets</b>			
Trade and other receivables	18	4,139,208	3,874,202
Cash and cash equivalents	19	938,903	730,372
<b>Total current assets</b>		<b>5,078,111</b>	<b>4,604,574</b>
<b>Current liabilities</b>			
Trade and other payables	20	(780,465)	(503,826)
<b>Net current assets</b>		<b>4,297,646</b>	<b>4,100,748</b>
<b>Net assets</b>		<b>4,399,391</b>	<b>4,217,256</b>
<b>Shareholders' funds</b>			
Share capital	23	9,949,160	9,149,160
Share premium		11,920,219	11,920,219
Merger reserve	24	8,466,827	8,466,827
Share based payment reserve	25	530,410	434,920
Retained earnings		(26,467,225)	(25,753,870)
<b>Total equity</b>		<b>4,399,391</b>	<b>4,217,256</b>

Company registration number: 06409712

Approved and authorised for issue by the Board on 1 December 2014

  
A Hindle  
Director

  
S McGarrity  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2014

	Share capital £	Share premium £	Merger reserve £	Share based payment reserve £	Retained earnings £	Attributable to the owners of the parent £	Non-controlling interest £	Total equity £
<b>Balance at 31 July 2012</b>	9,099,160	11,920,219	8,988,112	333,735	(19,865,967)	10,475,259	475,689	10,950,948
Loss for the year	-	-	-	-	(1,642,760)	(1,642,760)	-	(1,642,760)
Total comprehensive loss for the year	-	-	-	-	(1,642,760)	(1,642,760)	-	(1,642,760)
Shares issued	50,000	-	-	-	-	50,000	-	50,000
Share based payments	-	-	-	101,185	-	101,185	-	101,185
BP Gas Marketing Limited - Islandmagee Storage Limited option (note 15)	-	-	-	-	-	-	951,588	951,588
<b>Balance at 31 July 2013</b>	9,149,160	11,920,219	8,988,112	434,920	(21,508,727)	8,983,684	1,427,277	10,410,961
Loss for the year	-	-	-	-	(1,246,701)	(1,246,701)	-	(1,246,701)
Other comprehensive income	-	-	-	-	2,033,450	2,033,450	-	2,033,450
Total comprehensive profit for the year	-	-	-	-	786,749	786,749	-	786,749
Shares issued	800,000	-	-	-	-	800,000	-	800,000
Share based payments	-	-	-	95,490	-	95,490	-	95,490
BP Gas Marketing Limited - Islandmagee Storage Limited option (note 15)	-	-	-	-	-	-	606,173	606,173
Reclassification of funds received from BP Gas Marketing Limited (note 15)	-	-	-	-	-	-	(2,033,450)	(2,033,450)
<b>Balance at 31 July 2014</b>	9,949,160	11,920,219	8,988,112	530,410	(20,721,978)	10,665,923	-	10,665,923

# COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2014

	Share capital £	Share premium £	Merger reserve £	Share based payment reserve £	Retained earnings £	Total equity £
<b>Balance at 31 July 2012</b>	9,099,160	11,920,219	8,466,827	333,735	(25,185,639)	4,634,302
Loss for the year	-	-	-	-	(568,231)	(568,231)
Total comprehensive loss for the year	-	-	-	-	(568,231)	(568,231)
Shares issued	50,000	-	-	-	-	50,000
Share based payments	-	-	-	101,185	-	101,185
<b>Balance at 31 July 2013</b>	9,149,160	11,920,219	8,466,827	434,920	(25,753,870)	4,217,256
Loss for the year	-	-	-	-	(713,355)	(713,355)
Total comprehensive loss for the year	-	-	-	-	(713,355)	(713,355)
Shares issued	800,000	-	-	-	-	800,000
Share based payments	-	-	-	95,490	-	95,490
<b>Balance at 31 July 2014</b>	9,949,160	11,920,219	8,466,827	530,410	(26,467,225)	4,399,391

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 JULY 2014

	Notes	2014 £	2013 £
<b>Net cash (used in) operating activities</b>	26	(702,407)	(2,249,084)
<b>Investing activities</b>			
Interest received		4,772	5,318
Purchase of exploration intangible assets		(347,211)	(146,128)
Purchase of gas storage intangible assets		(255,292)	(754,390)
Purchase of equipment		-	(368)
Proceeds from the disposal of exploration intangible assets		360,000	150,000
PGL preference shares receipts		367,474	899,608
<b>Net cash generated from investing activities</b>		129,743	154,040
<b>Financing activities</b>			
Proceeds on issue of ordinary shares		800,000	-
Contribution from non-controlling interest		606,173	951,588
Cash inflow on reclassification of assets previously held for sale		40,701	-
<b>Net cash generated from financing activities</b>		1,446,874	951,588
<b>Net increase/(decrease) in cash and cash equivalents</b>		874,210	(1,143,456)
Cash and cash equivalents at beginning of year		774,745	1,918,201
<b>Cash and cash equivalents at end of year</b>		1,648,955	774,745
Cash and cash equivalents consist of:			
Cash at bank	19	£1,648,955	£774,745

### Significant non-cash transactions

As disclosed in note 13, on 14 March 2014 eCORP's Net Profits Interest in licence P1918 was cancelled (and InfraStrata UK Limited acquired the related preference shares held by eCORP in Portland Gas Limited) for a non-cash consideration of US\$600,000 satisfied by the cancellation of the US\$600,000 (£361,012) still payable by eCORP under the terms of the June 2012 agreements.

There were no significant non-cash transactions in the 2013 year.

# COMPANY STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 JULY 2014

	Notes	2014 £	2013 £
<b>Net cash (used in) operating activities</b>	26	(609,030)	(1,092,979)
<b>Investing activities</b>			
Interest received		4,772	5,245
Purchase of exploration intangible assets		(347,211)	(146,129)
Purchase of equipment		-	(368)
Proceeds from the disposal of exploration intangible assets		360,000	150,000
<b>Net cash generated from investing activities</b>		17,561	8,748
<b>Financing activities</b>			
Proceeds on issue of ordinary shares		800,000	-
<b>Net cash generated from financing activities</b>		800,000	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		208,531	(1,084,231)
Cash and cash equivalents at beginning of year		730,372	1,814,603
<b>Cash and cash equivalents at end of year</b>		938,903	730,372
Cash and cash equivalents consist of:			
Cash at bank	19	£938,903	£730,372
<b>Significant non-cash transactions</b>			

There were no significant non-cash transactions in the year.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

## 1. GENERAL INFORMATION

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

## 2. ACCOUNTING POLICIES

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

### Basis of preparation

InfraStrata plc adopted International Financial Reporting Standards (IFRS) as adopted by the European Union effective in July 2014, 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

As with other development companies which have no significant and consistent revenue streams, the Group will only be able to advance its development programme if it has sufficient resources to do so. The Group generally seeks to farmout the costs of exploration on its directly operated licences to manage risks and minimise funding requirements. Similarly the Group seeks new equity partners in the gas storage project prior to committing to each stage of development.

In September 2014, the Company announced that Larne had exercised an option to acquire licence interests in PL1/10 and the adjacent offshore licence P2123 subject to DETI and DECC approval respectively. The agreement provides that Larne will fund a disproportionate share of the forthcoming Woodburn Forest-1 exploration well to earn its interest in the licence. The Company has pre-existing farmout agreements with partners Brigantes and Terrain with respect to the Woodburn Forest-1 well, which mean that any excess cost accruing to its interest in the well would still be carried.

The terms of the agreements with Larne and with existing partners Brigantes and Terrain required that the full value of the funds required to drill the Woodburn Forest well be placed in an escrow account. To date Larne has been unable to fulfil this obligation and has given notice that it expects now to be able to fund two thirds of its obligation. The partners have now entered into supplementary agreements which reduce Larne's obligation to fund the escrow by one third.

In the event that Larne is unable to any extent to place the revised two thirds of its commitment into escrow and new investment is not secured by the date on which the well construction and drilling programme is due to commence then there would be a shortfall in the funding of the well. The licence partners have until 4 March 2015 to commit to the drilling of a well before the end of the licence term on 4 March 2016. In the absence of such a commitment or an agreement by DETI to extend the date by which a commitment to drill must be made, then the licence would need to be relinquished. Despite the uncertainties regarding Larne's funding of the escrow account and the need to secure new partners, the directors remain confident that the well will be fully funded on or before 4 March 2015 being the last date a commitment to drill must be made if there is no extension to that date granted by DETI. However, the well funding cannot be guaranteed and the directors have therefore concluded that a material uncertainty exists with regard to Group's ability to retain the license.

In October 2014, the Company announced that it had entered into an agreement with Southwestern with respect to licence P1918 under which Southwestern will acquire a 10% interest in the P1918 licence, subject to DECC approval, in return for funding 100% of the next £500,000 of expenditure on the licence and thereafter funding its own share. In addition Southwestern has been granted an exclusive option to acquire a further interest in the licence in return for funding future drilling activity.

In November 2014 the European Commission published a list of grant awards with the Islandmagee gas storage facility receiving grant assistance of up to Euros 2.5m (c£2m) towards the cost of well to obtain a salt core sample and carry out subsequent testing and engineering activities, subject to conclusion of a formal grant agreement. The Company's subsidiary IMSL is now pursuing the £2m balance of funding from a range of potential investors by way of an equity participation in IMSL prior to making a financial commitment to the well.

**2. ACCOUNTING POLICIES (CONTINUED)****Going concern (continued)**

Should the Group not be successful in obtaining future funding for its projects, capitalised project development costs and amounts due to the Company from fellow subsidiaries amounting to £3,990,081 may become impaired in value. The directors are confident that such funding will continue to be secured. With particular regard to the Islandmagee gas storage facility the Company intends to raise £2m through a new equity fundraising to provide flexibility in the support of its projects generally and intends to use these funds to underwrite £2m funding required by IMSL to drill the salt core well in anticipation of new direct equity participation in IMSL being secured in due course. However, the success of any equity fundraising cannot be guaranteed and the directors have therefore concluded that a material uncertainty exists with regard to the availability of funding to progress the Islandmagee gas storage facility and to the recovery of amounts due from fellow subsidiaries.

Having reviewed the value of gas storage and exploration and evaluation assets in accordance with the principles on pages 34 and 35 and the value of balances due to the Company from its subsidiaries, the directors are of the opinion that these assets are not impaired in value subject to the impact of the uncertainties regarding future funding referred to in the previous paragraphs.

On the 23 September 2013 the Company issued 8,000,000 new ordinary shares of 10 pence each at 10 pence per share to institutional and other shareholders and raised £800,000 before costs. The proceeds of the Placing have improved the Company's statement of financial position and enable the Company to be flexible about the funding of exploration costs in advance of the completion of the farm-out of exploration well costs.

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 of its activities for the foreseeable future. Forward cash flow forecasts assume that all significant future exploration costs will continue to be funded by joint venture partners and that the management and administrative costs of the Group will remain at current levels, consistent with the delivery of the Group's strategy and the management of the challenges and risks associated with the Group's development programmes. The cash flow forecasts reflect that the Group requires an additional £600,000 to meet management and administrative costs and working capital requirements until the end of December 2015.

The directors anticipate that additional funding can be generated through an equity fundraising. It is proposed that the Company's share capital be restructured to a par value of 1p at the forthcoming AGM to facilitate access to the equity markets given that the Company's shares are currently trading at or below par value; however, the success of any equity fundraising cannot be guaranteed. After preparing cash flow forecasts, making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

However, the directors have concluded that a material uncertainty exists that may cast significant doubt upon the Group's ability to continue as a going concern and that, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Were the Group no longer a going concern, adjustments may be required to the carrying value of assets, provision would be required for the future liabilities arising as a consequence of the Group ceasing business and assets and liabilities currently classified as non-current would be reclassified as current.

**Adoption of new and revised standards**

At the date of approval 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 an impact going forward:

IFRS 9 Financial Instruments: Recognition and measurement  
IFRS 10 Consolidated Financial Statements  
IFRS 11 Joint Arrangements  
IFRS 12 Disclosure of Interests in Other Entities  
IFRS 13 Fair Value Measurement

IFRS 15 Revenue from Contracts with Customers  
IAS 19 Employee benefits  
IAS 27 Separate Financial Statements  
IAS 28 Investments in Associates and Joint Ventures

The directors anticipate that all of the above standards and interpretations will be adopted in the Group's financial statements in future periods. Adoption of these standards is not expected to have a material impact on the Group.



**Basis of consolidation**

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

**Business combinations and goodwill**

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date and the resulting gain or loss, if any, is recognised in profit or loss in the statement of comprehensive income.

Non-controlling interests that are present ownership interests are recognised at the non-controlling interests proportionate share of the recognised net assets, except that negative non-controlling interests are not recognised where the Group is obliged to bear the non-controlling interests share of any net liabilities.

**Oil and gas exploration joint ventures**

The Group is engaged in oil and gas exploration and development which may lead to production through unincorporated joint ventures. The Group accounts for its share at cost of the results and net assets of these joint ventures as jointly controlled assets based on its percentage ownership of these joint ventures. In addition, where the Group acts as operator to the joint venture, the gross liabilities and receivables (including amounts due to and from non-operating partners) of the joint venture are included in the statement of financial position. Details of the Group's oil & gas exploration joint ventures accounted for as jointly controlled assets are provided in note 30.

**Farm-outs in the exploration and evaluation phase**

The Group does not record any expenditure made by the farminee on its account. In entering into a farm-out arrangement, any costs previously capitalised in relation to the whole interest are re-designated as relating to the partial interest retained. Any cash consideration received directly from the farminee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmenor as a gain on disposal.

**Interests in associates**

The Group has interests in associates, which are entities over which the Group has significant influence but not control and which are not joint ventures. The Group recognises its interest in associates using equity accounting. The financial statements of the associates are prepared for the same reporting year as the parent company, using consistent accounting policies.

**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.

If a disposal becomes no longer highly probable then the assets are subject to a review of their carrying value and, if necessary, are written down to their recoverable amount. The assets are also reclassified from assets held for sale.

**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.

## 2. ACCOUNTING POLICIES (CONTINUED)

### Segment reporting (continued)

The accounting policies of the reportable segments are consistent with the accounting policies of the Group as a whole. Segment profit or loss represents the profit or loss attributable to equity holders of the parent attributable to each segment. This is the measure of profit that is reported to the Board of directors for the purpose of resource allocation and the assessment of segment performance.

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

### Property plant and equipment

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

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

Office equipment	20-33%
Freehold land	0%

There is no depreciation to charge in respect of capitalised tangible gas storage inclusive of related and pipeline costs as the assets are fully impaired.

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

### 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 provided there being reasonable certainty of construction proceeding. 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 statement of financial position date. Capitalisation of project rental costs are reviewed on a regular basis and expensed when the physical progress on the project is in the directors' opinion, significantly less than expected.

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.

### Oil & gas exploration and evaluation expenditure and assets

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

Pre-licence costs (other than payments to acquire rights to explore) are those costs incurred prior to acquiring the rights to explore and are charged directly to the statement of comprehensive income.

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 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. Development assets will be depreciated on the unit production method.

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 statement of comprehensive income 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.

### **Investments**

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

### **Taxation**

Tax expense represents the sum of the tax currently payable and any deferred tax. The taxable result differs from the net result as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the statement of financial position date. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the 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 statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

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

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

### **Foreign currency**

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

### **Leases**

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

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

### **Share based payment transactions**

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

**2. ACCOUNTING POLICIES (CONTINUED)****Share based payment transactions (continued)**

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

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

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

**Retirement benefit costs**

The Company has a defined contribution plan which requires contributions to be made into an independently administered fund.

The amount charged to the statement of comprehensive income in respect of pension costs reflects the contributions payable in the year. Differences between contributions payable during the year and contributions actually paid are shown as either accrued liabilities or prepaid assets in the statement of financial position.

**Financial instruments**

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

Trade 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 statement of comprehensive income. 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. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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

**Revenue**

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

**Finance income**

Finance income is recognised when it is probable that the economic benefits will flow to the group and the amount of income can be measured reliably. Income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

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

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

### *Capitalisation of gas storage and exploration and evaluation 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 whether rights to explore an area have been obtained, 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 gas storage project asset carrying values*

The assessment of capitalised project costs for any indications of impairment involves judgement. When facts or circumstances suggest that impairment exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that the carrying amount exceeds recoverable amount. Recoverable amount is determined to be the higher of fair value less costs to sell and value in use. The key assumptions are the net income expected to be generated from the facilities, the cost of construction and the date from which the facilities become operational. Management assigns values and dates to these inputs after taking into account market information, engineering design costing and the project programme. A discount rate of 8% is applied in determining gas storage project net present values. Salt cavern gas storage projects are long term investments and cash flows are therefore projected over periods greater than 5 years. Engineering design provides for a project life of 40 years. It is assumed that 100% of a project's capacity will be sold from the date that the capacity becomes operational, therefore no cash flow growth is used when performing cash flow projections.

### *Review of exploration and evaluation asset carrying values*

IFRS 6 requires that exploration and evaluation assets be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. Management therefore consider annually whether there are any such facts and circumstances and, if so, undertake an impairment review. In making the initial judgements, management consider the outcome of exploration and evaluation activities to date and, in particular, data from any seismic surveys and drilling activities. Management also consider the continuity of the license interests and market data, including oil and gas prices.

Where an impairment test is required, a comparison is made between the carrying value of the assets at the reporting date with the expected discounted cash flow from the Group's license interest. For the discounted cash flows to be calculated, management use production profiles based on its best estimate of reserves and a range of assumptions, including oil/gas prices and discount rates.

### *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.

### *Investments in associates*

In order to establish whether an entity is a consolidated subsidiary, a joint venture or an associate, key areas of judgment include:

- Quantitative analysis of an entity including review of, amongst other factors, its capital structure, contractual terms, which interests create or absorb variability, related party relationships and design of the entity.
- Rights of partners reflecting significant business decisions, including dispositions and acquisitions of assets.
- Board and management representation.
- Ability to make financing decisions.
- Operating and capital budget approvals and contractual rights of other parties.

## 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 and Northern Ireland. The segmental businesses activities are the development and construction of gas storage and associated facilities, and petroleum exploration.

2014	Southern England Gas storage		Northern Ireland Gas storage		Central income and overheads	Total
	Exploration		Exploration			
<b>Continuing activities</b>						
Revenue	-	8,534	-	4,956	4,274	17,764
Administrative expenses	(195,559)	-	*(206,043)	-	(929,748)	(1,331,350)
Share of loss of associates	-	(46,560)	-	(36,401)	-	(82,961)
Finance income	4,149	-	-	-	4,772	8,921
Taxation	107,276	33,649	-	-	-	140,925
	(84,134)	(4,377)	*(206,043)	(31,445)	(920,702)	(1,246,701)
<b>Analysis of:</b>						
Assets by segment	343,835	5,166,825	*4,445,373	1,273,612	1,017,749	12,247,394
Liabilities by segment	(10,350)	(846,138)	*(35,564)	(622,380)	(67,039)	(1,581,471)
Net assets per segment	333,485	4,320,687	*4,409,809	651,232	950,710	10,665,923
Capital expenditure	-	250,324	*255,292	96,887	-	602,503
Depreciation	-	-	-	-	1,974	1,974
2013	Southern England Gas storage		Northern Ireland Gas storage		Central income and overheads	Total
	Exploration		Exploration			
<b>Continuing activities</b>						
Revenue	49,311	3,421	-	4,327	5,369	62,428
Administrative expenses	(868,440)	-	*(197,298)	-	(936,342)	(2,002,080)
Share of loss of associates	-	(24,134)	-	(19,728)	-	(43,862)
Finance income	20,248	-	-	-	5,318	25,566
Taxation	247,890	67,298	-	-	-	315,188
	(550,991)	46,585	(197,298)	(15,401)	(925,655)	(1,642,760)
<b>Analysis of:</b>						
Assets by segment	882,522	4,811,862	*4,190,267	1,301,803	793,412	11,979,866
Liabilities by segment	(189,829)	(715,212)	*(149,560)	(383,980)	(130,324)	(1,568,905)
Net assets per segment	692,693	4,096,650	*4,040,707	917,823	663,088	10,410,961
Capital expenditure	-	33,394	*754,390	112,735	368	900,883
Depreciation	-	-	-	-	5,865	5,865

\* The Group's gas storage activities in Northern Ireland comprises the results, assets and liabilities of Islandmagee Storage Limited which was classified as held for sale at 31 July 2013 but has now been reclassified as explained note 15. The net loss attributable to Islandmagee Storage Limited is now classified as relating to continuing activities in both years presented.

	2014 £	2013 £
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## 4. PROFIT OR LOSS BEFORE TAXATION

Fees payable to the Group's auditor and its associates:

- for the audit of the Company's annual financial statements	19,450	18,400
- for the audit of the Company's subsidiaries	20,300	20,300
- other services relating to taxation	13,050	23,000
- all other services	6,550	3,750
Depreciation	1,974	5,865
Profit on the disposal of intangible assets (note)	-	(49,945)
Net foreign exchange loss	58,903	46,280
Operating lease rentals – land and buildings	30,000	780,000
Research costs	-	10,376

Note: During the year to 31 July 2013 the Company sold a 5% interest in PL1/10 to Brigantes Energy Limited for cash consideration of £150,000 and a carry of 5% of the costs of the initial well. The transaction gave rise to a profit on disposal of £49,945 (Company: £83,242).

	2014 £	2013 £
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## Administrative expenditure

Management & administrative expenditure paid in cash	1,126,482	1,098,695
Non-cash items:		
Share options expense	95,490	101,185
Exchange differences	58,903	46,280
Depreciation	1,974	5,865
Shares issued in lieu of salary	-	50,000
Profit on sale of assets	-	(49,945)
Expenses of share issue	42,784	-
Pre-licence costs written off	5,717	-
Portland gas storage lease costs	-	750,000
	1,331,350	2,002,080

## 5. EMPLOYEE INFORMATION

	2014	2013
	Number	Number
Average number of Executive Directors and staff	6	6
Staff costs for the above persons and Non-executive Directors were:	£	£
Wages and salaries	610,328	629,580
Social security costs	71,368	75,178
Defined contribution pension plan expenditure	61,352	57,238
Share based payments	95,490	101,185
	838,538	863,181

**6. DIRECTORS' AND KEY MANAGEMENT EMOLUMENTS AND COMPENSATION**

Group and Company	Salary & fees	Bonus	Benefits	Pension	Total 2014
2014	£	£	£	£	£
<b>Executive directors</b>					
Andrew Hindle	200,000	-	2,754	-	202,754
Stewart McGarrity (appointed 25 September 2013)	119,683	-	1,343	5,000	126,026
Craig Gouws (resigned 25 September 2013)	16,203	-	298	1,000	17,501
<b>Non-executive directors</b>					
Ken Ratcliff	37,905	-	-	1,875	39,780
Walter Roberts	46,901	-	3,111	2,500	52,512
Maurice Hazzard	15,000	-	-	-	15,000
William Colvin	15,000	-	-	-	15,000
	<u>450,692</u>	<u>-</u>	<u>7,506</u>	<u>10,375</u>	<u>468,573</u>
Share based payment attributable to directors					75,581
Employers national insurance contributions					53,698
					<u>597,852</u>

Andrew Hindle's salary was reduced to £200,000 per annum with effect from 1 August 2013.

Walter Roberts became a non-executive director with effect from 1 January 2014. During the year fees for legal services totalling £15,614 were paid to Pinnacle Energy Limited, a company in which Walter Roberts is both a director and shareholder.

	Salary & fees	Bonus	Benefits	Pension	Total 2013
2013	£	£	£	£	£
<b>Executive directors</b>					
Andrew Hindle	250,000*	-	2,610	-	252,610
Craig Gouws	121,800	-	1,815	11,280	134,895
Walter Roberts	79,160	-	4,110	11,280	94,550
<b>Non-executive directors</b>					
Ken Ratcliff	35,250	-	-	4,395	39,645
Maurice Hazzard	15,000	-	-	125	15,125
William Colvin	15,000	-	-	-	15,000
	<u>516,210</u>	<u>-</u>	<u>8,535</u>	<u>27,080</u>	<u>551,825</u>
Share based payment attributable to directors					79,033
Employers national insurance contributions					61,863
					<u>692,721</u>

\*During the year to 31 July 2013, Andrew Hindle agreed to reduce his cash remuneration for 12 months by the sum of £50,000 and in return he was issued 500,000 ordinary shares.



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 held by directors at 31 July 2014 are as follows:

	Number	Exercise price £	Exercise from	Exercise to
<b>Granted 22 July 2013</b>				
Stewart McGarrity	518,918	0.10	22 July 2014	22 July 2024
<b>Granted 1 January 2013</b>				
Andrew Hindle	956,022	0.1046	31 December 2013	31 December 2021
Walter Roberts	458,891	0.1046	31 December 2013	31 December 2021
Ken Ratcliff	143,403	0.1046	31 December 2013	31 December 2021
William Colvin	57,361	0.1046	31 December 2013	31 December 2021
Maurice Hazzard	57,361	0.1046	31 December 2013	31 December 2021
<b>Granted 25 January 2008</b>				
Andrew Hindle	43,859	2.28	1 January 2011	31 December 2017
Walter Roberts	43,859	2.28	1 January 2011	31 December 2017
Ken Ratcliff	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 exercised by Directors in 2014 or 2013.

Key man insurance premiums of £1,595 (2013: £1,940) were paid for Executive Directors and directors' indemnity insurance premiums of £15,370 (2013: £19,425) were paid in respect of all directors. Two Executive and one Non-executive Director 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.

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

	2014 Number	2014 WAEP £	2013 Number	2013 WAEP £
Outstanding at the beginning of the year	3,637,167	0.2415	352,407	1.50
Granted during the year	-	-	3,284,760	0.1046
Forfeited during the year	-	-	-	-
Outstanding at the end of the year	3,637,167	0.2415	3,637,167	0.2415
Exercisable at the end of the year	3,637,167	0.2415	352,407	1.50

**7. SHARE BASED PAYMENT PLANS (CONTINUED)**

The weighted average remaining vesting period for the share options outstanding at 31 July 2014 is zero years (2013: 0.47 years). The range of exercise prices for options outstanding at the end of the year was £0.10 - £2.28. The weighted average remaining option life for the share options outstanding at 31 July 2014 is 7 years (2013: 8 years).

The fair value of equity settled options granted is estimated as at the date of the grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used to value the options issued up to 31 July 2014.

Expected volatility (%)	35%
Risk free interest rate	0.5%
Weighted average contractual life of option (years)	10
Expected dividend yield	Nil
Exercise price of options (£)	0.10-0.14
Weighted average share price (£)	0.1061

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 independent trustees.

The total cost charged to expenses of £61,352 (2013: £57,328) 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 2014, employer and employee contributions of £5,624 (2013: £5,758) due in respect of the current period had not been paid over to the scheme, the payment was made on the 8 August 2014 (2013: 30 August 2013).

<b>9. FINANCE INCOME</b>	<b>2014 £</b>	<b>2013 £</b>
Interest on bank deposits	4,772	5,318
Unwinding of discount on other financial assets	4,149	20,248
	<u>8,921</u>	<u>25,566</u>

**10. INCOME TAX****2014**  
**£****2013**  
**£**

The major components of income tax expense for the years ended 31 July 2014 and 2013 are:

## a) Income tax recognised in profit or loss

Current income tax charge/(credit)	-	-
Adjustments in respect of current income tax of previous years	-	-
<b>Total current corporation tax</b>	<b>-</b>	<b>-</b>
Deferred tax charge/(credit)		
- origination and reversal of timing differences	(96,446)	(247,888)
- change of rate of tax	(44,479)	(67,300)
<b>Total current deferred tax</b>	<b>(140,925)</b>	<b>(315,188)</b>

## b) A reconciliation between tax expense and the product of accounting loss from continuing operations for the years ended 31 July 2014 and 2013 is as follows:

Accounting loss before tax from continuing operations	(1,387,626)	(1,957,948)
Loss on continuing activities multiplied by the standard rate of tax (22.33%; 2013: 23.67%)	(309,857)	(463,381)
Expenses not permitted for tax purposes and pre-trading expenditure	67,773	72,029
Other timing differences	-	-
Tax losses carried forward	242,084	391,352
Items not subject to tax	140,925	315,188
<b>Income tax credit reported in the profit or loss relating to continuing operations</b>	<b>140,925</b>	<b>315,188</b>

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

The Group has trading losses of £3,939,974 (2013: £2,957,132) which may reduce future tax charges. Future tax charges may also be reduced by capital allowances on cumulative capital expenditure.

The Government has announced a reduction in the corporation rate to 20% to be in force for 2015/16 which has been substantively enacted.

The Group's potential charge to tax arising from its investments in the associates is dependent on the source of future inflows to the Group. Inflows arising from the partial or complete disposal by way of sale are not expected to be subject to tax. The Group has no current expectation of receiving distributions of profits from these investments in the foreseeable future and therefore no deferred tax liability arises.

**11. EARNINGS PER SHARE****2014**  
**£****2013**  
**£****(Loss)/profit**

The (loss) for the purposes of basic and diluted loss per share being the net loss attributable to equity shareholders

Continuing operations	(1,246,701)	(1,642,760)
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**Number of shares**

Weighted average number of ordinary shares for the purposes of basic earnings per share	98,307,952	91,055,983
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**Basic and diluted earnings per share**

Continuing operations	(1.27)p	(1.81)p
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For 2014 and 2013, the share options were not dilutive as a loss was incurred.

**12. LOSSES ATTRIBUTED TO INFRASTRATA PLC**

The loss for the period dealt with in the financial statements of InfraStrata plc was £713,355 (2013: £568,231). As provided by s408 of the Companies Act 2006, no statement of comprehensive income is presented in respect of InfraStrata plc.

<b>13. INTANGIBLE ASSETS - EXPLORATION &amp; EVALUATION</b>	<b>Group £</b>	<b>Company £</b>
<b>Cost</b>		
At 1 August 2012	3,399,473	34,564
Additions	146,128	146,128
Disposals	(66,758)	(66,758)
At 31 July 2013	3,478,843	113,934
Additions	347,211	347,211
Acquisition of net profits interest from eCORP (see footnote 1 below)	361,012	-
Disposal of interest in P1918 to associate (see footnote 2 below)	(360,000)	(360,000)
<b>Net book value</b>		
At 31 July 2014	3,827,066	101,145

Note 1: In June 2012 InfraStrata entered into agreements as part of which its licence interest in P1918 became subject to a net profits interest ("NPI") equivalent to 3.75% on the whole licence in favour of eCORP Oil & Gas UK Limited ("eCORP"). On 14 March 2014 eCORP's NPI in P1918 was cancelled (and InfraStrata UK Limited acquired the related preference shares held by eCORP in our subsidiary Portland Gas Limited) for a consideration of US\$600,000 satisfied by the cancellation of the US\$600,000 (£361,012) still payable by eCORP under the terms of the June 2012 agreement.

Note 2: On 17 March 2014, associated company Brigantes agreed to acquire an 18% interest in licence P1918 for a consideration of US\$600,000 (£360,000 received), subject to DECC approval.

<b>14. INTANGIBLE ASSETS - GAS STORAGE DEVELOPMENT</b>	<b>Group £</b>	<b>Company £</b>
<b>Cost</b>		
Reclassified on 24 January 2014 (note 15)	3,585,643	-
Additions subsequent to reclassification	55,794	-
At 31 July 2014	3,641,437	-
<b>Net book value</b>		
At 31 July 2014	3,641,437	-

Until 24 January 2014, the gas storage development costs were classified as held for sale. Additions in the year prior to that date were £199,498.

**15. RECLASSIFICATION OF ASSETS PREVIOUSLY HELD FOR SALE**

In January 2012 the Company entered into an agreement with BPGM regarding the acquisition of an equity interest in IMSL owned by a subsidiary of InfraStrata plc (65%) and Moyle Energy Investments Limited (35%). The equity interest was to arise through the exercise of an option by BPGM to acquire a 50.495% holding in the equity of IMSL, effected by the issue of new shares. As consideration, BPGM was funding appraisal activities under a Joint Appraisal Agreement ("JAA") and the option would have been triggered following the drilling of a well to be funded by BPGM. From inception of this agreement the assets and liabilities of IMSL were classified as held for sale on the basis BPGM's option would vest and IMSL would then cease to be a subsidiary. Cumulative receipts from BPGM under the JAA were classified as Non-controlling interests as a component of equity in the Group statement of financial position.

Following a strategic review of its European wide gas assets portfolio BPGM determined that it will not be taking any further participation in the project. On 24 January 2014 agreement was reached with BPGM on the terms of settlement of the JAA and the relinquishment of its option to acquire shares of IMSL. No element of the amounts paid or payable by BPGM under the JAA or the terms of the settlement are repayable to BPGM. Since the sale of IMSL is no longer highly probable, the assets and liabilities of IMSL have, with effect from 24 January 2014, been reclassified under the appropriate heading in the Group's statement of financial position and the balance of amounts paid and payable by BPGM at that date amounting to £2,033,450 has been transferred from Non-controlling interests to Retained earnings. The assets and liabilities of IMSL classified as held for sale at 31 July 2013 and the amounts reclassified on 24 January 2014 are presented below.

	24 January 2014 Reclassified £	31 July 2013 £
Freehold land	440,100	440,100
Intangible fixed assets:		
Gas Storage Development	3,585,643	3,386,145
Trade & other receivables	522,964	190,730
Cash & cash equivalents	40,701	173,292
Assets previously held for sale	4,589,408	4,190,267
Trade & other payables	(39,596)	(149,560)
Liabilities previously directly associated with assets classified as held for sale	(39,596)	(149,560)
	4,549,812	4,040,707

The loss arising from the operations of IMSL in the year 31 July 2013 amounting to £197,298 which was previously classified as arising from discontinued operations has now been reclassified as arising from continuing operation in the consolidated statement of comprehensive income.

In the event that the project does not proceed to development IMSL would have an obligation to reinstate the area of the well-pad which has already been constructed. This is a contingent liability estimated at £100,000.

**16. PROPERTY, PLANT AND EQUIPMENT**

<b>Group</b>	<b>Freehold property £</b>	<b>Office equipment £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 August 2012	-	87,028	87,028
Additions	-	368	368
Disposals	-	(4,502)	(4,502)
At 31 July 2013	-	82,894	82,894
Additions	-	-	-
Reclassified from held for sale (note 15)	440,100	-	440,100
At 31 July 2014	440,100	82,894	522,994
<b>Depreciation</b>			
At 1 August 2012	-	79,557	79,557
Charge for the year	-	5,865	5,865
Disposals	-	(4,502)	(4,502)
At 31 July 2013	-	80,920	80,920
Charge for the year	-	1,974	1,974
At 31 July 2014	-	82,894	82,894
<b>Net book value</b>			
At 31 July 2014	440,100	-	440,100
At 31 July 2013	-	1,974	1,974

<b>Company</b>	<b>Freehold property £</b>	<b>Office equipment £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 August 2012	-	17,380	17,380
Additions	-	368	368
At 31 July 2013	-	17,748	17,748
Additions	-	-	-
At 31 July 2014	-	17,748	17,748
<b>Depreciation</b>			
At 1 August 2012	-	10,227	10,227
Charge for the year	-	5,547	5,547
At 31 July 2013	-	15,774	15,774
Charge for the year	-	1,974	1,974
At 31 July 2014	-	17,748	17,748
<b>Net book value</b>			
At 31 July 2014	-	-	-
At 31 July 2013	-	1,974	1,974

**17. INVESTMENTS**

<b>Group</b>	<b>2014 £</b>	<b>2013 £</b>
<b>Investment in associates</b>		
At 1 August	2,627,973	2,705,131
Share of losses	(82,961)	(43,862)
Elimination of inter-company profit	-	(33,296)
At 31 July	2,545,012	2,627,973
Total investments at the end of the year	2,545,012	2,627,973

The Group has 40% interests (2013: 40%) in both of Corfe Energy Limited and Brigantes Energy Limited which are involved in hydrocarbon exploration. The associates are private companies, incorporated in England and Wales and are not listed on any public exchanges.

The following table summarises the Group's share of the assets and liabilities of each of these associates as recorded in each associates' audited financial statements made up to 31 July 2014 and after making adjustments to align the accounting policies of the associates with those of the Group:

<b>Corfe Energy Limited</b>	<b>2014 £</b>	<b>2013 £</b>
Long-term asset	690,470	613,276
Current assets	95,074	215,101
Current liability	(10,729)	(10,392)
Long-term liability	(1,600)	(1,210)
Group's share of net assets of associates	773,215	816,775

<b>Brigantes Energy Limited</b>	<b>2014 £</b>	<b>2013 £</b>
Long-term asset	704,676	510,813
Current assets	91,200	319,835
Current liability	(6,567)	(7,411)
Long-term liability	(1,600)	(1,210)
Group's share of net assets of associates	787,709	822,027

## 17. INVESTMENTS (CONTINUED)

The revenue and net loss of each of these associates as recorded in each associates' audited financial statements made up to 31 July 2014 and after making adjustments to align the accounting policies of the associates with those of the Group:

<i>Corfe Energy Limited</i>	2014 £	2013 £
Revenue	72,775	96,052
Total loss for the year	96,378	70,073
Group's share of losses	46,560	24,134
Group's share of other comprehensive income	-	-

<i>Brigantes Energy Limited</i>	2014 £	2013 £
Revenue	72,771	96,296
Total loss for the year	66,082	55,006
Group's share of losses	36,401	19,728
Group's share of other comprehensive income	-	-

Company	2014 £	2013 £
<b>Investment in subsidiaries and associates</b>		
<b>Cost</b>		
Balance at 1 August 2013 and 31 July 2014	15,247,611	15,247,611
<b>Impairment</b>		
Balance at 1 August 2013 and 31 July 2014	(15,247,011)	(15,247,011)
<b>Net book value</b>		
Balance at 31 July	600	600

*Investment in subsidiaries*

The Company's subsidiary undertakings at 31 July 2014, all of which are wholly owned unless indicated otherwise, are as follows:

	Principal undertaking	Country of incorporation
InfraStrata UK Limited	Holding and corporate	England
<i>InfraStrata UK Limited owns the following subsidiary undertakings:</i>		
Islandmagee Storage Limited (65% owned)	Sub surface gas storage developer	Northern Ireland
Portland Gas Limited	Holding company	England
Portland Gas Storage Limited	Sub surface gas storage developer	England
Portland Gas Transportation Limited	Gas storage pipeline developer	England



Under the terms of a preliminary shareholder agreement entered into by InfraStrata UK Limited and Moyle in January 2010, Moyle acquired a 35% interest in Islandmagee Storage Limited but InfraStrata UK Limited continues to assume one hundred percent of the risks and rewards of ownership of Islandmagee Storage Limited (including voting rights) until such time as Moyle settles its share of the intercompany loan to Islandmagee Storage Limited. Therefore InfraStrata plc includes 100% of the results, assets and liabilities of Islandmagee Storage Limited in its financial statements.

The Company has fully impaired its investment in InfraStrata UK Limited investment and loan receivable from InfraStrata UK Limited. The impairments in 2012 followed the impairment of the Portland Gas Limited project.

<i>Investment in associates - Company</i>	<b>2014</b> £	<b>2013</b> £
Balance at beginning and end of the year	600	600

The company owns 40% (2013: 40%) of the issued share capital of the following companies, both of which are incorporated in England and are involved in oil and gas exploration:

Corfe Energy Limited  
Brigantes Energy Limited

<b>18. TRADE AND OTHER RECEIVABLES</b>	<b>Group</b> <b>2014</b> £	<b>Group</b> <b>2013</b> £	<b>Company</b> <b>2014</b> £	<b>Company</b> <b>2013</b> £
Amounts due from Group undertakings	-	-	3,990,081	3,791,796
Trade receivables	14,188	20,149	18,619	38,159
Other receivables	78,467	854,061	78,340	12,500
Prepayments	52,168	31,853	52,168	31,747
	<u>144,823</u>	<u>906,063</u>	<u>4,139,208</u>	<u>3,874,202</u>

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

<b>19. CASH AND CASH EQUIVALENTS</b>	<b>Group</b> <b>2014</b> £	<b>Group</b> <b>2013</b> £	<b>Company</b> <b>2014</b> £	<b>Company</b> <b>2013</b> £
Cash at bank	1,648,955	774,745	938,903	730,372

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 20. TRADE AND OTHER PAYABLES

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Trade creditors	695,507	424,669	680,303	408,963
Preference shares (note 23)	12,500	12,500	12,500	12,500
Other taxation and social security	14,087	28,231	17,895	28,231
Accruals	114,193	67,836	69,767	54,132
	<u>836,287</u>	<u>533,236</u>	<u>780,465</u>	<u>503,826</u>

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

### 21. DEFERRED TAX

	Group 2014 £	Group 2013 £
Deferred income tax liabilities in relation to:		
Intangible assets (recovered in more than 12 months)	745,183	706,630
Financial assets (recovered within 12 months)	-	179,478
	<u>745,183</u>	<u>886,108</u>

The gross movement on the deferred tax account is as follows:

	Group 2014 £	Group 2013 £
At 1 August	886,108	1,201,296
Credited to the statement of comprehensive income		
Reversal of timing differences	(96,446)	(247,888)
Change of tax rate	(44,479)	(67,300)
	<u>(140,925)</u>	<u>(315,188)</u>
At 31 July	<u>745,183</u>	<u>886,108</u>

Deferred tax has been calculated at rates of 20% (2013: 21% - 23%) which are the rates which have been substantively enacted and which are expected to be applicable when the underlying assets are forecast to be recovered.

**22. FINANCIAL ASSETS AND LIABILITIES**

The Group and Company's financial instruments comprise financial assets, 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. The Group is also indirectly exposed to risks arising from its interests in its associates. The Group is not required to give detailed information relating to these risks.

*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 Bank of Scotland and Investec bank accounts during the last two years; at year end all of the funds were held in Bank of Scotland and Investec accounts. In the directors' view there is a low risk of one of the banks holding the Groups funds at year end failing in the foreseeable future. As at 31 July 2013, the Group was also exposed to the credit risk in relation to the eCORP receivable of £780,341.

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

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Trade and other receivables	92,655	800,490	18,619	38,159
Due from subsidiary undertakings	-	-	3,990,081	3,791,796
Cash and cash equivalents	1,648,955	774,745	938,903	730,372

The reconciling items between the trade and other receivables presented above and that presented in note 18 and 19 are VAT receivable, prepayments and the discount to fair value. No receivables are past due but not impaired.

*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 of £16,489 (2013: £7,747).

*Foreign currency risk*

The Group is exposed to foreign currency rate risk as a result of United States Dollar denominated bank balances and certain trade payables and, in 2013, the eCORP receivable. The Group and Company did not enter into any arrangements to hedge these risks, 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 2014, if the United States dollar 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 £83 (2013: £71,038).

	Group 2014 USD	Group 2013 USD
The currency risk disclosures are as follows:		
Trade and other receivables	-	£780,341
Cash and cash equivalents	£119,304	-
Trade and other payables	£118,469	-

**22. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)***Foreign currency risk (continued)*

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

*Liquidity risk*

The Group and Company policy is to actively maintain a mixture of long-term and short-term deposits that are designed to ensure it has sufficient available funds for operations. The total carrying value of Group and Company financial liabilities is disclosed in note 20 (trade and other payables). 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 are taxes. 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 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Within one month	69,527	275,309	54,323	96,341
More than one month less than one year	625,980	366,755	625,980	366,766

**23. SHARE CAPITAL AND REDEEMABLE PREFERENCE SHARES**

	Allotted, called up, and fully paid	
	Number	£
<b>Ordinary shares of 10 pence each</b>		
At 31 July 2012	90,991,599	9,099,160
Issue of shares	500,000	50,000
At 31 July 2013	91,491,599	9,149,160
Issue of shares	8,000,000	800,000
At 31 July 2014	99,491,599	9,949,160
<b>Redeemable preference shares of £1 each (classified as liabilities)</b>		
		Allotted and part called
	Number	£
At 31 July 2014, 2013 and 2012	50,000	12,500

On 23 September 2013 the Company issued 8,000,000 new ordinary shares of 10 pence each at 10 pence per share to raise £800,000, before expenses, to institutional and other shareholders. Following the placing, the Company has 99,491,599 ordinary shares in issue.

*Preference shares*

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

*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.

## 24. 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.

## 25. 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 £95,490 (2013: £101,185) relates to the share option expense for the year. There were no options forfeited or exercised during the year (2013: £nil). For further information on the share based payment scheme see note 7.

## 26. CASH (USED IN) OPERATIONS

Group	2014 £	2013 £
Operating loss for the year	(1,313,586)	(1,939,652)
Depreciation	1,974	5,865
Exchange differences on eCORP debtor	56,004	46,890
Decrease in trade and other receivables	103,863	62,432
Increase/(Decrease) in trade and other payables	263,455	(372,514)
Share option expense	95,490	101,185
Shares issued in lieu of salary or bonus	-	50,000
Profit on sale of assets	-	(49,945)
Net working capital change in Islandmagee Storage Limited prior to reclassification	90,393	(153,345)
Cash (used in) operating activities	(702,407)	(2,249,084)

## NOTES TO THE FINANCIAL STATEMENTS

### 26. CASH (USED IN) OPERATIONS

Company	2014 £	2013 £
Operating loss for the year	(718,127)	(573,476)
Depreciation	1,974	5,547
(Increase) in trade and other receivables	(265,006)	(238,183)
Increase/(Decrease) in trade and other payables	276,639	(354,810)
Share option expense	95,490	101,185
Shares issued in lieu of salary or bonus	-	50,000
Profit on sale of assets	-	(83,242)
Cash (used in) operating activities	(609,030)	(1,092,979)

### 27. OPERATING LEASE COMMITMENTS

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

	Land and buildings 2014 £	Land and buildings 2013 £
Amounts due:		
Within one year	15,000	15,000

Operating lease payments represent rentals payable by the Group for office premises. 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 which was on 30 October 2012, exercisable at the Company's option. The landlord and the Company agreed on 16 May 2012 that there will be no rent review and that either party may terminate the lease at any time on or after 30 October 2012 by serving six months written notice.

### 28. OTHER COMMITMENTS

Portland Gas Storage Limited entered into a Section 106 deed of agreement relating to the development of the gas storage facility on the Isle of Portland on 13 June 2012 which supersedes the original deed of agreement dated 17 June 2008.

On first material operation of the development of the gas storage facility gas pipeline block value at Osmington, Dorset, Portland Gas Storage Limited covenants:

- To work with the Portland Gas Trust to complete the Engine Shed refurbishment at a cost of approximately £2,000,000.
- On completion of the Engine Shed to pay to the Portland Gas Trust a sum of £100,000 per annum for a period of not less than twenty years.
- To pay to the Portland Gas Trust a sum of not less than £350,000 to fund projects on the gas storage pipeline route and Portland.
- The Portland project has been mothballed.

**29. RELATED PARTY TRANSACTIONS**

InfraStrata plc 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 (2013: £45,000). The balance outstanding at 31 July 2014 was £nil (2013: £nil).

The Group has related party relationships with its associates. Amounts owed by associates at 31 July 2014 were £3,600 (2013: £3,122) and amounts owed to associates at 31 July 2014 were £87,149 (2013: £600).

**Company**

The Company has related party relationships with its subsidiaries and associates in the course of normal operations.

InfraStrata plc recovered overhead and technical support costs from InfraStrata UK Limited of £181,264 (2013: £184,560), Portland Gas Storage Limited of £120,000 (2013: £180,000) and Islandmagee Storage Limited of £181,264 (2013: £184,465).

The balances outstanding at 31 July 2014, which are not secured, are provided in the following table.

<i>Related party</i>	<i>Amounts owed by related parties</i> £	<i>Amounts owed to related parties</i> £
<i>Subsidiaries</i>		
InfraStrata UK Limited	11,061,347	-
Portland Gas Storage Limited	118,535	-
Islandmagee Storage Limited	704,872	-
<i>Associates</i>		
Corfe Energy Limited	1,800	48,452
Brigantes Energy Limited	1,800	38,697

The balances outstanding at 31 July 2013, which are not secured, are provided in the following table.

<i>Related party</i>	<i>Amounts owed by related parties</i> £	<i>Amounts owed to related parties</i> £
<i>Subsidiaries</i>		
InfraStrata UK Limited	10,878,289	-
Portland Gas Storage Limited	72,289	-
Islandmagee Storage Limited	735,901	-
<i>Associates</i>		
Corfe Energy Limited	-	300
Brigantes Energy Limited	3,122	300

The amounts due from Group undertakings in note 18 are stated net of an impairment provision of £7,894,673 (2013: £7,894,673) relating to InfraStrata UK Limited.

**30. JOINTLY CONTROLLED OIL & GAS EXPLORATION ACTIVITIES****Group and Company**Exploration Licences

<i>Country</i>	<i>Licence</i>	<i>Field name</i>	<i>Operator</i>	<i>Net interest</i>
Northern Ireland	PL1/10	Larne-Lough Neagh Basin	InfraStrata	27.5%
Northern Ireland	P2123	Larne-Lough Neagh Basin	InfraStrata	27.5%
England	P1918	English Channel	InfraStrata	76.0%

The Company has entered into agreements with partners whereby the Company's share of initial exploration costs are wholly or partly covered by the partners, therefore the company has incurred net expenditure to the extent of £347,211 (2013: £146,128) in developing its share of the assets.

Joint Bidding Agreement

On 28 March 2014 the Company entered into a New Ventures Exploration Joint Bidding Agreement with Carstone. Under the terms of the agreement InfraStrata and Carstone will work together to identify early stage opportunities where the principals of each company have expertise and experience. Each company bears its own costs in relation to the agreement and will hold 50% of the available licence interest in each new venture. During the year ended 31 July 2014 costs totalling £5,717 incurred by the Company in relation to the agreement was written off as pre-licence costs.

**31. EVENTS AFTER THE REPORTING PERIOD**

In September 2014, the Company announced that Larne had exercised an option to acquire licence interests in PL1/10 and the adjacent offshore licence P2123 subject to DETI approval. The agreement provides that Larne will fund a disproportionate share of the forthcoming Woodburn Forest-1 exploration well to earn its interest in the licence. The Company has pre-existing farmout agreements with partners Brigantes and Terrain with respect to the Woodburn Forest-1 well, which mean that any excess cost accruing to its interest in the well would still be carried.

The terms of the agreements with Larne and with existing partners Brigantes and Terrain required that the full value of the funds required to drill the Woodburn Forest well be placed in an escrow account. To date Larne has been unable to fulfil this obligation and has given notice that it expects now to be able to fund two thirds of its obligation. The partners have now entered into supplementary agreements which reduce Larne's obligation to fund the escrow by one third.

In October 2014, Southwestern entered into an agreement with respect to licence P1918. Under the terms of the agreement, Southwestern will acquire a 10% interest in the P1918 licence, subject to DECC approval, in return for funding 100% of the next £500,000 of expenditure on the licence and thereafter funding its own share. In addition, it has been granted an exclusive option to acquire a further interest in the licence in return for funding future drilling activity.

In August 2014 IMSL, together with partners Mutual Energy Limited submitted an application to the European Commission for a grant of up to 50% of cost of the salt core well and associated testing and engineering work under the Connecting Europe Facility, available to PCIs. On 21 November 2014 the European Commission published a list of grant awards with IMSL receiving assistance of up to Euros 2.5m (c.£2m) subject to conclusion of a formal grant agreement.

In November 2014 the Company together with partners Carstone was offered block 3/11a in the East Shetland Basin by DECC in the UK 28th Seaward Licensing Round.

**32. CONTROL OF THE GROUP**

There is no ultimate controlling party of InfraStrata plc.



# LETTER FROM THE CHAIRMAN WITH NOTICE OF ANNUAL GENERAL MEETING

## Directors:

Kenneth Ratcliff (Non-executive Chairman)  
Andrew Hindle (Chief Executive Officer)  
Anita Gardiner (Commercial Development Director)  
Stewart McGarrity (Finance Director)  
William Colvin (Non-executive Director)  
Maurice Hazzard (Non-executive Director)

Registered Office:  
Blackstable House  
Longridge  
Sheepscombe  
Stroud  
GL6 7QX

3 December 2014

Dear Shareholder,

## 1. Introduction

Notice of the Company's forthcoming annual general meeting to be held on Wednesday 21 January 2015 ("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 2014 (the "Accounts") has been sent to you with this document. Shareholders will be asked to receive the Accounts at the Annual General Meeting.

#### *Re-appointment of Auditors (Resolution 2)*

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

#### *Retirement by Directors (Resolutions 3 to 5)*

Anita Gardiner who was appointed as Commercial Development Director on 28 October 2014, retires as required by the Articles and offers herself for re-election. I and Maurice Hazzard are the Directors retiring by rotation this year and each of us 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 18 to 19 of the Accounts.

#### *Share Capital Reorganisation*

The mid-market price of the Existing Ordinary Shares as at the close of business on 2 December 2014 (the last practicable day prior to the publication of this letter) was 6.625p. The Ordinary Shares have since February 2014 been trading on AIM at a price below their nominal value of 10p per share. The issue of new shares by a UK company at a price below their nominal value is prohibited by UK company law and accordingly the ability of the Company to raise funds by way of the issue of further equity has been inhibited. Should the share price remain below the nominal value of the shares then the inability to raise additional funds by way of an equity issue will constrain the Company's financial flexibility.

Accordingly, the Directors are seeking shareholders' authority to implement the Share Capital Reorganisation to create a differential between the nominal value of the Ordinary Shares and their market price to facilitate future share issues.

To give effect to the Share Capital Reorganisation, the current Articles of Association of the Company will need to be amended to make changes to allow for the creation of the Deferred Shares arising on the Share Capital Reorganisation becoming effective. These amendments will also require shareholders' approval at the General Meeting.

## LETTER FROM THE CHAIRMAN WITH NOTICE OF ANNUAL GENERAL MEETING

Details of the proposed Share Capital Reorganisation and the proposed amendments to the Articles are set out below as my comments on Resolutions 8 and 9, but Resolutions 6 and 7 need to accommodate the alternative outcomes of the shareholders' vote on the Share Capital Reorganisation.

The proposed timetable for the Share Capital Reorganisation, and the definitions used in relation to the Share Capital Reorganisation are set out at the foot of this letter.

### *Authority of Directors to Allot Shares (Resolution 6)*

The authority given to the Directors to allot further shares in the capital of the Company requires the prior authorisation of the shareholders in general meeting under section 551 Companies Act 2006. Upon the passing of Resolution 6, pursuant to paragraph (A) of the Resolution, the Directors will have authority to allot shares up to a maximum of £3,316,386 (which is approximately one third of the current issued share capital as at 2 December 2014, being the latest practicable date before the publication of this Letter) or, following the Share Capital Reorganisation becoming effective, £331,638.60 (which will represent approximately one-third of the issued share capital following the Share Capital Reorganisation becoming effective).

In addition, in accordance with the guidance from the Association of British Insurers ("ABI") on the expectations of institutional investors in relation to the authority of directors to allot shares, upon the passing of Resolution 6, the Directors will have authority (pursuant to paragraph (B) of the Resolution) to allot an additional number of ordinary shares up to a maximum of £3,316,386 (which is approximately a further third of the current issued share capital as at 2 December 2014, being the latest practicable date before the publication of this Letter) or, following the Share Capital Reorganisation becoming effective, £331,638.60 (which will represent approximately one-third of the issued share capital following the Share Capital Reorganisation becoming effective). 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.

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

To the extent not already expired, the authorities conferred by Resolution 6 will expire immediately following the next Annual General Meeting or, if earlier, on 31st January 2016.

### *Disapplication of Pre-emption Rights (Resolution 7)*

If the Directors wish to exercise the authority under Resolution 6 and offer unissued shares (or sell any shares which the Company may purchase and elect to hold as treasury shares) for cash, the Companies Act 2006 requires that unless shareholders have given specific authority for the waiver of the statutory pre-emption rights, the new shares be offered first to existing shareholders in proportion to their existing shareholdings. In certain circumstances, it may be in the best interests of the Company to allot new shares (or to grant rights over shares) for cash without first offering them to existing shareholders in proportions to their holdings.

Resolution 7 would authorise the Directors to do this by allowing the Directors to allot shares for cash (i) by way of a rights issue (subject to certain exclusions), (ii) by way of an open offer or other offer of securities (not being a rights issue) in favour of existing shareholders in proportions to their shareholdings (subject to certain exclusions) and (iii) to persons other than existing shareholders up to an aggregate nominal value of £1,989,831 (which represents approximately 20% of current issued share capital as at 2 December 2014, being the latest practicable date before the publication of this Letter), or, following the Share Capital Reorganisation becoming effective, £198,983.10 (which will represent approximately 20% of the issued share capital following the Share Capital Reorganisation becoming effective). If given, to the extent not already expired, the authorities conferred by Resolution 7 will expire on the conclusion of the next Annual General Meeting or, if earlier, on 31st January 2016.

For this purpose the ABI recommendation aimed predominantly at premium-listed 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 restrictive. The nature of our business and the critical phase of so many of the projects in which we are involved, which can both be expected to require up front investment and can take a long time to develop fully means that your Board considers 5% to be insufficient. Consequently I would ask that you approve a 20% 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.

### *Share Capital Reorganisation (Resolutions 7 & 8)*

As at 2 December 2014, being the latest practicable date prior to the publication of this letter, the total issued share capital of the Company was £9,949,159.90 divided into 99,491,599 Existing Ordinary Shares.

*Share Capital Reorganisation (Resolutions 7 & 8) (continued)*

In order to effect the Share Capital Reorganisation, the Existing Ordinary Shares of 10 pence will be subdivided into 1 New Ordinary Share of 1 penny each and 9 Deferred Shares of 1 penny each.

Terms used in this section of my letter to you and the timetable for the Share Capital Reorganisation appear at the foot of this letter.

*Ordinary Shares*

As a consequence of the Share Capital Reorganisation, each shareholder's holding of New Ordinary Shares will immediately following the Share Capital Reorganisation becoming effective be the same as the number of Existing Ordinary Shares held by them on the Record Date. Each shareholder's proportionate interest in the Company's issued ordinary share capital will remain unchanged as a result of the proposed Share Capital Reorganisation.

The New Ordinary Shares will continue to carry the same rights as are attached to the Existing Ordinary Shares.

The last day of trading on AIM in the Existing Ordinary Shares is expected to be 21 January 2015.

If approved, following the Share Capital Reorganisation, and assuming no further shares are issued between 2 December 2014 (being the latest practicable date prior to the publication of this letter) and the Record Time, the Company's issued ordinary share capital will comprise 99,491,599 New Ordinary Shares and 895,424,391 Deferred Shares.

Assuming that the Share Capital Reorganisation is approved, existing share certificates representing Existing Ordinary Shares will continue to be valid in respect of the New Ordinary Shares. No share certificates will be issued in respect of the New Ordinary Shares.

Shareholders who hold their entitlement to Existing Ordinary Shares in uncertificated form through CREST are expected to have their CREST accounts adjusted to reflect their entitlement to New Ordinary Shares on 22 January 2015.

*Deferred Shares*

The Deferred Shares created will be effectively valueless as they will not carry any rights to vote or any dividend rights. In addition, holders of Deferred Shares will only be entitled to a payment on a return of capital or on a winding up of the Company after each of the holders of Ordinary Shares has received a payment of £10,000,000 on each such share. The Deferred Shares will not be admitted to trading on AIM and will not be transferable without the prior written consent of the Board. No share certificates will be issued in respect of the Deferred Shares, nor will CREST accounts of shareholders be credited in respect of any entitlement to Deferred Shares.

*Changes to the Articles of Association (Resolution 9)*

In connection with the Share Capital Reorganisation, the Company also proposes to amend its Articles of Association to include the rights and restrictions attaching to the Deferred Shares, as set out above.

**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 7,818,678 Ordinary shares (representing 7.86 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 Asset Services at PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF not less than 48 hours prior to the time appointed for the holding of the AGM on 21 January 2015.

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

## SHARE CAPITAL REORGANISATION DEFINITIONS AND TIMETABLE

### Definitions

<b>AIM</b>	the market operated by the London Stock Exchange;
<b>AIM Rules</b>	the rules for AIM companies as issued by the London Stock Exchange plc, from time to time;
<b>Deferred shares</b>	the Deferred Shares of 1p each arising from the Share Capital Reorganisation having the rights set out in the New Articles;
<b>Existing Ordinary Shares</b>	the existing issued ordinary shares of 10p each in the capital of the Company;
<b>New Articles</b>	the articles of association of the company as amended by Resolution 9 set out in the Notice of AGM;
<b>New Ordinary shares</b>	the new ordinary shares of 1p each in the share capital of the Company resulting from the Share Capital Reorganisation;
<b>Ordinary Shares</b>	prior to the Share Capital Reorganisation, the Existing Ordinary Shares and, thereafter, the New ordinary Shares;
<b>Record Time</b>	6.00 p.m. on 21 January 2015 (or any other time and date as the Directors in their absolute discretion may determine);
<b>Share Capital Reorganisation</b>	the proposed reorganisation to be effected by subdividing each Existing Ordinary Share into 1 New Ordinary Share and 9 Deferred Shares.

### Expected Timetable

<i>Event</i>	<i>Date</i>
Latest time and date for receipt of Forms of Proxy for the Annual General meeting	11.30 a.m. 19 January 2015
Time and date of Annual General meeting	11.30 a.m. 21 January 2015
Latest time and date for dealings on AIM in Existing Ordinary Shares	5.00 p.m. 21 January 2015
Record Time for the Share Capital Reorganisation	6.00 p.m. 21 January 2015
New Ordinary Shares credited to CREST accounts	8.00 a.m. 22 January 2015

### Notes

- Each of the times and dates in the above timetable is based on current expectations and is subject to change. If any of the above times and/or dates change, the revised times and/or dates will be notified to shareholders by announcement through a Regulatory Information Service.
- All references in this document to times are to London times.

# 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, 107 Cheapside, London, EC2V 6DN, United Kingdom on Wednesday 21 January 2015 at 11.30 a.m., for the purpose of passing the following Resolutions, of which Resolutions 1 to 6 will be proposed as Ordinary Resolutions and Resolutions 7 to 9 will be proposed as Special Resolutions:

## Ordinary Resolutions:

1. To receive the report of the Directors and the audited accounts of the Company for the year ended 31 July 2014, 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 Anita Gardiner as Director who retires pursuant to article 87 of the Company’s articles of association and who, being eligible, offers herself for re election.
4. To re-elect Kenneth Ratcliff as Director who retires pursuant to article 92 of the Company’s articles of association and who, being eligible, offers himself for re election.
5. To re-elect 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.
6. To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

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

(A) (i) up to an aggregate nominal amount of £3,316,386; and

(ii) subject to and with effect from the subdivision referred to in Resolution 8 in this Notice of Annual General Meeting (the “**Share Capital Reorganisation**”) becoming effective, in substitution for the authority granted by sub-paragraph (A)(i) of this Resolution but without prejudice to any prior exercise of such authority, up to an aggregate nominal amount of £331,638.60; and

(B) (i) comprising equity securities (within the meaning of section 560 CA 2006) up to a further aggregate nominal amount of £3,316,386 in connection with an offer by way of a rights issue:

- (1) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
- (2) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

(ii) subject to and with effect from the Share Capital Reorganisation becoming effective, in substitution for the authority granted by sub-paragraph (B)(i) of this Resolution but without prejudice to any prior exercise of such authority, comprising equity securities (within the meaning of section 560 CA 2006) up to a further aggregate nominal amount of £331,638.60 in connection with an offer by way of a rights issue:

- (1) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
- (2) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

and so that 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, in so far as they have not previously expired, expire at the conclusion of the next annual general meeting of the Company after the passing of this Resolution or 31 January 2016, 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.

## NOTICE OF ANNUAL GENERAL MEETING

### Special Resolutions:

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

THAT, subject to the passing of Resolution 6 above the Directors be and they are hereby empowered pursuant to section 570 CA 2006 to allot equity securities (within the meaning of section 560 CA 2006) for cash pursuant to the authority conferred by Resolution 6, as if section 561 CA 2006 did not apply to any such allotment, provided that this power shall be limited:

- (A) to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authorities granted under paragraph (B) of Resolution 6, by way of a rights issue only):
- (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
- (ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

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

- (B) to the allotment (otherwise than under paragraph (A) of this Resolution 7):
- (i) prior to the Share Capital Reorganisation becoming effective, of equity securities up to an aggregate nominal amount of £1,989,831; and
- (ii) with effect from the Share Capital Reorganisation becoming effective, of equity securities up to an aggregate nominal amount of £198,983.10,

and shall, in so far as they have not previously expired, expire at the conclusion of the next annual general meeting of the Company after the passing of this Resolution or 31 January 2016, whichever is the earlier, except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

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

THAT, subject to and conditional on the admission of the New Ordinary Shares (as defined below) to trading on the AIM Market of the London Stock Exchange plc becoming effective and on Resolution 9 set out in the notice of General Meeting being passed without amendment each existing ordinary share of 10 pence each (each an **"Existing Ordinary Share"**) that are in issue as at 6.00 p.m. on 21 January 2015 (or such other time as the Directors may determine) (the **"Record Time"**) be subdivided into one ordinary share of 1 penny each (each a **"New Ordinary Share"**) and 9 deferred shares of 1 penny each (**"Deferred Shares"**), each having the rights and being subject to restrictions set out in the articles of association of the Company as amended by Resolution 9 below.

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

That the existing articles of association of the Company be amended by:

- (A) the addition in Article 2 of the following definition: *"Deferred Shares" means deferred shares of 1p each in the capital of the Company having such rights as are stated as attaching thereto in Article 175.*"
- (B) the deletion of the definition "Ordinary Share" in Article 2 and its replacement with the following definition *"Ordinary Share" means an ordinary share of 1 penny each in the capital of the Company*;

(C) the addition of a new Article 175 as follows:

*"175 Deferred Shares*

*The rights attaching to the Deferred Shares shall be as follows:*

- (i) *The Deferred Shares shall confer no right to participate in the profits of the Company;*
- (ii) *on a winding-up or a return of capital, the assets of the Company available for distribution following the distribution of assets shall be applied in paying to the holders of the Deferred Shares the nominal capital paid up or credited as paid up on such Deferred Shares only after paying to the holders of the ordinary shares the nominal capital paid up or credited as paid up on the Ordinary Shares held by them respectively, together with the sum of £10,000,000 on each Ordinary Share;*
- (iii) *the holders of the Deferred Shares shall not be entitled to any further right of participation in the assets of the Company;*
- (iv) *the holders of the Deferred Shares shall not be entitled to receive notice of any general meeting of the Company or to attend, speak or vote at any such meeting;*
- (v) *the Deferred Shares shall not be listed on any stock exchange nor shall any share certificate be issued in respect of such shares. The Deferred Shares shall not be transferable except in accordance with Article 175 (viii)(b) below or with the written consent of the Board;*
- (vi) *the Company may from time to time create, allot and issue further shares, whether ranking pari passu with or in priority to the Deferred Shares, and on such creation, allotment or issue any such further shares (whether or not ranking in any respect in priority to the Deferred Shares) shall be treated as being in accordance with the rights attaching to the Deferred Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the Deferred Shares;*
- (vii) *the reduction by the Company of the capital paid up on the Deferred Shares and the cancellation of such shares shall be in accordance with the rights attaching to the Deferred Shares and shall not involve a variation of such rights for any purpose and the Company shall be authorised at any time to reduce its capital (subject to the confirmation of the court in accordance with the CA 2006) without obtaining the consent of the holders of the Deferred Shares;*
- (viii) *the Company has the irrevocable authority at any time to do all or any of the following without obtaining the sanction of the holder or holders of the Deferred Shares:*
  - (A) *to appoint any person to execute on behalf of any holder of Deferred Shares a transfer of all or any part thereof and/or an agreement to transfer the same (without making any payment therefor) to such person as the directors may determine (whether or not an officer of the Company) and who is willing to accept the same;*
  - (B) *to purchase all or any of the Deferred Shares in accordance with the CA 2006 Act without obtaining the consent of the holders thereof and in consideration of the payment to each of the holders whose shares are purchased of an amount equal to one penny in respect of all the Deferred Shares then being purchased by the Company;*
  - (C) *for the purposes of any such purchase under Article 175 (viii)(B) above, to appoint any person to execute, as his or its attorney and agent, on behalf of any holder of Deferred Shares a contract for the sale to the Company of any such Deferred Shares held by him or it; and*
  - (D) *to cancel all or any of the same so purchased under Article 175 (viii)(B) above in accordance with the CA 2006 Act."*

Dated 3rd December 2014  
By Order of the Board  
Walter Roberts  
Secretary

Registered Office:  
Blackstable House  
Longridge  
Sheepscombe  
Stroud  
GL6 7QX

## NOTICE OF ANNUAL GENERAL MEETING

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 Capita Asset Services 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 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 Asset Services at PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, 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 Capita Asset Services at PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the Company no later than 48 hours, 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 Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), only those holders of ordinary shares who are registered on the Company's share register at 18.00 hours on 19 January 2015 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 19 January 2015 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 to be 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

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, 107 Cheapside, London, EC2V 6DN, United Kingdom on Wednesday 21 January 2015 at 11.30 a.m.

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

I/We, \_\_\_\_\_ (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 below).

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 2014				
2. To re-appoint Nexia Smith & Williamson Audit Limited as auditors at a remuneration to be determined by the Directors				
3. To re-elect Anita Gardiner				
4. To re-elect Kenneth Ratcliff				
5. To re-elect Maurice Hazzard				
6. To grant the directors authority to allot shares on the basis set out in the Notice of AGM				
<b>SPECIAL RESOLUTIONS</b>				
7. To disapply pre-emption rights on the basis set out in the Notice of AGM				
8. To affect the Share Capital Reorganisation				
9. To amend the Articles to include the deferred share rights				

Signature(s) ..... (see note 8) Date ..... 20.....

Please complete and send this proxy form to Capita Asset Services, PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF.

## NOTES TO PROXY FORM

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 initialled by the signatory. If you sign and return this Proxy Form with no name inserted in the box, the Chairman of the AGM will be deemed to be your proxy. If the proxy is being appointed in relation to less than your full voting entitlement, please enter the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this Proxy Form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).
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 Asset Services at PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, by no later than 11.30 a.m. on 19 January 2015.
3. You are entitled to appoint more than one proxy provided that each proxy is appointed to exercise rights attached to a different share or shares held by you. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional Proxy Form(s) may be obtained by contacting the Registrars helpline on +44 (0)871 664 0300 (calls cost 10p per minute plus network extras) or you may photocopy this form. Please indicate next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
4. Completion and return of this Proxy Form will not prevent you from attending in person and voting at the 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 the specified resolution and, unless instructed otherwise, may also vote or abstain from voting as he or she thinks fit on any other business (including on a motion to amend a resolution to propose a new resolution or to adjourn the AGM) which may properly come before the AGM.
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 19 January 2015 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 19 January 2015 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 Company's Registrars, being Capita Asset Services at PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the Company no later than 48 hours before the time of the holding of the 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.



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