



InfraStrata plc

2011 Annual Report &
Financial Statement

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CHAIRMAN'S STATEMENT

The past financial year has been another challenging year for your company but against a general backdrop of economic uncertainty we have made discernible progress towards defining the road ahead.

In the year to 31 July 2011, there has been no significant improvement in the gas storage market although I am pleased to report that, whilst a number of gas storage projects remained on hold within the UK, we have managed to achieve progress in the year on the introduction of partners in both the Portland and Islandmagee projects. Market difficulties have been widely publicised and indeed they were foreseen and articulated at the successful gas storage seminar hosted by InfraStrata in September 2010. The seminar was attended by over 120 professionals drawn from City institutions, gas storage developers, Ofgem, DECC and the media. Against these difficulties we have made some progress but the rate of progress has been slower than we would have wished albeit for reasons outside of our control. It has been a year in which we have moved forward and re-positioned ourselves to benefit not only from developments in the gas storage market but also from traditional oil and gas exploration.

In addition to the completion of planning implementation work on the wellpad area at Upper Osprey within the Portland gas storage project - fully funded by our partner, eCORP International LLC - we have been pursuing our plan to secure planning permission for the project at Islandmagee in Northern Ireland. The process in Northern Ireland has taken longer than initially envisaged but is now approaching the final stages and we are hopeful of positive news. In the meantime we have secured the interest of a major energy company as potential partner in this project and have entered into an exclusivity agreement with them under which we have until 31 January 2012 to finalise terms.

Whilst we remain focused upon the development of gas storage capacity within the UK we have also expanded our interest into oil and gas exploration based on areas sited in and around the existing areas in which we have a commitment to storage. To fund our exploration programmes yet preserve cash, we sought participation from investors at the project level rather than through direct dilution. This was successfully achieved by obtaining funding at subsidiary company level to raise £3m before costs split equally between two previously wholly owned subsidiaries. Through InfraStrata's continued significant interest in these subsidiaries we hope to benefit from an active exploration programme planned over the next financial year.

Your Board has considered the matter of remuneration for the executive team and our decision has been again to freeze salaries for the coming year but keep under review the matter of reward through the share incentive scheme. This decision continues to be based primarily upon the current economic situation and financial outlook and in no way reflects adversely upon the performance of the team which remains one of total dedication and diligence.

In conclusion I would like to thank our shareholders for their continued support during difficult economic times and offer my appreciation for the continuing efforts of the executive team on your behalf.

Ken Ratcliff,
Non-Executive Chairman

Over the past six years the Company has been developing two strategically important gas storage projects in the UK, at Portland in Dorset and Islandmagee in Antrim. Progress has continued to be made with both these projects during the year.

The Company was awarded its first petroleum exploration licence during the year. Its exploration activities are focused on the Permo-Triassic sedimentary basins of the western part of the United Kingdom close to existing gas storage project areas, Antrim in Northern Ireland and Dorset in Southern England.

CHIEF EXECUTIVE'S OPERATING REVIEW

Antrim, Northern Ireland

InfraStrata has a 65% interest in the Islandmagee gas storage project, together with its partner Moyle Energy Investments Limited (35%), a wholly owned subsidiary of Mutual Energy Limited, the operator of existing gas and electricity infrastructure in Northern Ireland. A planning application for the project was submitted in March 2010 to the Northern Ireland Planning Service.

The proposed 500 million cubic metres ("mcm") gas storage facility will be the largest on the island of Ireland and make a significant contribution to the security of gas supplies. The facility is being designed to inject gas at 12mcm and withdraw gas at 22mcm per day.

In September 2011 the Company, together with its partner, entered into exclusive negotiations with a major energy company (potential partner) regarding the appraisal and the option to acquire an equity interest in Islandmagee Storage Limited, the Islandmagee project company. Under the terms of an Exclusivity Agreement the potential partner paid a consideration of £200,000, which was used to complete part of the land purchase for the Islandmagee gas storage project. The potential partner has been granted until 31 January 2012 to finalise terms with InfraStrata and Moyle, whereby it could acquire a significant equity interest in the project, in return for funding the activities to develop the project to the point where a decision can be made to commit to construction.

The planning process in Northern Ireland has been more drawn-out than anticipated at the time of submission in 2010, with a determination of the planning application now expected in 2012. Subject to planning permission being granted for the project during the first half of 2012, it is hoped that drilling of the first well from the site will take place during 2012.

A petroleum exploration licence PL1/10 in the central part of the Larne - Lough Neagh Basin was awarded in March 2011. The licence covers an area of 663 square kilometres. The initial licence term is five years with a decision on drilling a well required within three years. InfraStrata is operator of the licence and holds a 30% direct interest, with an additional net 20% interest via a 50% shareholding in partner company IS E&P Limited (now renamed Brigantes Energy Limited) which has a 40% interest. The other partners in the licence are Nautical Petroleum plc (20%) and Terrain Energy Limited (10%).

The sedimentary section is over 4,000 metres thick in the most deeply buried parts of the basin within Licence PL1/10. The exploration is conventional with the primary reservoir target the Triassic Sherwood Sandstone, the reservoir in the giant Morecambe Bay gasfield in the East Irish Sea Basin. The regional seal is the Mercia Mudstone Formation. Secondary targets are sandstone reservoirs within the Permian and Carboniferous sequences. Although no deep wells have been drilled in the central part of the Larne-Lough Neagh Basin, potential Carboniferous oil and gas source rocks have been identified in wells drilled on the margins of the basin for coal exploration.

A seismic programme comprising 275 line kilometres of 2D data was acquired between mid-September and early November 2011.

It is hoped that the results of the seismic data, expected during Q1 2012, will lead to the drilling of an exploratory well. Ideally, drilling can be coordinated with the planned well for the Islandmagee gas storage project to optimise expenditure.





Dorset, England

InfraStrata has a 50% interest in the Portland gas storage project, together with partner eCORP International, LLC (“eCORP”). Planning permission for the project was granted in May 2008 by Dorset County Council, and implemented in June 2011 following completion of some permanent works within the wellpad area at Upper Osprey on the Isle of Portland.

eCORP and InfraStrata are currently undertaking a full review of the options for the development of the project, a process expected to be completed in Q1 2012. These options include the potential to introduce new finance for a phased project development at the Portland site. It is hoped this will lead to an accelerated level of activity during 2012.

In April 2010, the Company submitted an application to the Department of Energy and Climate Change (“DECC”) in the 26th Licensing Round for a petroleum exploration licence covering 3 offshore Blocks adjacent to the Dorset coast and close to the Portland gas storage project and the giant Wytch Farm oilfield. Subject to award of the licence and approval of licence interest assignments by DECC, InfraStrata will be the operator with a 28% direct interest, together with an additional net 6% interest via a 50% shareholding in partner company IS NV Limited (now renamed Corfe Energy Limited) which would have a 12% interest. The other partners in the licence would be eCORP Oil & Gas UK Limited (50%) and Nautical Petroleum plc (10%).



CORPORATE AND SOCIAL RESPONSIBILITY

Portland Gas Limited continues to support local communities in its area of operation. The Portland Gas Trust is a registered charity that supports initiatives around education, geology and the environment. This year the Trust has continued to support local projects both financially and in kind through the services of Community Liaison Officer Rachel Barton. Over the year the Trust received various applications for funding. The Trust has continued to support suitable local applications and those that fitted with the Trust's objectives were successful.

A successful application to Awards for All enabled the Trust to develop some new projects. Working with the Council Dog Warden, a new leaflet was produced with information on responsible dog ownership when walking on Portland. The Trust also produced a car sticker for dog owners to display promoting picking up after your pet. These have been very well received and the Trust will be hosting a dog owners and family fun day to educate people and promote awareness. The grant also funded four new marquees which the Trust will use for any events held by the Trust.

Work on the Old Engine Shed site continues and scrub and brambles are still being cleared. More stone walling courses are being organised. A successful course run by the Dorset Dry Stone Walling Association meant that a whole new section of wall was repaired during the summer of 2011.

The Trust supported Royal Manor Arts College students who were reporting on the Jurassic Coast and the impact of coastal erosion. It also funded the polo shirts for the students which were embroidered with the Trust logo.

Support for the Island Ranger post continues and the Trust has funded the new wildlife packs and walk cards for the island. The Trust has again sponsored the Budmouth College Geology Award. A donation was made to the Piddlehinton Church fete.

The Trust has continued to meet with the local authorities to discuss options for activities and events around the engine shed for the 2012 games. It is the intention of the Trust to have activities and events for the local community during this time. The Trust intends to organize some activities to celebrate the Queen's Diamond jubilee.

The Trust will continue to work with the Young Offenders Institute on Portland and the Ranger service to carry out environmental improvements along the East Weares area.

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

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

DIRECTORS, SECRETARY, ADVISORS AND SHAREHOLDER INFORMATION

Directors Kenneth Maurice Ratcliff (*Non-executive Chairman*)
Andrew David Hindle (*Chief Executive Officer*)
Craig Stuart Gouws (*Chief Financial Officer*)
Walter Rookehurst Roberts (*Legal and Commercial Director*)
Resigned 1 February 2011: Mark Anthony William Abbott (*Non-executive Director*)
Resigned 3 December 2010: Jonathan Richard Davie (*Non-executive Director*)
Maurice Edward Hazzard (*Non-executive Director*)
Appointed 1 February 2011: 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 Limited
1 Bishops Wharf, Walnut Tree Close
Guildford
Surrey, GU1 4RA

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

Nominated advisor and broker Seymour Pierce Limited
20 Old Bailey
London, EC4M 7EN

Solicitors Field Fisher Waterhouse LLP
35 Vine Street
London, EC3N 2AA

Bankers Bank of Scotland plc
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 2011

The directors have pleasure in presenting their report and audited financial statements for the year ended 31 July 2011.

Principal activity and review of business

The principal activities of the Group throughout the year were the development of sub-surface gas storage facilities and petroleum exploration.

General

InfraStrata plc is incorporated and domiciled in England and Wales.

Business review

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

Fundraising

In Q1 2011 the Company completed a round of funding comprising two elements. Firstly, in February 2011, a placing of 4,095,000 new ordinary shares at 22p per share raised £900,900 before expenses. The shares were placed by Seymour Pierce Limited with an existing institutional investor. The net proceeds of the placing receivable by the Company are being applied to support both the development of the Islandmagee Storage Project until the introduction of a new partner, and the committed expenditure programme of InfraStrata through its 2011/12 financial year. Secondly, in March 2011, InfraStrata completed a funding exercise for its petroleum exploration programme for 2011 and 2012.

The second round of funding was undertaken at subsidiary company and project level. A private placing of shares raised £3 million before costs, split equally between two previously wholly owned subsidiaries of InfraStrata; Brigantes Energy Limited and Corfe Energy Limited. Following the placing of new shares, which was managed by Seymour Pierce Limited, the new investors hold 50% of the issued share capital of each of the Companies, with the balance retained by InfraStrata. InfraStrata assigned 40% of its rights for petroleum exploration licence PL1/10 in Northern Ireland to Brigantes Energy Limited and 12% of any future exploration rights close to the gas storage project at Portland, Dorset to Corfe Energy Limited. The funds raised are being used to fund the the next £3m of their respective exploration costs, the first project of which being the £2m exploration programme in Northern Ireland. At the same time as the private placing, InfraStrata farmed out to Nautical Petroleum plc 20% of its exploration rights under licence PL1/10 and a further 10% to Terrain Energy Limited. Under these agreements InfraStrata's costs through the initial exploration phase of the project are carried.

The Company also farmed out 10% of any future exploration rights close to the gas storage project at Portland to Nautical Petroleum plc.

Islandmagee gas storage project

A planning application for the project was submitted to the Northern Ireland Planning Service in March 2010. The focus of the work during the financial year was supporting the planning application and managing a process to introduce a partner to fund the project through the next stage including the drilling of a well.

After year end, in September 2011, the Company announced that it had entered into exclusive negotiations, for a consideration of £200,000, with a major energy company regarding an option to acquire a significant equity interest in Islandmagee Storage Limited, the Islandmagee project company.

Portland gas storage project

Planning permission for this project was granted in May 2008 by Dorset County Council and implemented in June 2011 following completion of permanent works within the wellpad area at Upper Osprey on the Isle of Portland. InfraStrata has a 50% interest in the project together with partner eCORP International, LLC ("eCORP"). eCORP acquired its 50% interest in the project in October 2010 for agreeing to fund the on-going expenditure of Portland Gas Limited (up to the next £22.9m), subject to options to exit the project by relinquishing its equity interest. At 31 July 2011, eCORP had invested £1.2m into Portland Gas Limited.

The Pipeline Construction Authorisation from the Department of Energy and Climate Change was most recently renewed in July 2011. Applications were submitted in July 2011 to Dorset County Council for a renewal of planning permissions for permanent facilities associated with the pipeline and temporary construction sites. In addition to securing the planning and pipeline construction consents for the project, work continued through the financial year on securing land rights for the gas pipeline, a process which is now reaching completion.

Petroleum exploration activities

During the financial year the main conventional exploration activities were focused on the central part of the Larne - Lough Neagh Basin following the award of petroleum exploration licence PL1/10 in March 2011. The licence covers an area of 663 square kilometres. The initial licence term is five years with a decision on drilling a well required within three years. InfraStrata is the operator of the licence and holds a 30% direct interest, with an additional net 20% interest via a 50% shareholding in partner company Brigantes Energy Limited (formerly IS E&P Limited) which has a 40% interest. The other partners in the licence are Nautical Petroleum plc (20%) and Terrain Energy Limited (10%). The acquisition of approximately 275 line kilometres of 2D seismic data commenced in mid-September 2011 and was completed in early November 2011.

The Company is awaiting the result of an application submitted to the Department of Energy and Climate Change in the 26th Offshore Licensing Round for an area in the English Channel near the Portland gas storage project.



Health, safety and environment

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

Key performance indicators

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

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

The Board's expectation was met by activity during the year, including but not limited to:

- Completing the funding exercise in March 2011 for Corfe Energy Limited and Brigantes Energy Limited, with city institutions and industry partners for its petroleum exploration programme.
- The prudent application of available cash resources.
- Issuance of new capital to meet working capital requirements.
- Completion of the Portland Gas Limited disposal transaction with eCORP.
- Progressing the proposed Islandmagee Storage Limited funding transaction.

Principal risk factors

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.

Financial risks - failure to meet financial obligations

- Cost inflation and over runs
- Access to working capital

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

- Loss of key employees
- Delays in planning application awards
- Sustained exploration failures
- Failure of third party services

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

- Future deterioration of capital markets, reducing ability to raise new equity funding
- Misalignment with co-venturers
- Shareholder sentiment
- Mix of storage and upstream interests

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.

Share capital

On the 21 December 2010 the Company allotted 365,125 new ordinary shares of 10 pence each to the Executive Directors at 13.42 pence each in lieu of cash bonuses due to the value of £49,000.

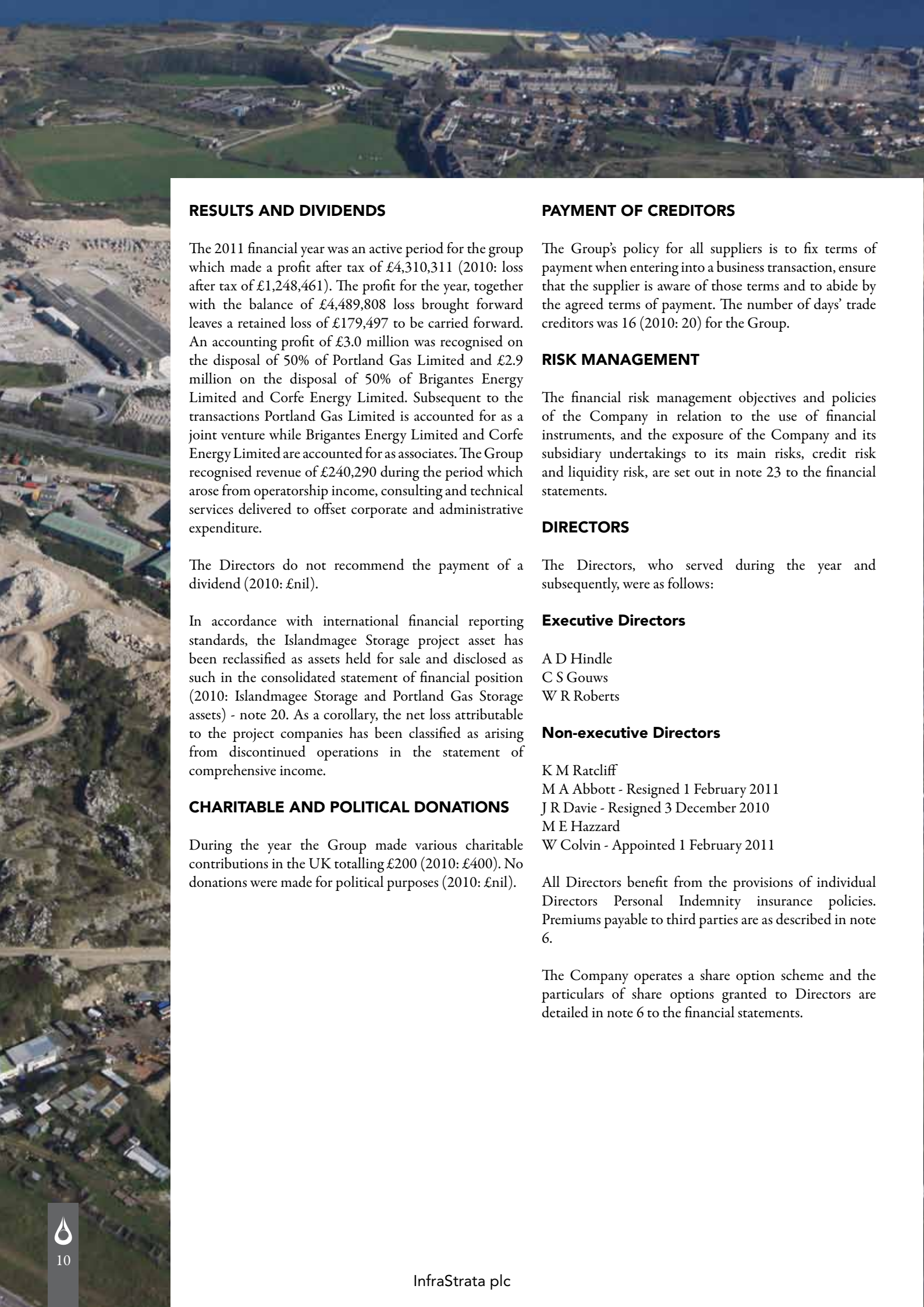
On the 7 February 2011 the Company placed 4,095,000 new ordinary shares of 10 pence each at 22 pence per share to raise £900,900 before expenses.

Outlook

In 2011 and into 2012 InfraStrata intends to further develop its exploration programmes in County Antrim and Dorset and progress both the Portland and Islandmagee projects.

The coming year will see more activity in Northern Ireland as the Islandmagee gas storage project is progressed following the determination of the Planning Application which is anticipated during the current financial year. The data from the seismic acquisition on licence PL1/10 will be processed and interpreted and lead to a decision on drilling an exploration well.





RESULTS AND DIVIDENDS

The 2011 financial year was an active period for the group which made a profit after tax of £4,310,311 (2010: loss after tax of £1,248,461). The profit for the year, together with the balance of £4,489,808 loss brought forward leaves a retained loss of £179,497 to be carried forward. An accounting profit of £3.0 million was recognised on the disposal of 50% of Portland Gas Limited and £2.9 million on the disposal of 50% of Brigantes Energy Limited and Corfe Energy Limited. Subsequent to the transactions Portland Gas Limited is accounted for as a joint venture while Brigantes Energy Limited and Corfe Energy Limited are accounted for as associates. The Group recognised revenue of £240,290 during the period which arose from operatorship income, consulting and technical services delivered to offset corporate and administrative expenditure.

The Directors do not recommend the payment of a dividend (2010: £nil).

In accordance with international financial reporting standards, the Islandmagee Storage project asset has been reclassified as assets held for sale and disclosed as such in the consolidated statement of financial position (2010: Islandmagee Storage and Portland Gas Storage assets) - note 20. As a corollary, the net loss attributable to the project companies has been classified as arising from discontinued operations in the statement of comprehensive income.

CHARITABLE AND POLITICAL DONATIONS

During the year the Group made various charitable contributions in the UK totalling £200 (2010: £400). No donations were made for political purposes (2010: £nil).

PAYMENT OF CREDITORS

The Group's policy for all suppliers is to fix terms of payment when entering into a business transaction, ensure that the supplier is aware of those terms and to abide by the agreed terms of payment. The number of days' trade creditors was 16 (2010: 20) for the Group.

RISK MANAGEMENT

The financial risk management objectives and policies of the Company in relation to the use of financial instruments, and the exposure of the Company and its subsidiary undertakings to its main risks, credit risk and liquidity risk, are set out in note 23 to the financial statements.

DIRECTORS

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

Executive Directors

A D Hindle
C S Gouws
W R Roberts

Non-executive Directors

K M Ratcliff
M A Abbott - Resigned 1 February 2011
J R Davie - Resigned 3 December 2010
M E Hazzard
W Colvin - Appointed 1 February 2011

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 are detailed in note 6 to the financial statements.

Ken Ratcliff (Non-Executive Chairman)

Ken Ratcliff, JP, BSc., FCA, (61) 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, (49) is a highly experienced geologist with 25 years worldwide experience. He holds a degree in Geological Sciences gained in 1983 from Leeds University and, following a year with BP, gained a MSc. degree in Petroleum Geology in 1985 from Aberdeen University. In 1998 he completed a PhD (part-time) through the Open University. He received the J. C. "Cam" Sproule Memorial Award from the American Association of Petroleum Geologists in 1999. He worked for Texaco from 1985 until 1996 on UK and international exploration and development projects, working overseas from 1990 to 1994. Subsequently, he worked for Anadarko Algeria Corporation from 1996 to 1997. In 1997 he became a founding director of Egdon Resources plc and, following the demerger of Egdon and InfraStrata, 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.

Craig Gouws (Chief Financial Officer)

Craig Gouws, BSc., CA (SA) (44) is a Chartered Accountant and holds an engineering degree. He worked within the forestry sector in South Africa before qualifying as a Chartered Accountant with Ernst & Young in 2001. His finance experience includes working for major auditing organisations in senior financial positions in South Africa, the Middle East and the United Kingdom. Craig joined the Group in an executive role during 2007.

Walter Roberts (Legal and Commercial Director and Company Secretary)

Walter Roberts, MA (Cantab.), (60) is an oil and gas lawyer with a strong record in commercial and legal management. Walter qualified as a solicitor with Simmons & Simmons before joining Phillips Petroleum in 1980. He then worked for Lasmo in both the UK and in Australia where he set up its legal department. Walter was the principal negotiator for UK joint venture commercial negotiations and gas sales for Talisman Energy (UK) Limited (previously Bow Valley Petroleum (U.K.) Limited) until 1995. More recently he was the London partner of Cummings & Co. and he is currently an executive director of Pinnacle Energy Limited and a non-executive director of Egdon Resources plc. Walter joined the Board of Egdon Resources plc in 2001 as a non-executive director. He joined the Group in an executive role in 2007.

Maurice Hazzard (Non-Executive Director)

Maurice Hazzard, (73) 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, A.C.A. (53) 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, an 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 8 November 2011.

Ordinary shares of 10p each	Number	%
Ken Ratcliff	63,000	0.08
Andrew Hindle	6,818,080	8.71
Craig Gouws	92,418	0.12
Walter Roberts	1,144,878	1.46
Maurice Hazzard	1,144	0.00
William Colvin	0	0.00

The Company has received notification of the following interests in 3% or more of the Company's issued share capital at 8 November 2011. The percentages presented are at the date of notification.

Ordinary shares of 10p each	Number	%
Calculus Nominees Limited	1,858,950	3.60
Maven Income and Growth VCT 5 PLC	2,974,013	3.80
JP Morgan Asset Management Holdings Inc.	15,516,600	19.83

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 believe that the Company applies the recommendations in so far as is appropriate for a public company of its size. The Company therefore does not fully comply with the Code.

The Board

At the financial year end the Board was comprised of three Executive Directors and three Non-executive Directors whose background and experience are relevant to the Company's activities. As such, the Directors are of the opinion that the Board has a suitable balance and that the recommendations of the Code have been implemented to an appropriate level. The Board, through the Directors, maintain regular contact with its advisors and public relations consultants in order to ensure that the

Board develops an understanding of the views of major shareholders about the Company. 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.

CORPORATE GOVERNANCE

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 2011 financial year	11 [§]	1	2
	No of meetings attended	No of meetings attended	No of meetings attended
<i>Executive directors</i>			
Andrew Hindle	10	-	-
Craig Gouws	10	-	-
Walter Roberts	10	-	-
<i>Non-executive directors</i>			
Ken Ratcliff	7	1	1
Mark Abbott*	4	1	1
Jonathan Davie**	1	-	-
Maurice Hazzard	7	-	2
William Colvin***	3	-	1

§ Of which 4 were minimally attended but to finalise business already approved by all directors

** Resigned 1 February 2011 ** Resigned 3 December 2010 *** Appointed 1 February 2011*

Audit Committee

The Audit Committee met once in the year to 31 July 2011. Its members are William Colvin (Chairman), Ken Ratcliff and for part of the year Jonathan Davie. Members of the committee at the time of meetings attended all meetings either in person or by telephone. In addition, the committee met in August 2011 and senior representatives of the external auditors attended that meeting. 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.
- Monitor 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.

CORPORATE GOVERNANCE

Remuneration Committee

The members of the Remuneration Committee are Maurice Hazzard (Chairman), Ken Ratcliff, William Colvin and for part of the year, Mark Abbott. The committee met twice during the year each time 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 agrees with the Board a framework for the remuneration of the Chairman, the Executive Directors and the senior management of the Group. During the year, the Remuneration Committee discussed the continuing need to maintain motivation of the Executive during a period of intense activity and changing focus. The conclusion of their considerations was that, while current salary burden was regarded as being high in the overall context of the Company's performance, it would not be wise to do anything to jeopardise the possible outcome of current negotiations but the focus during 2012 would be on reducing the overall burden. The Executive has been invited to propose possible ways of achieving this.

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.

The Company maintains a website (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.

GOING CONCERN

The Group does not currently have cash resources on hand to meet all of the committed and discretionary expenditure identified for the 12 month period following approval of the financial statements and there can be no certainty that the planned disposal of an interest in Islandmagee Storage Limited will proceed within the timeframe currently expected. Nevertheless after making inquiries and considering all the relevant factors in relation to the proposed disposal, the Directors are of the opinion that they will be able to complete any necessary funding or, if necessary, defer or reduce administrative costs and have therefore prepared cash flow forecasts for the Group on these bases. These projections, which include the deferral of expenditure, indicate that the Group will have adequate cash resources to meet its obligations as they fall due for a period of not less than one year from the date of approval of these financial statements irrespective of whether or not the disposal proceeds are received within the expected timeframe. For this reason, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The principal objectives of the Committee include:

- Determining and agreeing with 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; and

The view of the Committee is that the salaries remain competitive, but are not over generous, and therefore did not recommend an adjustment during the current financial year. Non-executive fees are considered and agreed by the Board as a whole and there has been no specific review in this regard during the period.

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 mis-statement 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.



DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

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

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

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

DISCLOSURE OF INFORMATION TO THE 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 available audit information of which the Company's auditor was unaware; and that the Director had taken all steps that the Director ought to have taken as a director to make himself aware of any relevant information and to establish that the Company's auditor was aware of that information.

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

AUDITOR

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

By order of the Board
A Hindle
Director
14 November 2011



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF INFRASTRATA PLC

We have audited the financial statements of InfraStrata plc for the year ended 31 July 2011 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 34. 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.

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 2011 and of the Group's profit 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.

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.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on other matter prescribed by the Companies Act 2006

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

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

14 November 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2011

	Notes	2011 £	2010 £
Continuing operations			
Revenue		240,290	-
Cost of Sales		-	-
Gross profit		240,290	-
Administrative expenses	4	(1,180,485)	(397,358)
Operating loss		(940,195)	(397,358)
Finance income	9	11,139	23,645
Share of loss of Joint Venture	16	(452,089)	-
Loss before taxation		(1,381,145)	(373,713)
Taxation	10	-	-
Loss for the year from continuing operations		(1,381,145)	(373,713)
Profit/(loss) for the year from discontinued operations	11	5,691,456	(874,748)
Profit/(loss) for the year attributable to the equity holders of the parent		4,310,311	(1,248,461)
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the year attributable to the equity holders of the parent		4,310,311	(1,248,461)
Basic and diluted earnings per share	12		
Continuing operations		(1.82)p	(0.51)p
Discontinued operations		7.49p	(1.20)p
Continuing and discontinued operations		5.67p	(1.71)p



CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2011

	Notes	2011 £	2010 £
Non-current assets			
Plant and equipment	14	15,161	7,280
Investment in joint venture	16	22,473,516	-
Investments in associates	16	2,880,000	-
Total non-current assets		25,368,677	7,280
Current assets			
Trade and other receivables	17	140,526	110,732
Available for sale financial assets	18	12,500	12,500
Cash and cash equivalents	19	714,969	1,260,982
		867,995	1,384,214
Assets classified as held for sale	20	2,744,731	26,511,034
Total current assets		3,612,726	27,895,248
Current liabilities			
Trade and other payables	21	(104,158)	(278,606)
Liabilities directly associated with assets classified as held for sale	20	(29,928)	(4,061,668)
Total current liabilities		(134,086)	(4,340,274)
Net current assets and net assets held for sale		3,478,640	23,554,974
Net assets		28,847,317	23,562,254
Shareholders' funds			
Share capital	24	7,826,433	7,380,420
Share premium		11,848,946	11,381,095
Merger reserve	25	8,988,112	8,988,112
Share based payment reserve	26	322,431	302,435
Retained earnings		(138,605)	(4,489,808)
		28,847,317	23,562,254

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2011

	Notes	2011 £	2010 £
Non-current assets			
Plant and equipment		14,022	-
Investment	16	15,249,611	15,257,966
Total non-current assets		15,263,633	15,257,966
Current assets			
Trade and other receivables	17	11,765,975	10,873,566
Available for sale assets	18	12,500	12,500
Cash and cash equivalents	19	118,448	1,072,060
Total current assets		11,896,923	11,958,126
Current liabilities			
Trade and other payables	21	(86,261)	(260,311)
Net current assets		11,810,662	11,697,815
Net assets		27,074,295	26,955,781
Shareholders' funds			
Share capital	24	7,826,433	7,380,420
Share premium		11,848,946	11,381,095
Merger reserve	25	8,466,827	8,466,827
Share based payment reserve	26	322,431	302,435
Retained earnings		(1,390,342)	(574,996)
		27,074,295	26,955,781

Company registration number: 06409712

Approved and authorised for issue by the Board on 14 November 2011

A. Hindle, Director C. Gouws, Director



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2011

	Share capital £	Share premium £	Merger reserve £	Shares to be issued £	Share based payment reserve £	Retained earnings £	Total equity £
Balance at 31 July 2009	7,038,473	8,576,705	8,988,112	746,337	177,189	(3,241,347)	22,285,469
Loss for the year	-	-	-	-	-	(1,248,461)	(1,248,461)
Total comprehensive loss for the year	-	-	-	-	-	(1,248,461)	(1,248,461)
Shares issued	341,947	2,804,390	-	(746,337)	-	-	2,400,000
Share based payments	-	-	-	-	125,246	-	125,246
Balance at 31 July 2010	7,380,420	11,381,095	8,988,112	-	302,435	(4,489,808)	23,562,254
Profit for the year	-	-	-	-	-	4,310,311	4,310,311
Total comprehensive profit for the year	-	-	-	-	-	4,310,311	4,310,311
Shares issued	446,013	467,851	-	-	-	-	913,864
Share based payments	-	-	-	-	60,888	-	60,888
Share options lapsed	-	-	-	-	(40,892)	40,892	-
Balance at 31 July 2011	7,826,433	11,848,946	8,988,112	-	322,431	(138,605)	28,847,317

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2011

	Share capital £	Share premium £	Merger reserve £	Shares to be issued £	Share based payment reserve £	Retained earnings £	Total equity £
Balance at 31 July 2009	7,038,473	8,576,705	8,466,827	746,337	177,189	(356,743)	24,648,788
Loss for the year	-	-	-	-	-	(218,253)	(218,253)
Total comprehensive loss for the year	-	-	-	-	-	(218,253)	(218,253)
Shares issued	341,947	2,804,390	-	(746,337)	-	-	2,400,000
Share based payments	-	-	-	-	125,246	-	125,246
Balance at 31 July 2010	7,380,420	11,381,095	8,466,827	-	302,435	(574,996)	26,955,781
Loss for the year	-	-	-	-	-	(856,238)	(856,238)
Total comprehensive loss for the year	-	-	-	-	-	(856,238)	(856,238)
Shares issued	446,013	467,851	-	-	-	-	913,864
Share based payments	-	-	-	-	60,888	-	60,888
Share options lapsed	-	-	-	-	(40,892)	40,892	-
Balance at 31 July 2011	7,826,433	11,848,946	8,466,827	-	322,431	(1,390,342)	27,074,295



CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2011

	Notes	2011 £	2010 £
Net cash (used in) operating activities	27	(982,526)	(1,409,715)
Investing activities			
Interest received		11,139	23,645
Purchase of intangible assets		(324,520)	(569,274)
Purchase of plant and equipment		(108,706)	(2,250,176)
Cash outflow on disposal of subsidiary		(6,264)	-
Net cash (used in) investing activities		(428,351)	(2,795,805)
Financing activities			
Proceeds on issue of ordinary shares		864,864	2,400,000
Net cash generated from financing activities		864,864	2,400,000
Net (decrease) in cash and cash equivalents		(546,013)	(1,805,520)
Cash and cash equivalents at beginning of year		1,260,982	3,066,502
Cash and cash equivalents at end of year		714,969	1,260,982
Cash and cash equivalents consist of:			
Cash at bank	19	714,969	1,260,982

Significant non-cash transactions

Significant non-cash transactions for the year ended 31 July 2011 comprise the loss of control of three companies which were previously subsidiaries – see note 16.

Cash flows arising from discontinued activities

Cash flows arising from discontinued operations are analysed in note 27.

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2011

	Notes	2011 £	2010 £
Net cash (used in) operating activities	27	(1,803,324)	(1,428,795)
Investing activities			
Interest received		2,228	15,292
Subscription in share capital of subsidiary company		-	(8,855)
Purchase of plant and equipment		(17,380)	-
Net cash (used in)/in flow investing activities		(15,152)	6,437
Financing activities			
Proceeds on issue of ordinary shares		864,864	2,400,000
Net cash generated from financing activities		864,864	2,400,000
Net (decrease)/increase in cash and cash equivalents		(953,612)	977,642
Cash and cash equivalents at beginning of year		1,072,060	94,418
Cash and cash equivalents at end of year		118,448	1,072,060
Cash and cash equivalents consist of:			
Cash at bank	19	118,448	1,072,060



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2011

1. General information

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

2. Accounting policies

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

Basis of preparation

InfraStrata plc adopted International Financial Reporting Standards (IFRS) and IFRIC Interpretations, as adopted by the European Union and, except as noted below, effective in July 2011, as the basis for preparation of its financial statements. The financial information has been prepared under the historical cost convention as modified by the revaluation of certain financial assets.

Going concern

The Directors have prepared the financial statements on the going concern basis which assumes that the Group will continue in operational existence for the foreseeable future.

The Group requires additional funding in order to progress the development of the Islandmagee gas storage project in which it holds a 65% interest and to pay future general and administrative costs. The exploration of licence PL1/10 has been funded by partners, however InfraStrata plc will be required to fund its interest once the initial phase of exploration is complete and the partners decide to drill an exploration well.

The Directors believe that the disposal of an interest in Islandmagee Storage Limited is the best way of maximising shareholder value by allowing an entity other than InfraStrata plc to develop this project. It is expected that such a disposal will provide working capital for the Group and will transfer responsibility for funding the immediate future development of the Islandmagee gas storage project to the new partner.

The Group does not currently have cash resources on hand to meet all of the committed and discretionary expenditure identified for the 12 month period following approval of the financial statements and there can be no certainty that the planned disposal of an interest in Islandmagee Storage Limited will proceed within the timeframe currently expected. Nevertheless, after making inquiries and considering all the relevant factors in relation to the proposed disposal, the Directors are of the opinion that they will be able to complete any necessary funding or, if necessary, defer or reduce administrative costs and have therefore prepared cash flow forecasts for the Group on these bases. These projections, which include the deferral of expenditure, indicate that the Group will have adequate cash resources to meet its obligations as they fall due for a period of not less than one year from the date of approval of these financial statements irrespective of whether or not the disposal proceeds are received within the expected timeframe. For this reason, they continue to adopt the going concern

basis of accounting in preparing the annual financial statements.

Adoption of new and revised standards

In the current financial year, the Group has adopted International Financial Reporting Standard 2 “Share-Based Payments” (revised 2009), International Accounting Standard 32 “Financial Instruments: Presentation” (revised 2009) and IFRIC 19 “Extinguishing financial liabilities with equity instruments”. The adoption of these standards and interpretation did not have any impact on the financial position or performance of the Group.

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
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Measurement
IAS 28 Investments in Associates and Joint Ventures (2011)

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

Basis of consolidation

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

Business combinations and goodwill

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

Interests in joint venture entities

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and a jointly controlled entity is a joint venture that involves a separate entity in which each venturer has an interest. The Group recognises its interest in jointly controlled entities using equity accounting. The financial statements of the joint venture are prepared for the same



NOTES TO THE FINANCIAL STATEMENTS

reporting year as the parent company, using consistent accounting policies.

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 33.

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.

Segment reporting

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

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

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

Plant and equipment

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

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

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

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

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

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

Gas storage research and development costs

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

Capitalisation and impairment of intangible gas storage assets

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

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



NOTES TO THE FINANCIAL STATEMENTS

Oil & gas exploration and evaluation expenditure and assets

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

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

E&E costs are not amortised prior to the conclusion of appraisal activities. If technical feasibility is demonstrated and commercial reserves are discovered, then following development sanction, the carrying value of the relevant E&E asset will be reclassified as a development and production asset, but only after the carrying value of the E&E asset has been assessed for impairment, and where appropriate, its carrying value adjusted.

If, after completion of appraisal activities in an area, it is not possible to determine technical feasibility or commercial viability, then the costs of such unsuccessful exploration and evaluation are written off to the income statement as a component of costs of sales in the period the relevant events occur. The costs associated with any wells which are abandoned are fully amortised when the abandonment decision is taken.

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

Borrowing costs

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

Investments

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

Taxation

Tax expense represents the sum of the tax currently payable and any deferred tax. The taxable result differs from the net result as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation

of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

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

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

Foreign currency

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

Leases

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

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

Share based payment transactions

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

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the



NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Retirement benefit costs

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

Financial instruments

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

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

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

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

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

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

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 on an accrual basis.



NOTES TO THE FINANCIAL STATEMENTS

3. Segment information

The Directors have determined the Group's operating segments by reference to the risk profile of the Group's activities, which are affected predominately by location of the Group's assets. The Group's head office is located in the United Kingdom with operations located in Dorset, Northern Ireland and Europe. The segmental businesses activities are the development and construction of gas storage and associated facilities, and petroleum exploration. No segmental information relating to the European activities is required to be disclosed as they are immaterial.

2011	Dorset		Northern Ireland		Unallocated £	Total £
	Gas storage £	Exploration £	Gas storage £	Exploration £		
Continuing activities						
Revenue from services provided to joint venture	240,290	-	-	-	-	240,290
Administrative expenses	-	-	-	-	(1,180,485)	(1,180,485)
Share of loss of joint venture	(452,089)	-	-	-	-	(452,089)
Finance income	-	-	-	-	11,139	11,139
	(211,799)	-	-	-	(1,169,346)	(1,381,145)
Discontinued activities						
Administrative expenses	(31,570)	-	(120,388)	-	-	(151,958)
Profit arising on loss of control of subsidiaries	2,964,014	1,439,700	-	1,439,700	-	5,843,414
	2,932,444	1,439,700	(120,388)	1,439,700	-	5,691,456
	2,720,645	1,439,700	(120,388)	1,439,700	(1,169,346)	4,310,311
Analysis of:						
Assets by segment	22,473,516	1,440,000	*2,744,731	1,440,000	883,156	28,981,403
Liabilities by segment	-	-	*(29,928)	-	(104,158)	(134,086)
Net assets per segment	22,473,516	1,440,000	*2,714,803	1,440,000	778,998	28,847,317
Capital expenditure	*252,977	-	*286,003	-	17,380	556,360
Depreciation	-	-	-	-	9,499	9,499

* discontinued activities

2010	Dorset		Northern Ireland		Unallocated £	Total £
	Gas storage £	Exploration £	Gas storage £	Exploration £		
Continuing activities						
Administrative expenses	-	-	-	-	(397,358)	(397,358)
Finance income	-	-	-	-	23,645	23,645
	-	-	-	-	(373,713)	(373,713)
Discontinued activities						
Administrative expenses	(735,259)	-	(100,671)	-	(38,818)	(874,748)
	(735,259)	-	(100,671)	-	(38,818)	(874,748)
	(735,259)	-	(100,671)	-	(412,531)	(1,248,461)
Analysis of:						
Assets by segment	*24,066,195	-	*2,419,261	-	1,417,072	27,902,528
Liabilities by segment	*(4,000,554)	-	*(58,900)	-	(280,820)	(4,340,274)
Net assets per segment	*20,065,641	-	*2,360,361	-	1,136,252	23,562,254
Capital expenditure	*3,346,830	-	*592,791	-	-	3,939,621
Depreciation	-	-	-	-	21,070	21,070

* discontinued activities



NOTES TO THE FINANCIAL STATEMENTS

4. Other expenditure

	2011 £	2010 £
Fees payable to the Group's auditor and its associates:		
• for the audit of the Company's annual financial statements	15,610	12,750
• for the audit of the Company's subsidiaries	8,290	17,750
• other services relating to taxation	7,780	12,450
• all other services	6,100	3,556
Depreciation	9,499	21,070
Net foreign exchange (profit)/loss	(2,024)	5,278
Operating lease rentals - land and buildings	154,262	1,521,146
Research costs	43,217	103,716

5. Employee information

	2011 Number	2010 Number
Executive Directors and staff	5	7
	£	£
Staff costs for the above persons and Non-executive Directors were:		
Wages and salaries	682,851	854,196
Social security costs	77,080	89,449
Defined contribution pension plan expenditure	18,190	27,808
Share based payments	60,888	125,246
	839,009	1,096,699

6. Directors' and key management emoluments and compensation Group and company 2011

	Salary & Fees £	Bonus £	Benefits £	Pension £	Total £
Executive Directors					
Andrew Hindle	250,000	25,000	2,170	-	277,170
Craig Gouws	121,067	12,000	1,552	6,000	140,619
Walter Roberts	86,320	12,000	2,971	6,000	107,291
Non-executive Directors					
Ken Ratcliff	37,500	-	-	1,875	39,375
Mark Abbott	7,500	-	-	-	7,500
Jonathan Davie	5,000	-	-	-	5,000
Maurice Hazzard	15,000	-	-	750	15,750
William Colvin	7,500	-	-	-	7,500
	529,887	49,000	6,693	14,625	600,205
					36,285
					67,378
					703,868

2010

	Salary & Fees £	Bonus £	Benefits £	Pension £	Total £
Executive Directors					
Andrew Hindle	250,000	-	2,042	-	252,042
Craig Gouws	122,219	-	1,462	6,000	129,681
Walter Roberts	120,000	-	2,788	6,000	128,788
Non-executive Directors					
Ken Ratcliff	37,500	-	-	1,875	39,375
Mark Abbott	15,000	-	-	-	15,000
Jonathan Davie	15,000	-	-	-	15,000
Maurice Hazzard	15,000	-	-	750	15,750
	574,719	-	6,292	14,625	595,636
					86,001
					65,941
					747,578



NOTES TO THE FINANCIAL STATEMENTS

The bonus of £49,000 awarded to Executive Directors during the financial year was paid by way of the issue of shares.

The total of short-term employee benefits for Directors was £652,958 (2010: £646,952).

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

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

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

No options were granted to Directors and no options were exercised by Directors in 2011 or 2010.

Key man insurance premiums of £1,862 (2010: £777) were paid for Executive Directors and directors' indemnity insurance premiums of £20,140 (2010: £18,133) were paid in respect of all Directors. Executive and Non-executive Directors participate in the Group Stakeholder Pension Plan under which Group Life Cover is offered.

7. Share based payment plans

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

There were 98,879 options issued during 2011 (2010: 45,200). The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2011 Number	2011 WAEP £	2010 Number	2010 WAEP £
Outstanding at beginning of the year	301,098	2.06	255,898	2.44
Granted during the year	98,879	0.15	45,200	0.89
Forfeited during the year	(47,570)	2.28	-	-
Outstanding at the end of the year	352,407	1.50	301,098	2.06
Exercisable at the end of the year	208,328	2.28	-	-

NOTES TO THE FINANCIAL STATEMENTS

The weighted average remaining vesting period for the share options outstanding at 31 July 2011 is 0.39 years (2010: 0.92 years). The range of exercise prices for options outstanding at the end of the year was £0.1517 - £2.43. The weighted average remaining option life for the share options outstanding at 31 July 2011 is 8 years (2010: 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 in 2011 and 2010.

	2011	2010
Expected volatility	35%	35%
Risk free interest rate	0.5%	0.5%
Weighted average contractual life of option (years)	10	10
Expected dividend yield	Nil	Nil
Exercise price of options	0.15	0.89
Weighted average share price (£)	0.1517	0.885

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

8. Retirement benefits

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

The total cost charged to expenses of £17,398 (2010: £27,808) 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 2011, employer and employee contributions of £3,295 (2010: £4,557) due in respect of the current period had not been paid over to the scheme; the payment was made on the 10 August 2011 (2010: 10 August 2010).

9. Finance income

	2011 £	2010 £
Interest on bank deposits	11,139	23,645

10. Income tax

	2011 £	2010 £
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The major components of income tax expense for the years ended 31 July 2011 and 2010 are:

a) Consolidated income statement

Current income tax charge	-	-
Adjustments in respect of current income tax of previous years	-	-

b) A reconciliation between tax expense and the product of accounting loss for the years ended 31 July 200 and 2010 is as follows:

Accounting loss before tax from continuing operations	(1,381,145)	(373,713)
Loss on continuing activities multiplied by the standard rate of tax (27.33%; 2020 - 28%)	(377,467)	(104,640)
Expenses not permitted for tax purposes and pre-trading expenditure	29,792	13,843
Other timing differences	2,596	5,900
Group relief	-	13
Tax losses carried forward	345,079	(84,884)

At effective tax rate of 27.33% (2010: 28%)

Income tax expense reported in the income statement	-	-
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	2011 £	2010 £
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A discontinued operations reconciliation between tax expense and the product of accounting profit/(loss) for the years ended 31 July 2011 and 2010 is as follows:

Accounting profit/(loss) before tax from discontinued operations	5,691,456	(874,748)
Profit/(loss) on discontinued activities multiplied by the standard rate of tax (27.33%; 2010 - 28%)	1,555,475	(244,929)
Expenses not permitted for tax purposes and pre-trading expenditure	(1,782)	244,942
Non-taxable income	(1,553,693)	-
Group relief	-	(13)

At effective tax rate of 27.33% (2010: 28%)

Income tax expense reported in the income statement	-	-
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NOTES TO THE FINANCIAL STATEMENTS

c) Factors that may affect the future tax charge

The Group has trading losses of £1,341,015 (2010: £588,568) which may reduce future tax charges. Future tax charges may also be reduced by capital allowances on cumulative capital expenditure.

d) Deferred taxation

The Group has an unrecognised deferred taxation asset arising from trading losses carried forward of £335,254 (2010: £158,914) at year end. The deferred tax asset is not recognised due to the uncertainty over its future recovery.

The deferred tax asset is calculated at a rate of 25% (2010: 27%), this being the enacted rate; however, the Government has announced that the rate of corporation tax will reduce to 23% and this is the rate expected to be in force when the tax losses may be able to be utilised. The deferred tax asset calculated at this tax rate is £308,433.

The Group's potential charge to tax arising from its investments in the joint venture and 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; inflows from the distribution of future trading profits may be subject to tax at a rate of 25% which would give a maximum potential liability of £1,309,842. The group has no current expectation of receiving distributions of profits from these investments in the foreseeable future and has therefore provided the minimum potential deferred tax liability.

11. Discontinued operations

	2011 £	2010 £
Revenue	-	-
Net operating costs	(151,958)	(874,748)
Profit arising on loss of control of subsidiaries (note 16)		
Portland Gas Limited	2,964,014	-
Corfe Energy Limited	1,439,700	-
Brigantes Energy Limited	1,439,700	-
Profit/(loss) before tax	5,691,456	(874,748)
Tax charge (note 10)	-	-
Profit/(loss) after tax	5,691,456	(874,748)

Details of the discontinued operations are given in note 20.

12. Earnings per share

	2011 £	2010 £
Profit/(loss)		
The profit/(loss) for the purposes of basic and diluted loss per share bring the net loss attributable to equity shareholders:		
Continuing operations	(1,381,145)	(373,713)
Discontinued operations	5,691,456	(874,748)
Continuing and discontinued operations	4,310,311	(1,248,461)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	75,978,414	73,023,939
Basic and diluted earnings per share		
Continuing operations	(1.82)p	(0.51)p
Discontinued operations	7.49p	(1.20)p
Continuing and discontinued operations	5.67p	(1.71)p

Diluted earnings per share calculations are not presented as there is no material difference between the weighted average number of ordinary shares for the purposes of basic earnings per share basic and the weighted average number of ordinary shares for the purposes of diluted earnings per share; the basic and diluted earnings per share are the same.



NOTES TO THE FINANCIAL STATEMENTS

13. Losses attributable to InfraStrata plc

The loss for the period dealt with in the financial statements of InfraStrata plc was £856,238 (2010: £218,253). As provided by s408 of the Companies Act 2006, no income statement is presented in respect of InfraStrata plc.

14. Plant and equipment - Group 2011

Cost	2010		Office equipment £	Total £
	Office equipment £	Gas storage (under construction) £		
At 1 August 2010	69,648	At 1 August 2009	69,648	20,387,801
Additions	17,380	Additions	-	3,346,830
At 31 July 2011	87,028	Transfer to assets classified as held for sale	-	(23,664,983)
Depreciation		At 31 July 2010	69,648	69,648
At 1 August 2010	62,368	Depreciation		
Charge for the year	9,499	At 1 August 2009	41,298	41,298
At 31 July 2011	71,867	Charge for the year	21,070	21,070
Net book value		At 31 July 2010	62,368	62,368
At 31 July 2011	15,161	Net book value		
		At 31 July 2010	7,280	7,280

Plant and equipment - Company 2011

Cost	Office equipment £
At 1 August 2010	-
Additions	17,380
At 31 July 2011	17,380
Depreciation	
At 1 August 2010	-
Charge for the year	3,358
At 31 July 2011	3,358
Net book value	
At 31 July 2011	14,022

15. Intangible assets 2010

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



NOTES TO THE FINANCIAL STATEMENTS

16. Investments Group

	2011 £	2010 £
Investment in joint venture		
Balance at the beginning of the year	-	-
Additions	22,925,605	-
Share of losses	(452,089)	-
Balance at the end of the year	22,473,516	-
Investment in associates		
Balance at the beginning of the year	-	-
Additions	2,880,000	-
Disposals	-	-
Balance at the end of the year	2,880,000	-
Total investments at the end of the year	25,353,516	-

Joint venture

The Group has a 50% interest in Portland Gas Limited which is involved in developing a gas storage facility on the Isle of Portland, Dorset and the related gas pipelines between Portland and Mappowder. The joint venture is a private company and is not listed on any public exchange.

Previously, Portland Gas Limited was a subsidiary and its assets and liabilities were categorised as held for sale. The Group recognised the investment in the joint venture following the issue of shares to eCORP Oil & Gas UK Limited, which reduced the Group's interest to 50%, this being effective on 1 September 2010 in return for funding the next £22.9 million in the project to match the project expenditure invested by InfraStrata, subject to options to exit the project by relinquishing its equity interest.

In accordance with the applicable international financial reporting standard, the investment in the joint venture is the Group's share of the fair value of Portland Gas Limited at the date which it became a joint venture adjusted by its share of the joint ventures losses.

The disposal is analysed as follows:

Group's book value of assets and liabilities at the date of loss of control	£
• Plant & equipment	23,917,960
• Accounts payable	(679,011)
• Long term liabilities	(3,277,358)
Profit on disposal	2,964,014
Group's share of the fair value of Portland Gas Limited	22,925,605

	2011 £	2010 £	Statement of financial position at 31 July 2011	£
Share of Portland Gas Limited group capital commitments	897,500	-	• Long-term assets	25,605,758
			• Current assets	154,135
			• Current liabilities	(1,097,214)
			• Long-term liabilities	(2,189,163)
				22,473,516
For the period 1 September 2010 to 31 July 2011	£			
Administrative expenditure	(452,089)			
Operating lease commitments falling due				
• Within one year	680,134			
• Within 2 to 5 years	3,387,200			
• After more than 5 years	4,445,700			



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Associates

The Group has a 50% interest in Corfe Energy Limited and Brigantes Energy Limited which are involved in the hydrocarbon exploration. The associates are private companies 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' accounting records:

<i>Corfe Energy Limited</i>	2011 £	2010 £	<i>Brigantes Energy Limited</i>	2011 £	2010 £
Long-term asset	99,372	-	Long-term asset	108,284	-
Current assets	719,694	-	Current assets	720,839	-
Current liability	(106,334)	-	Current liability	(117,028)	-

The Group recognised the investment in the associates on completion of the sale of 50% of IS E&P Limited (formerly InfraStrata Trading Limited) and IS NV Limited (formerly InfraStrata NV Limited) effective 31 March 2011 (the subsidiaries issued new equity to the buyers), in return for new investors purchasing £1,500,000 new equity before expenses in each of the Companies. The disposals are analysed as follows:

<i>Corfe Energy Limited</i>	£	<i>Brigantes Energy Limited</i>	£
Accounts receivable	300	Accounts receivable	300
Profit on disposal	1,439,700	Profit on disposal	1,439,700
	<u>1,440,000</u>		<u>1,440,000</u>

Investments Company	2011 £	2010 £
Balance at the beginning of the year	15,257,966	15,249,111
Additions	500	8,855
Disposals	(8,855)	-
Balance at the end of the year	15,249,611	15,257,966

Subsidiaries

The Company's subsidiary undertakings at 31 July 2011, all of which are wholly owned unless indicated otherwise, are as follows:

	Principal Undertaking	Country of incorporation
InfraStrata UK Limited Portland Gas ESP S.L.	Holding and corporate Spanish sub surface gas storage developer	England Spain
<i>InfraStrata UK Limited owns the following subsidiary:</i>		
Islandmagee Storage Limited (65% owned)	Sub surface gas storage developer	Northern Ireland

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

InfraStrata UK Limited also owns 50% (2010 – 100%) of the issued equity share capital of Portland Gas Limited.



NOTES TO THE FINANCIAL STATEMENTS

Portland Gas Limited, which was a subsidiary at the prior year end and is now classified as a joint venture, owns the subsidiaries listed below:

	Principal Undertaking	Country of incorporation
Portland Gas Storage Limited	Sub surface gas storage developer	England
Portland Gas Transportation Limited	Gas storage pipeline developer	England

Investments in associates

	2011 £	2010 £
Balance at beginning of year	-	-
Reclassifications	600	-
Balance at the end of the year	600	-

The company owns 50% 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

17. Trade and other receivables

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Amounts due from Group undertakings	-	-	11,625,452	10,809,819
Trade receivables	83,754	-	83,754	-
Other receivables	12,900	71,985	12,897	25,000
Prepayments	43,872	38,747	43,872	38,747
	140,526	110,732	11,765,975	10,873,566

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.

18. Available for sale financial assets

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
At 1 August	12,500	12,500	12,500	-
Trasferred from subsidiary	-	-	-	12,500
At 31 July	12,500	12,500	12,500	12,500

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

19. Cash and cash equivalents

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Cash at bank	714,969	1,260,982	118,448	1,072,060

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. Assets held for sale and discontinued operations

The Company has announced, together with Moyle Energy Investments Limited, that it has entered into exclusive negotiations with a major energy company regarding the acquisition of an equity interest in Islandmagee Storage Limited owned by InfraStrata (65%) and Moyle (35%). It is likely that the equity interest will arise through the issue of shares by Islandmagee Storage Limited rather than the sale of equity by the Group. It is expected that the majority of the proceeds from the issue of equity will be retained in Islandmagee Storage Limited to fund project development.

The operations of Portland Gas ESP S.L. have been discontinued and the Company will be wound up as soon as possible.

Whilst the assets held for sale are classified as current assets, due to the nature of the arrangements described above, the group does not expect to receive cash inflows equivalent to, or in excess of, the book value of the assets so classified.

	2011 £	2010 £
Assets classified as held for sale		
Property, plant and equipment	-	23,664,983
Intangible assets - gas storage development costs	2,700,345	2,414,342
Trade and other receivables	1,066	334,553
Cash and cash equivalents	43,320	97,156
	<u>2,744,731</u>	<u>26,511,034</u>

	2011 £	2010 £
Liabilities classified as held for sale		
<i>Current liabilities</i>		
Trade creditors	1,192	73,400
Other taxation and social security	-	4,182
Accruals	28,736	114,857
Other contractual agreements	-	700,000
	<u>29,928</u>	<u>892,439</u>
<i>Non-current liabilities</i>		
Obligations under lease agreements	-	2,168,286
Other contractual agreements	-	1,000,943
	<u>29,928</u>	<u>4,061,668</u>

21. Trade and other payables

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Trade creditors	39,638	67,039	26,893	176,080
Other taxation and social security	30,540	37,250	30,540	37,250
Accruals	33,980	174,317	28,828	46,881
Amount due to Group undertakings	-	-	-	100
	<u>104,158</u>	<u>278,606</u>	<u>86,261</u>	<u>260,311</u>

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

22. Non-current liabilities

	Group 2011 £	Group 2010 £
Obligations under lease agreements	-	2,168,286
Other contractual agreements	-	1,000,943
Transfer to liabilities directly associated with non-current assets classified as held for sale	-	(3,169,229)
	<u>-</u>	<u>-</u>

The non-current liabilities as at 31 July 2010 were liabilities of Portland Gas Storage Limited which is now accounted for on the equity method following the disposal of 50% of Portland Gas Limited. The obligation under a lease agreement is to be settled over a period of 13 years. Under the terms of a separate agreement with the lessor the Group will pay £120,000 per annum of the liability arising under the lease until the

Portland project is fully funded. The balance will be settled by way of an interest bearing loan, which will be repaid when the project is fully funded. Other contractual agreements relate to payments to be made to the Portland Gas Trust under a Section 106 planning agreement and will be settled over a period of 20 years.

NOTES TO THE FINANCIAL STATEMENTS

23. Financial assets and liabilities

The Group and Company's financial instruments comprise cash and cash equivalents and items such as trade payables and other receivables which arise directly from the Group's operations. The Group's operations expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk and foreign currency exchange risk. Given the size of the Group, the Directors have not delegated the responsibility of monitoring financial risk management to a subcommittee of the board. The objectives of the financial instrument policies are to reduce the Group and Company's exposure to financial risk. The policies set by the board of Directors are implemented by the Company's finance department. The group is also indirectly exposed to risks arising from its interests in joint ventures and 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 the Bank of Scotland, Northern Rock and Lloyds TSB bank accounts during the last two years, at year end all of the funds were held in Bank of Scotland. The risk of Bank of Scotland bank failure has decreased during the year. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Available for sale financial assets	12,500	12,500	12,500	12,500
Trade and other receivables	96,654	71,985	96,651	57,364
Cash and cash equivalents	714,696	1,260,982	118,448	1,072,060

The reconciling item, in the prior year, between the trade and other receivables presented above and that presented in note 17 is the VAT receivable.

Interest rate risk

The Company and Group is exposed to interest rate risk as a result of positive cash balances, denominated in sterling, which earn interest at a variable rate. These attract interest at rates that vary with bank interest rates. Cash at bank at floating rates consisted of money market deposits which earn interest at rates set in advance from periods of 1-3 months by reference to Sterling LIBOR. An effective interest rate increase or decrease by 1% on the cash and cash equivalents balance at year end would result in a before tax financial effect of an increase or decrease in investment revenues and equity for the Group of £7,344 (2010: £13,581) and for the Company of £1,184 (2010: £10,721).

Credit risk

The Group is exposed to foreign currency rate risk as a result of trade payables which are settled in Euros. During the year the Group and Company did not enter into any arrangements to hedge this risk, as the Directors did not consider the exposure to be significant given the short term nature of the balances. The Group and Company will review this policy as appropriate in the future. As at 31 July 2011, if the Euro had weakened or strengthened 10% against sterling with all other variables held constant, the Group's net loss and equity would have decreased or increased by £1,178 (2010: £1,791).

	Euro
The currency risk disclosures at 31 July 2011 are as follows:	
Accounts payable	£10,606
The currency risk disclosures at 31 July 2010 are as follows:	
Accounts payable	£15,009

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

Liquidity risk

The Group and Company policy is to actively maintain a mixture of long-term and short-term deposits that are designed to ensure it has sufficient available funds for operations. The total carrying value of Group and Company financial liabilities is disclosed in notes 20 (assets held for sale and discontinued operations), 21 (trade and other payables) and 22 (non-current liabilities). Further information on contractual maturities of significant financial liabilities is disclosed

in notes 22 and 28. The Company issues share capital when external funds are required. The reconciling items between the contractual maturities presented below and that presented in notes 20, 21 and 22 are taxes and the effect of discounting long term liabilities to present value. The following table shows the contractual maturities of the Group's and Company's financial liabilities, all of which are measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Within one month	98,371	1,056,626	42,789	87,403
More than one month and less than one year	-	100,000	-	-
More than one year and less than five years	-	1,990,634	-	-
More than five years	-	1,966,973	-	-

The contractual liabilities of Portland Gas Limited at 31 July 2010 of £616,622 and £100,000 shown as falling due within one month and within one year, respectively, are not expected to be paid until such time as the Portland project is fully funded.

24. Share capital and redeemable preference shares

Ordinary share capital	Authorised		Allotted, called up, and fully paid	
	Number	£	Number	£
At 31 July 2009				
- Ordinary shares of 10 pence each	100,000,000	10,000,000	70,384,727	7,038,473
Issue 10 pence ordinary shares	-	-	3,419,474	341,947
At 31 July 2010				
- Ordinary shares of 10 pence each	100,000,000	10,000,000	73,804,201	7,380,420
Issue 10 pence ordinary shares	-	-	4,460,125	446,013
At 31 July 2011				
- Ordinary shares of 10 pence each	100,000,000	10,000,000	78,264,326	7,826,433
Redeemable preference shares of £1 each (classified as liabilities)				
At 31 July 2011, 2010 and 2009	50,000	50,000	50,000	12,500

On the 21 December 2010 the Company allotted 365,125 new ordinary shares of 10p each to the Executive Directors at 13.42p each in lieu of cash bonuses due to the value of £49,000.

On the 7 February 2011 the Company completed a placing of 4,095,000 new ordinary shares of 10p each at 22p per share with an existing institutional investor to raise £900,900 before expenses. The expenses of the issue, which were taken to the share premium account, were £36,063.

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.

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

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.

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

25. Merger reserve

Company

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

Group

The merger reserve represents the difference between the nominal value of the shares issued on the demerger and the combined share capital and share premium of InfraStrata UK Limited at the date of the demerger.



NOTES TO THE FINANCIAL STATEMENTS

26. Share based payment reserve

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

The transfer in of £60,888 (2010: £125,426) relates to share options granted. Options forfeited during the year resulted in a transfer of £40,892 from the share based payment reserve into retained earnings. For further information on the share based payment scheme see note 7.

27. Cash (used in) operations

Group	2011 £	2010 £	Company	2011 £	2010 £
Operating loss for the year from continuing operations	(940,195)	(397,358)	Operating loss for the year	(858,467)	(233,545)
Depreciation	9,499	21,070	Depreciation	3,358	-
(Increase)/Decrease in trade and other receivables	(29,794)	38,624	(Increase)/Decrease in trade and other receivables	(892,408)	(1,472,948)
(Decrease) in trade and other payables	(174,449)	(83,280)	(Decrease)/Increase in trade and other payables	(174,050)	152,452
Share option expense	60,888	125,246	Share option expense	60,888	125,246
Shares issued in lieu of bonus	49,000	-	Shares issued in lieu of bonus	49,000	-
Loss on sale of subsidiary	8,355	-	Loss on sale of subsidiary	8,355	-
Cash from/(used in) discontinued operations	34,170	(1,114,017)	Cash used in operations	(1,803,324)	(1,428,795)
Cash (used in) continuing and discontinued operations	(982,526)	(1,409,715)			
Cash from/(used in) discontinued operations					
Group					
Cash from/(used in) discontinued operations	34,170	(1,114,017)			
Investing activities	(415,846)	(2,819,450)			
Financing activities	-	-			

28. Operating lease commitments

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

	Land and buildings 2011 £	Land and buildings 2010 £
Amounts due:		
Within one year	30,000	1,223,600
Within 2 to 5 years	22,438	6,493,505
After more than 5 years	-	10,585,000
	52,438	18,302,105

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

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

At 31 July 2010 the rents due by Portland Gas Storage Limited under the gas storage development land leases are fixed to the first review

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

29. Tangible capital commitments

	2011 £	2010 £
Approved and contracted	-	1,795,000

The capital commitments at 31 July 2010 related to a commitment of Portland Gas Storage Limited in relation to a S106 deed of undertaking.

NOTES TO THE FINANCIAL STATEMENTS

30. Related party transactions

InfraStrata UK Limited leases the Group's head office from Toffee Limited, a company of which Andrew Hindle is a director and shareholder. A fair market rent paid during the period was £45,000 (2010: £45,000). The balance outstanding at 31 July 2011 was £nil (2010: £nil). The Company paid professional fees to Pinnacle Energy Limited of £35,000 (2010: £nil), a company of which Walter Roberts is a director. The balance outstanding at 31 July 2011 was £nil (2010: £nil).

The Group has related party relationships with its associates and joint ventures in the course of normal operations. The Group recovered overhead and technical support costs from its joint venture of £212,655 (2010 – not applicable).

The following balances were outstanding at 31 July 2011:

	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>
	£	£
Joint ventures		
Nominal value of convertible unsecured loan notes	22,865,368	-
Other	21,090	-
Associates		
Other	-	600

Company

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

InfraStrata plc recovered overhead and technical support costs from InfraStrata UK Limited of £182,863 (2010: £170,561), Portland Gas Storage Limited of £193,450 (2010: £473,358), Islandmagee Storage Limited of £113,826 (2010: £92,134) and Portland Gas Transportation Limited of £19,205 (2010: £230,457).

The balances outstanding at 31 July 2011, which are not secured, are provided in the following table.

	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>
	£	£
<i>Subsidiaries and associates</i>		
InfraStrata UK Limited	11,082,221	-
Islandmagee Storage Limited	543,231	-
Corfe Energy Limited	-	300
Brigantes Energy Limited	-	300

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

	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>
	£	£
<i>Subsidiaries</i>		
InfraStrata UK Limited	6,751,126	-
Portland Gas Storage Limited	2,943,867	-
Islandmagee Storage Limited	428,577	-
Portland Gas Transportation Limited	517,063	-
Portland Gas ESP S.L.	136,823	-

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

Amounts included in the financial statements involve the use of judgement and/or estimation. These estimates and judgements are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results

may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements, and the key areas are summarised below.

Capitalisation of project costs

The assessment of whether costs incurred on project exploration and evaluation should be capitalised or expensed involves judgement. Any expenditure which is considered to relate to gas storage exploration research activities or where it is not probable that future economic

benefits will flow to the Group are expensed. Management considers the nature of the costs incurred and the stage of project development and concludes whether it is appropriate to capitalise the costs. The key assumptions depend on the rock mechanical properties of the halite, the availability of a suitable site for construction of the required facilities and the likelihood of gaining the relevant permissions.



NOTES TO THE FINANCIAL STATEMENTS

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.

Review of project asset carrying values

The assessment of capitalised project costs for any indications of impairment involves judgement. When facts or circumstances suggest that impairment exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that the carrying amount exceeds recoverable amount. The carrying amount of the intangible asset with an indefinite useful life is £2,700,345. Recoverable amount is determined to be the higher of fair value less costs to sell and value in use. The key assumptions are the net income expected to be generated from the facilities, the cost of construction and the date from which the facilities become operational.

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

Going concern

The preparation of the financial statements requires an assessment of the validity of the going concern assumption. The validity of the going concern assumption is dependent on the availability of adequate financial resources to allow the Group to continue in operational existence for the foreseeable future. Should the going concern basis not be appropriate, adjustments would have to be made to the assets and liabilities in the balance sheet of the Group. As with other development companies which have no revenue streams, the Group will only be able to continue its development programme if it has sufficient financial resources to do so. In order to gain such resources, the Group will need to raise additional funds, either through the issue of shares and/or project disposals. Nevertheless after making inquiries and considering all the relevant factors in relation to the proposed disposal, the Directors are of the opinion that they will be able to complete any necessary funding or, if necessary, defer or reduce administrative costs and have therefore prepared cash flow forecasts for the Group on these bases. These projections, which include the deferral of expenditure, indicate that the Group will have adequate cash resources to meet its obligations as they fall due for a period of not less than one year from the date of approval of these financial statements irrespective of whether or not the disposal proceeds are received within the expected timeframe. For this reason, they continue to adopt the going concern basis of accounting in preparing the annual financial statements subject to the going concern disclosure made in note 2.

Investments in joint ventures and 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.

Refer to note 16 for additional information.

32. Guarantee

The Company has guaranteed the lease payments to be made by Portland Gas Storage Limited to Portland Port Limited. The financial commitment under this guarantee at 31 July 2011 is £18,474,200.

33. Jointly controlled oil & gas exploration activities

Group and company

Country	Licence	Field name	Operator	Net interest
Northern Ireland	PL1/10	Larne-Lough Neagh Basin	InfraStrata	50%

The Company has entered into agreements with partners whereby the Company's share of initial exploration costs are covered by the partners to the extent of £2 million therefore the company has not incurred expenditure in developing its share of the asset.

34. Control of the Group

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



LETTER FROM THE CHAIRMAN WITH NOTICE OF ANNUAL GENERAL MEETING INFRASTRATA PLC (THE "COMPANY")

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

Directors:

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

Registered Office:

Blackstable House
Longridge
Sheepscombe
Stroud
GL6 7QX

Dear Shareholder,

26 November 2011

1 Introduction

Notice of the Company's forthcoming annual general meeting to be held on Tuesday 24 January 2012 ("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' report on the annual report and accounts) for the Company for the financial year ended 31 July 2011 (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 auditor 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)

William Colvin, who was appointed to the Board on 1 February 2011, retires in accordance with the Company's Articles of Association and offers himself for re-election. I and Walter Roberts 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 page 11 of the Accounts.

Special Business

Authority of Directors to Allot Shares (Resolution 6)

The authority given to the Directors to allot further shares in the capital of the Company requires the prior authorisation of the shareholders in general meeting under section 551 Companies Act 2006. Upon the passing of Resolution 6, pursuant to paragraph (A) of the Resolution, the Directors will have authority to allot shares up to a maximum of £2,608,810 which is approximately one third of the current issued share capital as at 26 November 2011, being the latest practicable date before the publication of this Letter. This authority will expire immediately following the annual general meeting for 2012 or, if earlier, six months following the date to which the Company's next annual report and accounts are made up.

In addition, in accordance with the guidance from the Association of British Insurers ("ABI") on the expectations of institutional investors in relation to the authority of directors to allot shares, upon the passing of Resolution 6, the Directors will have authority (pursuant to paragraph (B) of the Resolution) to allot an additional number of ordinary shares up to a maximum of £2,608,810, which is approximately a further third of the current issued ordinary share capital as at 26 November 2011, being the latest practical date before the publication of this Letter. However, the Directors will only be able to allot those shares for the purposes of a rights issue in which the new shares are offered to existing shareholders in proportion to their existing shareholdings. This authority will also expire immediately following the next annual general meeting or, if earlier, six months following the date to which the Company's next annual report and accounts are made up to.





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

Disapplication of Pre-emption Rights (Resolution 7)

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

Resolution 7 would authorise the Directors to do this by allowing the Directors to allot shares for cash (i) by way of a rights issue (subject to certain exclusions), (ii) by way of an open offer or other offer of securities (not being a rights issue) in favour of existing shareholders in proportions to their shareholdings (subject to certain exclusions) and (iii) to persons other than existing shareholders up to an aggregate nominal value of £1,565,286 which is equivalent to 20 per cent of the issued share capital of the Company on 26 November 2011, being the latest practicable date prior to the publication of this Letter. If given, the authority will expire on the conclusion of the annual general meeting for 2012 or, if earlier, six months following the date to which the Company's next annual reports and accounts are made up.

For this purpose the ABI recommendation for companies on the LSE main list is 5% although it is generally recognised that for smaller companies and those on AIM this may be too constrictive. The nature of our business 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 fully develop, 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.



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 8,119,520 ordinary shares (representing 10.37 per cent. of the Company's issued share capital as at the date of this Letter).

A form of proxy is included for use at the AGM. Forms of proxy should be completed, signed and returned as soon as possible and in any event so as to be received by Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours (excluding non-business days) prior to the time appointed for the holding of the AGM on 24 January 2012.

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

Yours sincerely,

Ken Ratcliff
Non-executive Chairman

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of InfraStrata plc (the "Company") will be held at the offices of Buchanan Communications Limited, 107 Cheapside, London, EC2V 6DN, United Kingdom on Tuesday 24 January 2012 at 11.00 hours, for the purpose of passing the following Resolutions, of which Resolutions 1 to 6 will be proposed as Ordinary Resolutions and Resolution 7 will be proposed as a Special Resolution:

Ordinary Resolutions:

1. To receive the report of the Directors and the audited accounts of the Company for the year ended 31 July 2011, 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 William Colvin as Director who retires pursuant to article 87 of the Company's articles of association and who, being eligible, offers himself for re-election.
4. To re-elect Walter Roberts 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 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.
6. To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

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

- (A) up to an aggregate nominal amount of £2,608,810; and
- (B) comprising equity securities (within the meaning of section 560 CA 2006) up to a further aggregate nominal amount of £2,608,810 in connection with an offer by way of a rights issue:
 - (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

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

The authorities conferred on the Directors under paragraphs (A) and (B) above shall expire at the conclusion of the next annual general meeting of the Company after the passing of this Resolution or 31 January 2013, 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.

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 Registrars on 0871 664 0300 if calling within the United Kingdom or +44 20 8639 3399 if calling from outside the United Kingdom. Lines are open 8:30am – 5:30pm Mon–Fri. Calls to the helpline from within the United Kingdom cost 10 pence per minute (including VAT) from a BT landline. Other service providers' costs may vary. Call to the helpline from outside the United Kingdom will be charged at applicable international rates. Calls may be recorded and monitored for security and training purposes. A form of proxy for use by members at the Annual General Meeting accompanies this notice.

2. To be effective, the form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such authority, must be received by post or (during normal business hours only) by hand at the office of the Company's Registrars, being Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours, 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



Special Resolutions:

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

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

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

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

- (B) to the allotment (otherwise than under paragraph (A) of this Resolution 7) of equity securities up to an aggregate nominal amount of £1,565,286,

and shall expire at the conclusion of the next annual general meeting of the Company after the passing of this Resolution or 31 January 2013, 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.

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 Company's Registrars, being Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the Company no later than 48 hours, excluding non-business days, before the time of the holding of the meeting or any adjournment thereof. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then your proxy appointment will remain valid. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

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 20 January 2012 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 20 January 2012 shall be disregarded in determining the rights of any person to attend and/or vote at the Annual General Meeting.

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

9. Copies of the service agreements and letters of appointment between the Company and its Directors will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and Bank Holidays excluded) until the date of the meeting and also on the date and at the place of the meeting from half an hour before the meeting until the conclusion of the meeting.



Dated 26 November 2011

By Order of the Board

Walter Roberts
Secretary

Registered Office:
Blackstable House
Longridge
Sheepscombe
Stroud
GL6 7QX





Notes:

1. A proxy need not be a member of the Company but must attend the meeting to represent you. If you wish to appoint as a proxy a person other than the Chairman of the AGM, please delete the words “the Chairman of the AGM” and insert the name of the other person. All alterations made to this Proxy Form must be 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 notorially certified copy of such authority) must be received by post or (during normal business hours only) by hand at the office of the Company’s Registrars, being Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by no later than 11.00 hours on Friday 20 January 2012.
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 0871 664 0300 if calling within the United Kingdom or +44 20 8639 3399 if calling from outside the United Kingdom. Lines are open 8:30am – 5:30pm Mon–Fri. Calls to the helpline from within the United Kingdom cost 10 pence per minute (including VAT) from a BT landline. Other service providers’ costs may vary. Call to the helpline from outside the United Kingdom will be charged at applicable international rates. Calls may be recorded and monitored for security and training purposes. Or you may photocopy this form. Please indicate next to the proxy holder’s name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
4. Completion and return of this Proxy Form will not prevent you from attending in person and voting at the AGM should you subsequently decide to do so.
5. If you wish your proxy to cast all of your votes “For” or “Against” a resolution you should insert an “X” in the appropriate box. If you wish your proxy to cast only certain votes “For” and certain votes “Against”, insert the relevant number of shares in the appropriate box. In the absence of instructions, your proxy may vote or abstain from voting as he or she thinks fit on 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 1001 (SI 2001 No. 3755), only those holders of ordinary shares who are registered on the Company’s share register at 18.00 hours on 20 January 2012 shall be entitled to attend the above AGM (or 18.00 hours on the day which is two days before the day of any adjourned meeting) and to vote in respect of the number of shares registered in their names at that time. Changes to entries on the share register after 18.00 hours on 20 January 2012 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 Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the Company no later than 48 hours, excluding non-business days, before the time of the holding of the meeting or any adjournment thereof. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then your proxy appointment will remain valid. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
11. If you submit more than one valid proxy appointment in respect of the same share or shares, the appointment received last before the latest time for the receipt of proxies will take precedence. If the Company is unable to determine which was received last, none of the proxy appointments in respect of that share or shares shall be valid.



PROXY FORM INFRASTRATA PLC (THE "COMPANY")

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 Tuesday 24 January 2012 at 1100 hours

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

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

I/We, (in BLOCK CAPITALS please)

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

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

Please 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 2011				
2. To re-appoint Nexia Smith & Williamson Audit Limited as auditor at a remuneration to be determined by the Directors				
3. To re-elect William Colvin				
4. To re-elect Walter Roberts				
5. To re-elect Kenneth Ratcliff				
6. To grant the directors authority to allot shares on the basis set out in the Notice of AGM				

SPECIAL RESOLUTION	For	Against	Vote withheld	Discretionary
7. To disapply pre-emption rights on the basis set out in the notice of AGM				

Signature(s) (see note 8)

Date

Fold 2 here

Business Reply
Licence Number
RSBH-UXKS-LRBC



PXS
34 Beckenham Road
BECKENHAM
BR3 4TU

Fold 1 here

Fold 3 here and tuck in