InfraStrata

DEVELOPING STRATEGIC ENERGY INFRASTRUCTURE SOLUTIONS GLOBALLY

InfraStrata Plc
Annual Report & Financial Statements 2018

Contents

Directors, secretary, advisers and shareholder information

Directors	Graham Victor Lyon (Non-Executive Chairman) John MacInnes Wood (Chief Executive Officer) Arun Suri Raman (Non-Executive Director)
Company secretary	Paul Stock
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Auditor	Nexia Smith & Williamson Audit Limited Onslow House, Onslow Street, Guildford Surrey, GU1 4TL
Tax advisers	Smith & Williamson LLP Onslow House, Onslow Street, Guildford Surrey, GU1 4TL
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Nominated adviser and joint broker	Allenby Capital Limited 5 St Helen's Place London, EC3A 6AB
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Solicitors	Kerman & Co LLP 200 Strand London, WC2R 1DJ
Bankers	Bank of Scotland plc 33 Old Broad Street London, EC2N 1HZ

Chairman's statement

It has been a privilege to serve as Chairman of InfraStrata plc (the "Company") since November 2017 and it has been a transformational year. I am delighted to be writing the yearly statement once more looking back at what we have achieved and looking forward, moving into the next phase.

We are a very different organisation today compared with a year ago and we are in a very different position both technically and commercially with the Islandmagee gas storage project. The board appreciates the patience of all shareholders and whilst we have made considerable progress, there remains much to do. During the year our board has been redefined and we thank past members and welcome the new. The board is very active and not only provides sound oversight but also supports the Executive Management team wherever and whenever needed. We should thank Adrian Pocock for his time on the board, his entrepreneurial spirit, drive and passion to set up this journey. We also thank Karen Campbell for her efforts on the board and welcome Arun Raman. As a qualified accountant, Arun now heads our Audit committee, as well as bringing hands on experience of commercialising and operating gas storage facilities. Arun is a great addition to the board. As recently announced, Matt Beardmore has decided to resign from the board due to extraneous family issues reducing his ability to undertake the travel and time commitments required of a non-executive director. Matt was an integral part of the board providing invaluable support particularly in regard to EU matters and we can still benefit from Matt's expertise as required. We will continue to strengthen the board as the Company develops.

The key to success, for us as a one project company at present, is to have quality executives able to deliver on strategy. Execution is the key to success. To this end we were very pleased that John Wood, a very capable engineer with considerable project delivery expertise, chose to join InfraStrata first as COO and then as CEO. John is an 'engineer's engineer', and his drive and commitment has enabled us to deliver the Front End Engineering and Design study, something the Company has struggled to initiate in the past. John has shown deep commitment to InfraStrata by investing personally in the business. Therefore, we have a board of three: one executive and two active non-executives. Whilst controlling overheads and G&A expenditure, the need for a CFO became very apparent and we were again pleased that Andy Duncan agreed to join, initially on a part-time basis. Andy has both a financial and engineering background and over the last decade his strong finance and particularly project financing expertise has been honed in several well-known banks. We would be remiss in not recognising Judith Tweed our local director of Islandmagee Energy Limited. Her continued support and focus on community matters is highly appreciated. The three-man board, CFO and Judith are fully committed to taking the Company forwards and completing the necessary actions to commence the construction of the Islandmagee gas storage project in County Antrim, Northern Ireland (the "Project"). Delivery of the Project is front and centre to our strategy of building an energy focused infrastructure business.

Since I last wrote the Chairman's statement, the need for this Project has increased further. Finally, it is now recognised that energy security in Northern Ireland, and the UK as a whole, is an issue that politicians can no longer ignore. Gas storage at Islandmagee is good for Northern Ireland, good for the UK and good for the EU. We still hold Project of Common Interest (PCI) status with the EU and we have applied for further grant funding. Brexit will not affect these initiatives as the UK government has confirmed that it will honour any EU grants previously awarded. The UK government guarantee scheme, run by the Infrastructure Projects Authority, remains available to the Company, if required.

We are now well into winter after an unseasonably warm summer – how short memories are, when the 'Beast from the East' hit the UK in late February/early March 2018 and the National Grid issued a warning, we were hours away from running out of gas. Gas prices spiked to over 350 pence per therm; significant multiples to the normal price and an all-time high. Gas price volatility has been increasing and it seems is here to stay. The Project is not only essential to provide gas rapidly when needed but is also attractive commercially for capacity owners and gas trading companies. The combination of our planned fast cycle storage facility and gas price volatility makes our Project attractive to many capacity users. We as a Company remain convinced that the Project will not only provide shareholders with a return on their investment, capacity users a commercial opportunity and good profits, and project investors long term cash flow returns to service their equity investments but also importantly to provide security of energy supply to the island of Ireland and the UK.

The Company conducted several equity capital market fundraises during the period and, whilst dilutive to shareholders, they enabled us to commence the FEED work. It is recognised that funding will always remain an issue until regular revenue is achieved. The Company manages cash flow very closely and reviews all options to progress the Project whilst conserving cash.

Consistent with our corporate strategy of exiting all exploration activities, we have, since the financial year end, sold a small, remaining royalty interest in certain exploration assets that we had an opportunity to monetise.

The Company has adopted the QCA code for corporate governance, this communicates the board's aim in "doing the right thing" for its shareholders and stakeholders in the medium to long term. We have improved our Investor Relations activity and community relationships, and we will do more as priorities allow. As we move into the next phase of the Project commercialisation before construction commences, we continue to prioritise safety, the environment and the wellbeing of all those working with us. There is still much to do in the Company. We have a committed board and employees that can attract world class contractors, capacity users and project financiers. I continue to thank all our stakeholders, investors, contractors and of course our team.

We look forward to another positive year for the Company.

Graham Lyon
Non-Executive Chairman
4 January 2019

Strategic report

OPERATIONAL REVIEW – ISLANDMAGEE GAS STORAGE PROJECT

Since joining the business firstly as a consultant, then as COO and more recently as CEO, it has become clear to me that many individuals have expended a lot of effort over the past decade to get the Islandmagee gas storage project to its current position. I would like to place on record my thanks to all involved.

Historically, the Company made significant progress on the Project concept and technical feasibility but was unable to develop an economic model that was attractive enough to secure equity and debt funding. This year, our efforts have been focused predominantly on commercialisation of the Project.

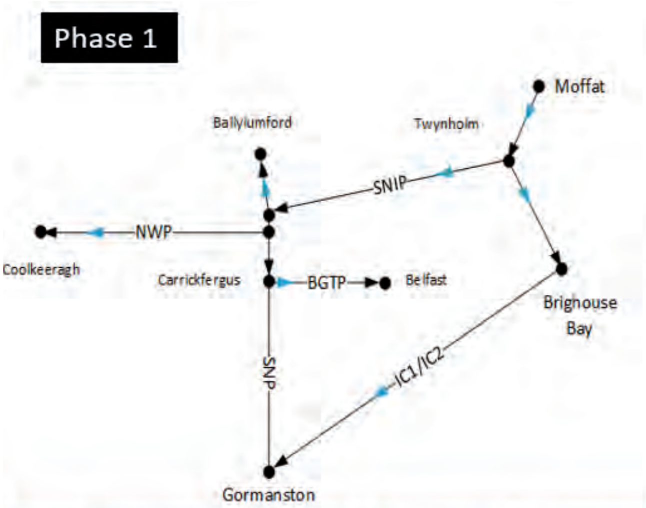
The Company has historically had a geological and technically-led approach. Early in 2018, a Concept Feasibility Study by Costain confirmed that the Project could be technically viable. However, the economic and commercial viability of a project with a total gas storage capacity of 450mcm is challenging when the daily accessible market in Northern Ireland is only 7.3 mscm/d (Winter) and 3.3 mscm/d (Summer).

The board quickly recognised that a new concept was required to establish a commercially sustainable project. This was to undertake a phased development approach. Therefore, Phase 1 would consist of 2 or possibly 3 caverns to be followed by Phase 2 which envisaged developing the remaining 5-6 caverns as and when increased market demand permitted. Increased market demand is expected to arise via reversal of the Scotland Northern Ireland (gas) Pipeline ("SNIP") which is currently only incoming to Northern Ireland. The initial models demonstrated that given the quantum of plant and equipment required in Phase 1, the Project delivered an acceptable Return on Investment (ROI) to potential equity providers.

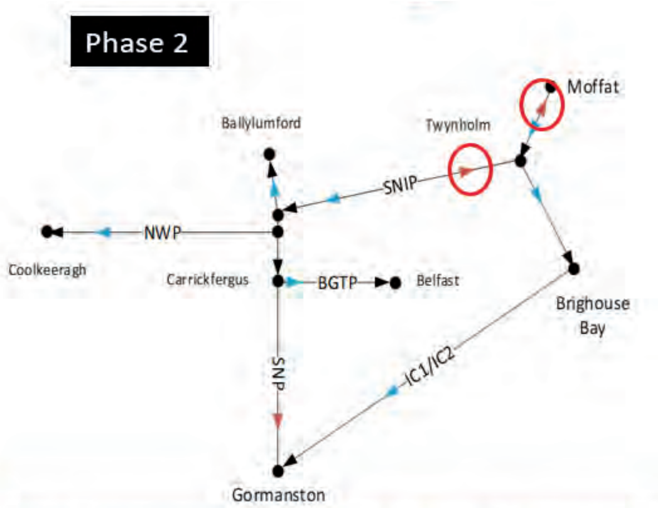
Phase 1 in Figure 1 below envisages uni-directional flow of natural gas through the SNIP from mainland UK (Moffatt) to Northern Ireland. This current infrastructure offers adequate capacity for the 2 caverns that are proposed to be commercialised in this phase.

For Phase 2, the pipeline export capacity is expected to rise to circa 22 mscm/d after the SNIP is enabled for reverse flow and the accessible market includes mainland UK. An engineering study has been undertaken and Mutual Energy (as operator) has agreed to fully evaluate expediting these works after the Final Investment Decision (FID) has been taken on Phase 1. The reversal of the South-North Pipeline into the Republic of Ireland is also being considered by the operator which will facilitate additional export capacity.

Phase 2 in Figure 1 indicates the reverse flow options, where the circled items have already been the subject of engineering studies and have been technically evaluated by the operator.



Location	Winter	Summer
SNIP Design Capacity (mscm/d)	8.6	8.6
Northern Ireland Demand (mscm/d)	7.3	3.3
Domestic	4.2	1.8
Coolkeeragh Power Station	0.9	0.45
Ballylumford Power Station	2.2	1.05
Republic of Ireland Demand (mscm/d)	17.0	9.4



Location	Winter	Summer
SNIP Design Capacity (mscm/d)	8.6	8.6
IGSF Export Capacity (mscm/d)	22.0 ~~8.0~~	22.0 ~~8.0~~
IGSF Import Capacity (mscm/d)	12.0 ~~6.0~~	12.0 ~~6.0~~
Northern Ireland Demand (mscm/d)	7.3	3.3

Fig 1 Diagrams extracted from the Costain "Gas Network Study 7408-0200-075-07-2004 REV R1"

Strategic report (continued)

In 2016, the Company was awarded a grant by the EU under the Connecting Europe Facility ("CEF") for 50% of the cost of FEED and related in situ downhole testing for up to a maximum of €4.024m. An advance payment of €1.6m (£1.4m) was received in July 2016 and has since been held in a Euro denominated bank account and drawn down to settle 50% of the FEED costs as the Project has progressed. The balance of the grant is likely to be received from the EU during Q2 2019 following completion of the EU audit of the FEED study. The FEED study had initially been scheduled for 12 months but was undertaken in less than 8 months. I wish to place on record my sincere thanks to all concerned who helped us achieve this major milestone within this highly compressed time frame.

After the close of the financial year (31 July 2018) and in advance of the FEED outcome we submitted a substantial grant application for £40m to the EU. All of our economic modelling work has assumed that we will have no EU grant, so any potential award will be an upside. Depending on the feedback to be received from the EU we may resubmit a strengthened application with the now completed FEED report to enhance our chances of success. In addition, we have also established P90 (90% confidence interval) cost estimates of £114m for Phase 1 and £151m for Phase 2 which, when modelled, lead to enhanced project IRR returns and healthy cashflow generation over the lifetime of the Project.

From a strategic perspective, it is our intention to be far more than just a one project organisation. To that end we have adopted a strategy that seeks to ensure the Company starts generating an income in the mid-term to cover running costs at the plc level.

In order to further develop the potential of the Islandmagee site, we have taken the decision to rebrand the Project subsidiary to Islandmagee Energy Limited thereby not restricting ourselves to gas storage only.

In addition to the current scope of work on which the FEED study has recently been completed, we are evaluating several incremental projects in relation to the Islandmagee site and surrounding areas. Figure 2 below gives a snapshot of the potential opportunities that we are currently evaluating.

Phase	Description	Identification	Concept Development Study	Feasibility Study	FEED	FID	Enabling	Construction	Operations
1	Caverns 1&2	✓	✓	✓	✓	Q2 19			
2	Caverns 3 – 8	✓	✓	✓	✓	Q4 20			
3	15+ Additional Caverns	✓	o						
4	Twinning of SNIP	✓	o						
5	FSRU	✓							
6	LNG Combined Heat & Power	✓							
7	Hydrogen Production/Storage	✓							

o In Progress ✓ Complete Potentially NewCo's

Fig 2 Status of Phase 1 caverns 1&2, Phase 2 caverns 3-8 and potential additional phases.

STRATEGIC REVEW OF THE BUSINESS

In order for InfraStrata to achieve sustainable business growth and deliver long term value to our shareholders, we need to ensure that our business is not just a one project organisation. The key focus of our business going forward will therefore be to develop and monetise energy related global infrastructure projects with a working and cash generating life of 20 – 40 years.

The model, whilst relatively simple, will allow us to continue to enhance our balance sheet year on year. Income will be generated from four main areas of operations; each new project may be different and have specific issues that need to be critically assessed. Therefore, individual technical and commercial models will be developed to ensure that maximum value is derived from every potential project. The four areas of expertise (shown in Figure 3) that we hold and that we expect to lead to income generation and incremental shareholder value are:

- Front End Project Development to FID (Final Investment Decision) – carried equity interest
- Construction Management & Project Delivery – management fee agreement
- Asset Operation, Management & Optimisation – management and operations fee agreement
- Retained equity income generation – project profit sharing via dividend distribution

Our strategic goal is to have numerous projects at various stages of their respective lifecycles. The board will identify and assess projects that substantially fit the following criteria:

- Energy infrastructure
- Key strategic requirement for the assets
- Political stability in the project location
- Long life operations of between 20 and 40 years
- Risk of development can be mitigated to an acceptable level
- State backed projects where grants for feasibility, design and construction may be available.

Finally, when the business is sufficiently mature it will allow the board to consider returning cash to shareholders whilst retaining sufficient funds to invest in new value enhancing projects.

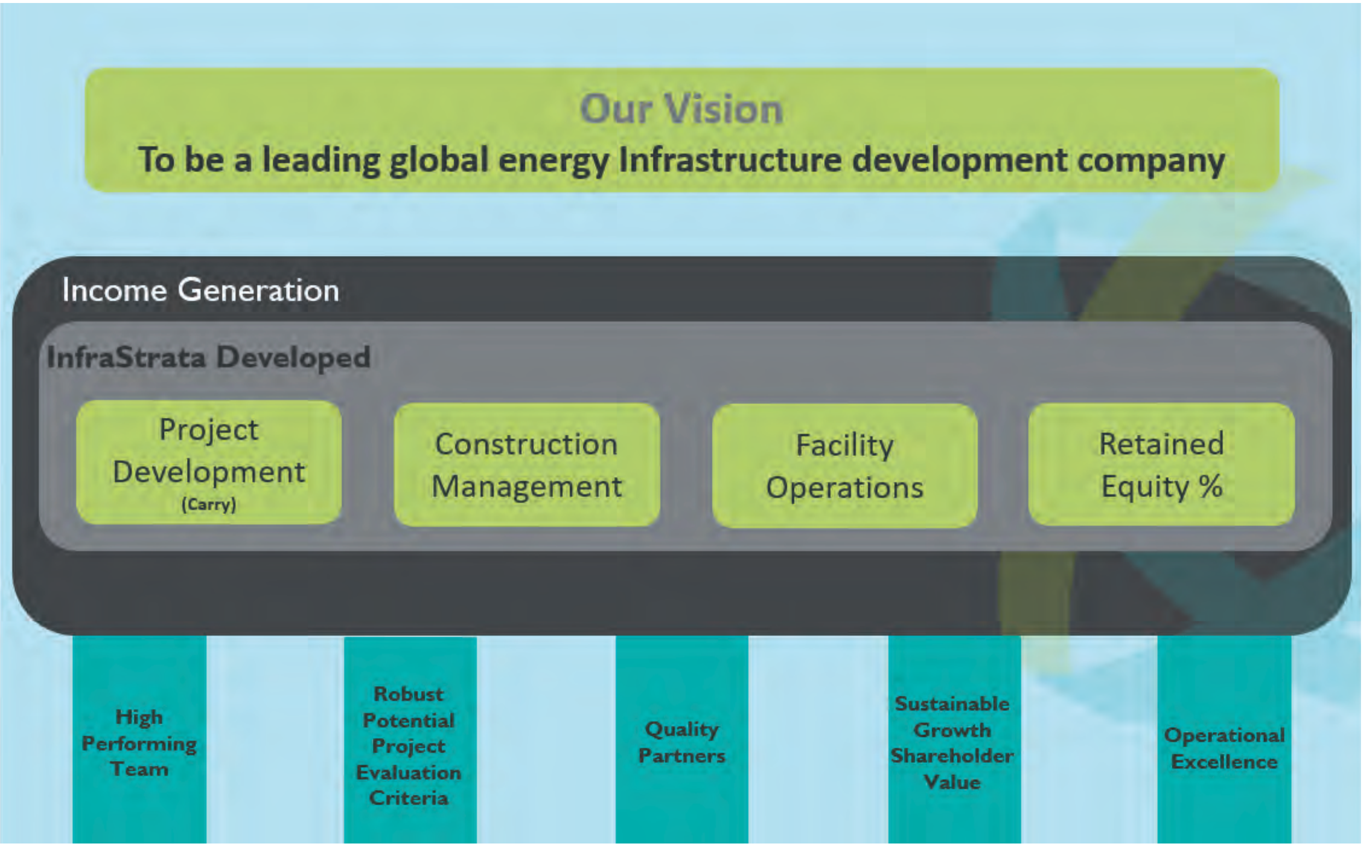


Fig 3 InfraStrata Vision, Income Generation Streams and Key Enablers

Strategic report (continued)

ISLANDMAGEE GAS STORAGE – PROJECT #1a

Much has been detailed in recent years in relation to the feasibility of storing gas underground in salt caverns; it is not a new concept and globally gas is stored in hundreds of salt caverns. The technical evaluation that has been worked on for many years is the more straight-forward part of commercialising our facility.

In order for the Final Investment Decision to be taken, the following items need to be in place:

- Successful FEED Study and positive P90 cost outcomes
- EPC Tender Proposal from Construction Company
- Offtake Agreement from one or a consortium of Offtake Partners
- Project Equity Partner
- Project Debt Partner

Successful FEED Study and positive P90 Results

When I joined the business, we immediately began the process of undertaking the FEED study, with the clear intention of completing it within time and on budget. Accordingly, work scopes were clarified and contracts were awarded to Costain for the surface works and DEEP KBB for the sub-surface elements. With the significantly low headcount within the Company and to ensure that our commercial interests were protected, we engaged the services of, as owner's engineers, WSP for surface works and Atkins for sub-surface works.

The FEED works commenced in April 2018 and were successfully completed in November 2018. The milestones shown in Figure 4 were set out prior to commencement and they were all achieved ahead of schedule and either on or under budget.

Milestone	Month	Description		Status
1	April	Contract Award Costain	InfraStrata	√ - Completed
2	May	Contract Award DEEP	InfraStrata	√ - Completed
3	May	Appointment of Subsurface Expert	InfraStrata	√ - Completed
4	May	Issue FEED schedule, project and quality plans	Costain	√ - Completed
5	May	Current Design Agreed	Costain	√ - Completed
6	June	Current Design Agreed	DEEP KBB	√ - Completed
7	June	Appoint Owners Engineer	InfraStrata	√ - Completed
8	July	Issue Process Flow Diagrams	Costain	√ - Completed
9	August	Gas & Leaching layout review	Costain	√ - Completed
10	August	All Process & Instrumentation Diagrams	Costain	√ - Completed
11	Oct.	Engineering Design Complete	Costain	√ - Completed
12	Oct.	All Investigation work on samples complete	DEEP KBB	√ - Completed
13	Oct.	Cavern Design & Rock Mechanics Complete	DEEP KBB	√ - Completed
14	Nov.	Surface FEED Deliverables & Estimates	Costain	√ - Completed
15	Nov.	Subsurface FEED Deliverables & Estimates	DEEP KBB	√ - Completed
16	Dec.	Submit Reports To EU	InfraStrata	√ - Completed

Fig 4 Milestones that were completed during FEED contracts undertaken by Costain & DEEP KBB

FEED has been successful and duly delivered with a set of results that confirm there are no technical issues restricting the facility from being constructed. As part of the FEED studies, a "P90" cost estimate has been undertaken for delivering the Project determined by probabilistic analysis. P90 values are established to provide a high level of confidence (90% confidence) such that the Project outturn cost will have a 90% chance to be below this estimate and a 10% chance above. The P90 estimate is consistent with the economic modelling undertaken on the Project thus far. On this basis, the Company will proceed into the next phase of development with a high level of confidence from a technical, cost and economic viewpoint.

Caverns	Economic Model	FEED Estimate	Change from ranges used during Economic modelling
Phase 1 (2 Caverns)	£100 to £120m	£114m	+£14m to -£4m
Phase 2 (6 Caverns)	£200 to £210m	£151m	-£49m to -£59m
Phase 1 & 2 (8 Caverns)	£300 to £330m	£265m	-£30m to -£65m

EPC Tender Proposal

In May 2018 InfraStrata issued an expression of interest to a long list of potential EPC ("Engineering, Procurement & Construction") Contract organisations. I am pleased to report that there was a return from 28 interested parties. After the initial round of assessment this list has now been reduced to 10 organisations. The full EPC tender package was issued in December 2018, with the tender returns due to be submitted in February 2019.

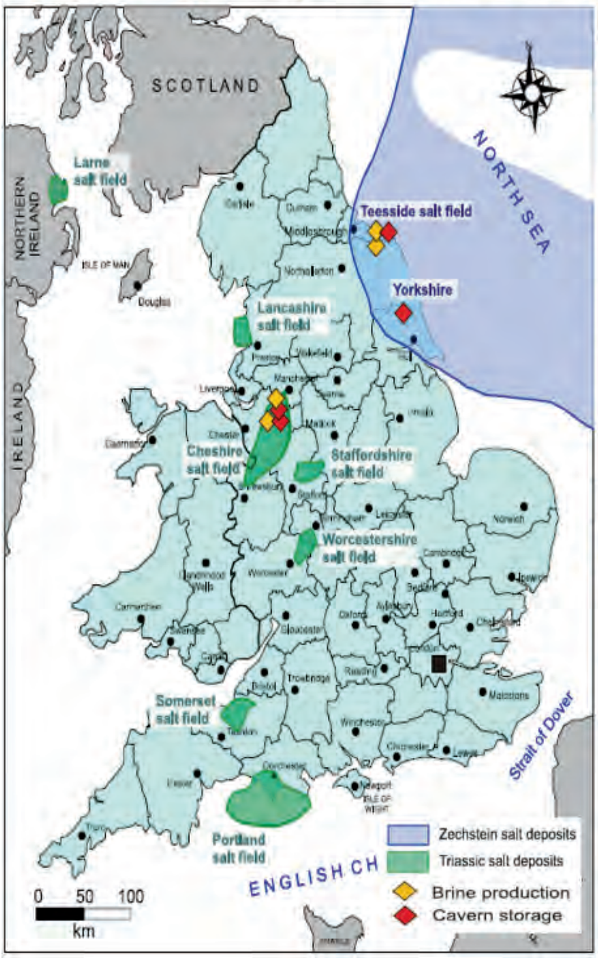
Offtake Agreement from one or a consortium of Offtake Partners

For several years, discussions have been taking place with potential offtake partners in regard to utilising the storage capacity that will be made available post construction. The challenge that every storage operator has been facing until recently is that UKCS production together with gas import capabilities into the UK have made it economically unattractive to build new gas storage facilities. The Rough gas storage facility in the North Sea, with a working volume of circa 3,010 mcm, was until recently, the predominant asset that enabled balancing of the UK gas network in periods of peak demand in winter and over-supply in summer. The availability of an existing facility, therefore offered very limited economic incentive to build and monetise any new gas storage facilities

However, the situation has dramatically changed. UKCS gas production is facing significant decline and is not able to contribute more than 25%-30% of the UK's annual gas requirement. The Rough gas storage facility has now been permanently closed and is in the process of being decommissioned. With the closure of Rough, the UK has effectively lost 70% of its storage capacity. The current situation has created a structural imbalance in the UK gas market in which the UK now relies heavily on imports, through interconnectors between the EU and UK / Norway and UK and, more recently, LNG (liquefied natural gas) cargoes. The relative inflexibility and supply risks to the UK are now manifesting themselves clearly; record high winter and summer gas prices as observed during winter 2017/18 and summer 2018 respectively. Unusual weather events such as the "Beast from the East" and the "Mini-Beast from the East" in spring 2018 exposed the inflexibility of and tightness in the UK gas market.

All of the above has now presented a unique opportunity; one that enables the construction and effective monetisation of new gas storage facilities in the UK. Market participants, i.e. producers, traders, network operators and consumers, are all now willing to pay for gas storage at rates that make these projects commercially viable. To a large degree, there is now a clear realisation that underground gas storage in-country is possibly the only method to provide adequate security of supply given declining gas production, variability of LNG cargoes and other connected nations having similar increased gas demands of their own during periods of peak demand.

Gas Storage Projects In The UK – Existing & Planned



Existing

Facility	Owner	Capacity Mcm	Status	nTPA
Rough	Centrica	~~3,310~~	Decommissioned	Yes
Aldborough	SSE	300	Active	Yes
Hatfield Moor	Scottish Power	70	Active	No
Holehouse Farm	EDF	-	Mothballed	No
Holford	EON	200	Active	No
Hornsea	SSE	300	Active	Yes
Humbly Grove	Petronas	300	Active	No
Hill Top farm	EDF	50	Active	No
Stublach	Storenergy	200	Active	No
TOTAL		1,420	70% Capacity Reduction	

- **Total existing storage capacity: 1.4% of annual UK gas demand**
- **Total existing storage capacity available to third parties: 0.60% of annual UK**

Planned

Facility	Owner	Capacity Mcm	Planning	FEED	FID
Islandmagee Ph 1&2	Infrastrata	450	Yes	Q4 2018	Q2 2019
Gateway	Stag Energy	1,500	Yes	X	X
Deborah	ENI	4,600	Yes	X	X
King Street	King Street Energy	300	Yes	X	X
Preesall	Halite Energy	600	Yes	X	X
Saltfleetby	Wingaz	800	Yes	X	X
Whitehill	EON	400	Yes	X	X
Baird	Centrica	2,000	Yes	X	X
Bains	Centrica	2,000	Yes	X	X
TOTAL		12,320	Islandmagee Ph1&2 14% of Rough void		

- **Total new storage capacity: 120 Mcm – Islandmagee Ph 1**
- **Total existing + new storage capacity:1,540 Mcm (1.54% of annual UK gas demand)**

Fig 5 Gas storage projects currently in operation and status of future planned facilities.

With a 70% reduction in storage capacity following the closure of Rough, the Islandmagee gas storage facility is the only new facility in the UK that has successfully completed FEED and is construction ready. In so far as the directors are aware, none of the other facilities that have planning permission, as depicted in Figure 5 above, have completed FEED. Therefore, the Company is at least 3 years ahead of other facilities.

We are effectively in pole position to take advantage of these changed market dynamics and successfully monetise the Project. We are currently in discussions with six potential offtake partners. We are further exploring the option of putting together a consortium of offtake partners if this will enhance the value proposition for the Company and our shareholders.

Project Equity Partner

Our Project is very attractive to funds requiring long life cash generation (for example pension funds) given the length of operation and the large cash generation potential. Various term sheets have been received and are currently being evaluated. Each is very different and needs further analysis work to bring it back to a neutral base in order to undertake a fair and objective evaluation of all the offers. Interest has not been limited to the UK alone and we have term sheets from overseas institutional investors. Clearly, we need to choose an equity partner who shares a common vision of the Company becoming a leader in energy infrastructure over the next few years.

Project Debt Partner

The Company is pre-qualified for the UK Government Guarantee Scheme. The scheme supports project companies by providing an additional source of liquidity should there be insufficient funding in the commercial lending market. It does this by providing a guarantee that can be used to support the additional debt.

The level of debt that the Project will require is being modelled currently. Several potential equity project partners have indicated that they may fund a substantial portion of Phase 1 of the Project and, therefore, a large amount of debt finance may not be required. Reaching a deal on the absolute level of equity finance will allow us to fully engage on the debt element as required. Currently, we are engaged in discussions with four banks who may fund either individually or via a consortium in order to fund the debt portion of Phases 1 & 2 of the Project.

OPERATIONAL REVIEW – FINANCE

The Group recognised cash revenues of £Nil (2017: £Nil). Management and administrative expenses totalled £863,413 (2017: £725,820). The Group incurred a loss of £963,413 (2017: loss of £964,131). The loss for 2018 when added to the cumulative losses of £27,725,224 brought forward leaves a retained loss of £28,272,541 to be carried forward. Management and administrative expenditure are further analysed in note 4 to the financial statements.

Gross capital expenditure on the Islandmagee gas storage project during the year ended 31 July 2018 was £1,378,069 (2017: £475,188), comprising costs associated with the FEED and other general Project costs. There was no Exploration and Evaluation capital expenditure (2017: £6,902). All of the Company's petroleum exploration licence interests have now been assigned or relinquished and no further expenditure is expected.

A historical potential liability from a 2017 loan facility from Baron Oil Plc ('Baron') remains whereby Baron is entitled to receive an additional £200,000 (the "Additional Payment") in the event of a sale or disposal by InfraStrata or its subsidiaries of substantially all of their assets, which comprise interests in the Islandmagee project, and/or a change in control of InfraStrata or its subsidiaries within two years from the date of the loan agreement. In the event of a partial disposal of InfraStrata's or its subsidiaries' interests in the Islandmagee project (whereby InfraStrata and InfraStrata UK Limited retain control of Islandmagee Energy Limited ("IMEL")), the Additional Payment will be reduced to £100,000, with the remaining £100,000 payable in the event of a subsequent disposal or change in control of IMEL or the Islandmagee gas storage project during the two-year period. The accounting treatment of this contingent settlement financial liability is described in note 19 to the financial statements.

On 20 October 2017, the Company issued 125,000,000 shares of 0.01 penny at 0.4 pence each to raise £500,000 before expenses. Further, on 30 January 2018 the Company issued another 125,000,000 shares of 0.01 penny at 0.3 pence each to raise £375,000 before expenses. These shares were also accompanied by 62,500,000 warrants exercisable at 0.6p. Finally, on 10 April 2018 and 30 April 2018, the Company issued 266,265,387 and 119,151,279 shares respectively of 0.01 penny at 0.24 pence each to raise a total of £925,000 before expenses. These shares were also accompanied by 192,708,333 warrants exercisable at 0.48p. This last funding was to provide matched funding to the grant provided by the EU and to enable the Company to commence FEED for the Project.

During the year, the Company was able to utilise its shares as consideration for services provided by contractors, management and directors. The total number of shares issued in this respect was 18,482,353 at prices varying from 0.3p to 0.484p. In November 2018, a further 3,253,660 shares were issued as consideration for services provided by contractors at a weighted average price of 0.5694p.

The Group's cash and cash equivalents at 31 July 2018 were £1,790,979 (2017 – £1,548,169) including approximately £916,294 (€1,042,743) as the balance of the €1.6 million received in advance from the EU.

Since 31 July 2018, the following warrants have been exercised:

- On 24 August 2018, 10,416,666 warrants at 0.48p;
- On 29 August 2018, 5,833,333 warrants at 0.6p;
- On 29 August 2018, 4,166,666 warrants at 0.48p;
- On 4 September 2018, 4,166,666 warrants at 0.48p;
- On 29 November 2018, 18,617,666 warrants at 0.6p;
- On 6 December 2018, 333,333 warrants at 0.6p;
- On 11 December 2018, 1,049,000 warrants at 0.6p;
- On 14 December 2018 1,356,162 warrants at 0.48p;
- On 17 December 2018 4,693,466 warrants at 0.6p;
- On 2 January 2019 1,768,838 warrants at 0.48p;
- On 3 January 2019 6,139,867 warrants at 0.6p;
- On 3 January 2019 4,508,427 warrants at 0.48p;
- On 4 January 2019 5,000,000 warrants at 0.6p.

In total 68,050,090 warrants have been exercised, bringing the total consideration received for warrants exercised to £376,640.45.

KEY PERFORMANCE INDICATORS

As a board, we seek to outline, monitor and successfully deliver against each of the following Key Performance Indicators ('KPIs'):

- Company strategy – short term and long term
- Strengthening of controls – operational, financial and commercial
- Raising finance – equity and debt
- Project specific KPIs
- HSE (health, safety and environment) compliance
- AIM and MAR (Market Abuse Regulation) related compliance
- Corporate filings in a timely manner
- Stakeholder engagement – shareholders, investors, landowners, AIM advisers, brokers etc.

Whilst we still have a lot of work to do to meet these KPIs, we are regularly tracking them against the targets set by the board along with clear plans put in place to meet these targets. All KPIs are monitored, reviewed and discussed at the monthly board meetings in order to keep the executive team aligned to the core objectives of "doing the right thing" for increasing shareholder value.

PRINCIPAL RISKS & UNCERTAINTIES

The board is responsible for the effectiveness of the Group's risk management activities and internal control processes. As a participant in the gas storage development industry, the Group is exposed to a wide range of business risks in the conduct of its operations. The Group is exposed to financial, project, 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. A robust process of risk management and mitigation has been introduced into the business and all risks associated with the Islandmagee Energy project have been fully assessed.

Financing – the risk of not obtaining sufficient financing

Access to adequate working capital is critical to our ability to pursue our existing and future projects and to continue as a going concern. A deterioration of the capital markets may reduce our ability to raise new equity funding. We work closely with our professional advisers and brokers to identify the optimum approach and timing to secure new equity financing to provide working capital.

The Group seeks to manage risk for our shareholders by attracting investment through quality partners where possible thereby minimising our own commitments to pay project development costs. We do not make financial commitments unless such funding has been secured either through joint venture partners as new investment in our projects or we have a high degree of confidence that it will be secured.

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

There is no assurance that the Group's gas storage development will be successful, however this risk has been substantially reduced by successfully completing the FEED works for the Project. We place a premium on recruitment and retention of suitably skilled personnel, 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 or debt financing or disposing of interests in projects or via other means.

We place great emphasis on regular communication with shareholders, including the release of announcements for the interim and annual results, and after significant developments. We seek to ensure that through such communications our shareholders are aware of our strategy and operations and that management has their continuing support. The Company's system of Corporate Governance is set out in the Report of the Directors on pages 10 to 14.

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

InfraStrata has restructured its board with relevant skills to manage the operational risks of our projects and ensure they are progressed in the shortest possible timescales in a cost effective manner. We have built up our core competencies in project development and have developed excellent relationships with government and public stakeholders in the geographical areas in which we operate.

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

On behalf of the board

John Wood
Chief Executive Officer
4 January 2019

Report of the directors
for the year ended 31 July 2018

The directors have pleasure in presenting their report and audited financial statements for the year ended 31 July 2018.

GENERAL
InfraStrata plc is incorporated and domiciled in England and Wales.

HEALTH, SAFETY AND ENVIRONMENT
There were no reportable health, safety or environmental incidents during the financial year.

SHARE CAPITAL
At the date of this report 1,103,911,035 ordinary shares are issued and fully paid (including all warrants exercised and fully paid at the date of this report). Details of movements in share capital during the year are given in note 23 to the financial statements; post year end movements are detailed in note 29.

RESULTS AND DIVIDENDS
Petroleum exploration and evaluation operations were classified as discontinued in 2017 and there was no activity relating to these operations in 2018. The Group recognised cash revenue from continuing operations of £Nil (2017: £Nil). Management and administrative expenses totalled £863,413 (2017: £895,404). The Group incurred a loss of £963,413 (2017: loss of £964,131). The loss for 2018 when added to the cumulative losses of £27,725,224 brought forward and movements between reserves leaves a retained loss of £28,272,541 to be carried forward.

The directors do not recommend the payment of a dividend (2017: £nil).

RISK MANAGEMENT
The financial risk management objectives and policies of the Company in relation to the use of financial instruments, and the exposure of the Company and its subsidiary undertakings to its main risks, credit risk and liquidity risk, are set out in note 22 to the financial statements. The principal risks and uncertainties relating to the Group's business and how we mitigate them are detailed in the Strategic Report on page 9.

DIRECTORS
The directors, who served during the year and subsequently, are detailed in the following table, which also highlights whether they are/were executive positions or independent:

	Executive	Independent
G V Lyon (appointed 7 November 2017)		✔
J Wood (appointed 27 June 2018)	✔	
A R Pocock (ceased 12 September 2018)	✔	
M P Beardmore (appointed 7 November 2017, resigned 18 December 2018)		✔
A S Raman (appointed 26 July 2018)		✔
P V Wale (resigned 9 November 2017)		✔
K Campbell (appointed 9 November 2017, resigned 27 June 2018)		✔

All directors benefit from the provisions of individual directors' Personal Indemnity insurance policies. Premiums payable to third parties are as described in note 6 to the financial statements. Some of the current directors have been granted share options in the Company and details can be found in note 7 to the financial statements.

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

Graham Lyon – Non-Executive Chairman
Graham is a senior energy, oil and gas executive with over 30 years' experience encompassing global technical, operational and commercial leadership roles. Graham's experience and track record of numerous leadership roles eminently qualifies him as suitable to lead the InfraStrata board.

He is currently a Director of Soncer Limited, a private oil and gas leadership consulting firm, undertaking board and executive positions for private and listed companies. He has actively led and advised on major M&A transactions and the financing and restructuring of companies and projects throughout the world.

Graham is Executive Chairman at Comet Energy, a private Canadian oil and gas company and is Non-Executive Chairman of Pearland Energy, a Nigerian oil and gas company. Graham also Chairs the Technical Advisory Committee and is a Board Adviser to Sirius Petroleum plc (AIM: SRSP).

Graham has recently held a number of board level positions at private and listed companies including; Non-Executive Director at Tarbagatay Munay LLP, a private Kazakhstani oil and gas company where he also chaired the Corporate Governance committee, Hawkley Oil & Gas Limited (ASX: HOG), Range Resources Limited (AIM: RRL, ASX: RRS) where he chaired the Reserves committee and was a member of Remuneration, Nomination and Corporate Governance committees, and MENA Hydrocarbons (TSX: MNH) as CEO. Before establishing Soncer, Graham was Vice President of Petro-Canada (TSX: PCA), where he led business development for its international business unit, which was formerly the international company Veba Oil and Gas GmbH. In his earlier technical career, he worked for Shell and Chevron.

John Wood – Chief Executive Officer

John has enjoyed a distinguished career within the oil and gas sector, holding senior posts with BAE Systems, and was more recently the Global Head of Oil and Gas with Aurecon, a global engineering and advisory firm. He has successfully undertaken projects in Australia, the USA, Africa, Europe and the UK, building up extensive experience delivering pre-FEED and FEED (Front End Engineering Design), FID (Final Investment Decision) and EPC (Engineering, Procurement and Construction) contracts involving storage and infrastructure developments. Prior to his appointment as Chief Executive Officer at InfraStrata plc, John worked as a consultant for the company, and was closely involved in negotiating and agreeing FEED contracts for the Islandmagee gas storage facility with Costain, DEEP KBB and WSP, as well as the appointment of Evan Passaris (Atkins) as a specialist in salt cavern gas storage. During that time, John managed all FEED related activities on behalf of the company.

John is ideally suited to overseeing the operational areas of InfraStrata's Islandmagee gas storage project, given his wealth of technical experience across a wide range of similar developments. He is a well-known and highly respected industry professional and has extensive experience of working with InfraStrata's FEED partners.

Arun Raman – Non-Executive Director

Arun has spent the past 20 years within the commodities and infrastructure sector. While at Star Energy Group plc (now known as Petronas Energy Trading Ltd.), he was responsible for commercialising its 10 BCF Humbly Grove Underground Gas Storage Project, including the negotiation and commercial delivery of the Gas Storage Agreement with Vitol SA as the capacity offtake client. He also negotiated and executed agreements with the National Grid in relation to physical gas flows between the Humbly Grove gas storage facility and the National Transmission System. On the trading side, Arun set up trading desks for natural gas, power and carbon emissions for the group. Following on from there, Arun was hired by Vitol Services Ltd. in London where he was actively trading carbon emissions and other commodities. He specialises in commercial negotiations and monetising assets underpinned by commodity flows as well as trading of commodities around such assets. Arun's gas storage commercialisation experience will provide valuable insight as InfraStrata progresses with the Islandmagee Project.

Arun is a qualified Chartered Accountant having completed his training with PricewaterhouseCoopers and Citibank N.A. in India. He has been a member of the Institute of Chartered Accountants of India for the last 17 years post qualification, and also holds the designation of Certified Internal Auditor awarded to him by the Institute of Internal Auditors, Florida, USA.

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 4 January 2019.

Ordinary shares of 0.01p each	Number	%
John Wood	42,044,121	3.81
Graham Lyon	15,642,097	1.42
Arun Raman	–	–

The directors of the Company held the following beneficial shareholdings as at 31 July 2018.

Ordinary shares of 0.01p each	Number	%
Graham Lyon	8,988,519	0.87
Adrian Pocock	12,655,055	1.23
John Wood	34,017,935	3.29
Matthew Beardmore	6,666,192	0.65
Arun Raman	–	–

The Company has also received notification of the following interests in 3% or more of the Company's issued share capital as at the date of this report. The holdings and percentages presented are at the date of notification.

Ordinary shares of 0.01p each	Number	%
Michael Dawe	42,800,000	4.048
Stephen Jones	41,701,025	3.94

Report of the directors (continued)
for the year ended 31 July 2018

CORPORATE GOVERNANCE

The UK Corporate Governance Code

The board recognises the importance of good corporate governance and has chosen to apply the QCA Code. The QCA Code was developed by the Quoted Companies Alliance (the "QCA"), the independent membership organisation that champions the interests of small to mid-size quoted companies, in consultation with a number of significant institutional small company investors, as a suitable corporate governance code applicable to AIM companies.

As stated by the QCA, good corporate governance is about "having the right people (in the right roles), working together, and doing the right things to deliver value for shareholders as a whole over the medium to long-term". This is achieved through a series of decisions made by the board, which needs to be kept dynamic, diverse and engender a consistent corporate culture throughout the InfraStrata plc group of companies (the "Group").

Our values are based on "Doing the right thing" for our people, suppliers, shareholders and other stakeholders. The board believes this is vital to creating a sustainable, growing business and is a key responsibility of the Group. This culture supports the Group's objectives to grow the business through acquiring and retaining customers. It is the board's job to ensure that the Group is managed for the long-term benefit of all shareholders, with effective and efficient decision-making. Corporate governance is an important part of that job, reducing risk and adding value to our business.

The board has adopted the QCA Code in line with the London Stock Exchange's recent changes to the AIM Rules requiring all AIM-quoted issuers to adopt and comply with a recognised corporate governance code.

The Board

At the financial year end the board comprised two executive directors and three non-executive directors whose background and experience are relevant to the Company's activities. The directors are of the opinion that the board has a suitable balance and it is expected that non-executive directors undertake a minimum of 18 days a year including attending board meetings and sitting on committees. The board, through the directors, maintains regular contact with its professional advisers to ensure that the board develops an understanding of the views of major shareholders about the Company. The board also intends to review the performance of the team as a unit to ensure that the members of the board collectively function in an efficient and productive manner. All directors have access to the advice and services of the Company Secretary who is responsible to the board for ensuring that the board procedures are followed and that the applicable rules and regulations are complied with. In addition, the Company Secretary will ensure that the directors receive appropriate training as necessary. The appointment and removal of the Company Secretary is a matter for the board as a whole.

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

	Board	Audit Committee	Remuneration Committee
Number of meetings held during the 2018 financial year	16	1	2

	No. of meetings attended	No. of meetings attended	No. of meetings attended
Executive Directors			
Adrian Pocock (ceased 12 September 2018)	16/16	1/1	–
John Wood (appointed 27 June 2018)	1/1	–	–
Non-Executive Directors			
Peter Wale (resigned 9 November 2017)	2/2	–	–
Graham Lyon (appointed 7 November 2017)	14/14	–	2/2
Matt Beardmore (appointed 7 November 2017, resigned 18 December 2018)	11/14	1/1	2/2
Arun Raman (appointed 26 July 2018)	–	–	–
Karen Campbell (appointed 9 November 2017, resigned 27 June 2018)	9/13	1/1	2/2

Note that in the table above, the first figure denotes the number of meetings attended and the second figure denotes the number of meetings eligible to attend.

Audit Committee

The members of the Audit Committee are currently Arun Raman (Chair) and Graham Lyon. For the financial period to which this Annual Report relates, the members were comprised of Karen Campbell (Chair), Matt Beardmore and Adrian Pocock. There was one meeting of the Audit Committee during the financial year which was attended by all members of the Committee. Senior representatives of the external auditor attend these meetings if considered appropriate. The external auditor has unrestricted access to the Chairman of the committee.

CORPORATE GOVERNANCE (continued)

The role of the Audit Committee includes:

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

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

Remuneration, Nomination and Corporate Governance Committee

The members of the Remuneration, Nomination and Corporate Governance Committee are currently Graham Lyon (Chair) and Arun Raman. For the financial period to which this Annual Report relates, the members comprised Graham Lyon (Chairman), Matt Beardmore and Karen Campbell. The committee met twice in the year to 31 July 2018.

The Group's policy is to remunerate senior executives fairly in such a manner as to facilitate the recruitment, retention and motivation of staff. The Remuneration Committee recommends to the board a framework for the remuneration of the Executive Directors and the senior management of the Group.

The principal objectives of the Committee include:

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

The Committee remains acutely aware of the need to balance the financial performance of the Company with the need to maintain incentivisation and motivation for the executive team.

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, which this year is being held on 31 January 2019, is normally attended by all directors. Shareholders 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.infrastrataplc.com) for the purpose of improving information flow to shareholders as well as potential investors. The website contains all regulatory and press announcements and financial reports as well as extensive corporate governance and operational information about the Group's activities. Enquiries from shareholders on matters relating to their holdings 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.

Internal controls

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

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

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

GOING CONCERN

The directors have prepared the financial statements on a going concern basis which assumes that the Group will continue in operational existence for the foreseeable future. As disclosed in the Strategic Report the Group is seeking funding for the Project in the form of equity and/or debt. Discussions are currently ongoing with potential equity partners. Depending on the outcome and timing of such discussions, the Group may need to raise near term funding to meet its working capital needs. The Board and executive management team continually monitor both short term and long term commitments with the aim of developing and implementing funding arrangements accordingly and are confident that the necessary funding will be available. Further details are given in the accounting policies in note 2 to the financial statements.

DIRECTORS' RESPONSIBILITIES

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

Report of the directors (continued)
for the year ended 31 July 2018

CORPORATE GOVERNANCE (continued)

Applicable 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 "CA 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 CA 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; and
- 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 CA 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 Company's website.

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

DISCLOSURE OF INFORMATION TO THE AUDITOR

In the case of each person who was a director at the time this report was approved: so far as the director was aware there was no relevant audit information of which the Company's auditor was unaware; and the director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit 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 section 418 of the CA 2006.

AUDITOR

A resolution to re-appoint the Company's auditor, Nexia Smith & Williamson Audit Limited, will be proposed at the Annual General Meeting to be held on 31 January 2019.

On behalf of the board

J Wood
Director
4 January 2019

Independent auditor's report to the members of InfraStrata plc

Nexia Smith & Williamson

Opinion

We have audited the financial statements of InfraStrata plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 July 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, and the Consolidated and Parent Statement of Cash Flows, and the notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 July 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to note 2 in the financial statements, which indicates that as at 31 July 2018 and at the date of this report the group and parent company were dependent upon the receipt of future funding to continue as going concerns. If such funding is not available, the group and parent company may be unable to meet their liabilities as they fall due within the foreseeable future.

As stated in note 2, these conditions indicate that a material uncertainty exists that may cast significant doubt on the group's and parent company's ability to continue as going concerns. Our opinion is not modified in respect of this matter.

Key Audit Matters

In addition to the matter described in the Material uncertainty relating to going concern section above we identified the key audit matters described below as those that were of most significance in the audit of the financial statements of the current year. Key audit matters include the most significant assessed risks of material misstatement, including those risks that had the greatest effect on our overall strategy, the allocation of resources in the audit and the direction of efforts of the audit team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The two key audit areas are related, and are therefore addressed together in this report.

Carrying value of the group's development assets relating to the Islandmagee gas storage facility and the amounts due to the parent company from its subsidiaries

Description of the risk

The carrying value of the proposed Islandmagee gas storage project (the "project") of £7,479,690 and the balance of £8,831,740 due to the parent company from its subsidiaries are significant in the financial statements of both the group and the parent company. As explained in note 2 to the financial statements, in order for the board to take a positive final investment decision in relation to the project a number of elements need to be in place, including project funding. If the group cannot obtain the funding required, and/or other required elements are not in place, the carrying value of the project is likely to be impaired.

Moreover, assuming that the funding is received, the value of the project is dependent upon a number of estimates and factors. These include the construction costs, the construction time frame, the amount and timing of the revenue to be earned from the project, as well as the applicable cost of capital and discount rate. Adverse variations in these factors could result in the project becoming impaired in value.

Additionally, if the group and parent company are unable to continue as going concerns, it is likely that the project would be impaired in value. As noted above, there is a material uncertainty regarding this.

Independent auditor's report (continued) to the members of InfraStrata plc

If the project value is impaired, it is unlikely that the subsidiaries would be able to earn the funds required to repay the intercompany balances owed.

The group's impairment assessment is therefore significantly reliant upon judgement, due to the uncertainty caused by the factors noted above.

Our response to the risk
We challenged the assumptions used in the client's impairment assessment. As part of our procedures, we:

- reviewed the directors' assumptions regarding the revenue to be earned over the course of the project against communications received from third parties
- reviewed the directors' assertions regarding the market appetite and potential life of the project against publicly available information relating to the sector
- considered the appropriateness of the directors' estimated construction costs and timeframe against the Concept Feasibility Study prepared by Costain
- performed a sensitivity analysis on the discounted cash flow
- assessed the appropriateness of the discount rate used by the directors
- assessed whether the inherent uncertainties relating to the project were adequately disclosed in the financial statements

In performing our procedures, we used internal valuation specialists to assess the reasonableness of the discount rate applied.

Material uncertainties
The directors' assessment is that no impairment is required to the project value and the balances due from the subsidiaries, but that conclusion is depending upon the availability of future funding, as well as other uncertain events. Therefore, as more fully explained in Note 2, there are material uncertainties regarding the carrying value of the project and the balances due from its subsidiaries to the parent company. The financial statements do not include the impairment of the project or the impairment of the parent company's balances due from its subsidiaries that would result if the group were unable to raise such funds.

Our opinion is not modified in respect of this matter.

Our application of materiality
The materiality for the financial statements of the group as a whole was set at £380,000. This has been determined with reference to the benchmark of the group's net assets, which we consider to be one of the principal considerations for members of the company in assessing the performance of the group. Materiality represents 5% of the group's net assets as presented on the face of the Consolidated Statement of Financial Position.

The materiality for the financial statements of the parent company as a whole was set at £304,000. This has been determined with reference to the benchmark of the parent company's net assets as the company exists primarily as a holding company for the group. Materiality represents 5% of net assets as presented on the face of the parent company Statement of Financial Position, capped at 80% of group materiality.

An overview of the scope of our audit
At the end of the year, the group comprised of three companies. We are appointed auditor and have performed audits of the financial statements of each company. All the group's assets and liabilities are located in the UK. All group entities have common management and centralised processes and controls. Therefore our audit work was conducted solely in the UK.

Other information
The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, set out on pages 13 and 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Guy Swarbreck
Senior Statutory Auditor,
for and on behalf of

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants
25 Moorgate
London
EC2R 6AY
5 January 2019

Consolidated statement of comprehensive income
for the year ended 31 July 2018

	Notes	2018 £	2017 £
Continuing operations			
Revenue		**–**	–
Cost of sales		**–**	–
Gross profit		**–**	–
Management and administrative expenses	4	**(863,413)**	(725,820)
Operating loss		**(863,413)**	(725,820)
Finance expense	19	**(100,000)**	(58,000)
Finance income	9	**–**	361
Loss before taxation		**(963,413)**	(783,459)
Taxation	10	**–**	–
Loss for the year from continuing operations	3	**(963,413)**	(783,459)
(Loss) profit for the year from discontinued operations	3	**–**	(180,672)
(Loss) profit for the year attributable to the equity holders of the parent		**(963,413)**	(964,131)
Other comprehensive income		**–**	–
Total comprehensive (loss) profit for the year attributable to the equity holders of the parent		**(963,413)**	(964,131)
Basic and diluted earnings per share			
Continuing operations	11	**(0.15)p**	(0.30)p
Discontinued operations		**–**	(0.07)p
Continuing and discontinued operations		**(0.15)p**	(0.37)p

Consolidated statement of financial position
as at 31 July 2018

	Notes	2018 £	2017 £
Non-current assets			
Intangible fixed assets:			
Gas Storage Development	13	**7,479,690**	6,591,302
Exploration & Evaluation	14	**–**	–
Property, plant and equipment	15	**440,100**	440,100
Deferred liability	19	**–**	42,000
Total non-current assets		**7,919,790**	7,073,402
Current assets			
Trade and other receivables	17	**222,491**	98,718
Deferred liability	19	**42,000**	100,000
Cash and cash equivalents	20	**1,790,979**	1,548,169
Total current assets		**2,055,470**	1,746,887
Current liabilities			
Trade and other payables	21	**(840,523)**	(149,625)
Grant received in advance	18	**(924,642)**	(1,440,913)
Short-term borrowings	19	**(163,344)**	–
Short-term financial liability	19	**(200,000)**	–
Total current liabilities		**(2,128,509)**	(1,590,538)
Net current (liabilities)/assets		**(73,039)**	156,349
Financial liability	19	**(200,000)**	(200,000)
Net assets		**7,646,751**	7,029,751
Shareholders' funds			
Share capital	23	**10,919,117**	10,853,460
Share premium		**15,719,784**	14,297,307
Merger reserve	24	**8,988,112**	8,988,112
Share based payment reserve	25	**6,847**	616,096
Warrant reserve	26	**285,432**	–
Retained earnings		**(28,272,541)**	(27,725,224)
Total equity		**7,646,751**	7,029,751

Company registration number: 06409712

Approved and authorised for issue by the board on 4 January 2019.

Graham Lyon
Director

John Wood
Director

Company statement of financial position
as at 31 July 2018

	Notes	2018 £	2017 £
Non-current assets			
Intangible exploration assets	14	**–**	–
Property, plant and equipment	15	**–**	–
Deferred liability	19	**–**	42,000
Total non-current assets		**–**	42,000
Current assets			
Trade and other receivables	17	**9,053,400**	7,211,230
Deferred liability	19	**42,000**	100,000
Cash and cash equivalents	20	**1,671,002**	1,545,779
Total current assets		**10,766,402**	8,857,009
Current liabilities			
Trade and other payables	21	**(805,221)**	(117,186)
Grant received in advance	18	**(924,642)**	(1,440,913)
Short-term financial liability		**(200,000)**	–
Total current liabilities		**(1,929,863)**	(1,558,099)
Net current assets		**8,836,539**	7,298,910
Financial liability		**(200,000)**	(200,000)
Net assets		**8,636,539**	7,140,910
Shareholders' funds			
Share capital	23	**10,919,117**	10,853,460
Share premium		**15,719,784**	14,297,307
Merger reserve	24	**8,466,827**	8,466,827
Share based payment reserve	25	**6,847**	616,096
Warrant reserve	26	**285,432**	–
Retained earnings		**(26,761,468)**	(27,092,780)
Total equity		**8,636,539**	7,140,910

Company registration number: 06409712

The company's loss for the period was £284,784 (2017 loss: £214,325).

Approved and authorised for issue by the board on 4 January 2019.

Graham Lyon
Director

John Wood
Director

Consolidated statement of changes in equity
for the year ended 31 July 2018

	Share capital £	Share premium £	Merger reserve £	Share based payment reserve £	Warrant reserve £	Retained earnings £	Total equity £
Balance at 31 July 2016	10,834,660	13,440,878	8,988,112	616,096	–	(26,761,093)	7,118,653
Loss for the year	–	–	–	–	–	(964,131)	(964,131)
Total comprehensive profit for the year	–	–	–	–	–	(964,131)	(964,131)
Shares issued	18,800	921,200	–	–	–	–	940,000
Share issue costs	–	(64,771)	–	–	–	–	(64,771)
Balance at 31 July 2017	10,853,460	14,297,307	8,988,112	616,096		(27,725,224)	7,029,751
Loss for the year	–	–	–	–	–	(963,413)	(963,413)
Total comprehensive loss for the year	–	–	–	–	–	(963,413)	(963,413)
Shares issued Note 23	65,657	1,824,073	–	–	–	–	1,889,730
Share issue costs	–	(116,164)	–	–	–	–	(116,164)
Warrant issue	–	(285,432)	–	–	285,432	–	–
Share Option expense	–	–	–	6,847	–	–	6,847
Transfer on forfeiture of share options	–	–	–	(616,096)	–	616,096	–
Due to Moyle Investments on first gas storage (note 27)	–	–	–	–	–	(200,000)	(200,000)
Balance at 31 July 2018	**10,919,117**	**15,719,784**	**8,988,112**	**6,847**	**285,432**	**(28,272,541)**	**7,646,751**

Company statement of changes in equity
for the year ended 31 July 2018

	Share capital £	Share premium £	Merger reserve £	Share based payment reserve £	Warrant reserve £	Retained earnings £	Total equity £
Balance at 31 July 2016	10,834,660	13,440,878	8,466,827	616,096	–	(26,878,454)	6,480,007
Loss for the year	–	–	–	–	–	(214,326)	(214,326)
Total comprehensive loss for the year	–	–	–	–	–	(214,326)	(214,326)
Shares issued	18,800	921,200	–	–	–	–	940,000
Share issue costs	–	(64,771)	–	–	–	–	(64,771)
Balance at 31 July 2017	10,853,460	14,297,307	8,466,827	616,096	–	(27,092,780)	7,140,910
Loss for the year	–	–	–	–	–	(284,784)	(284,784)
Total comprehensive loss for the year	–	–	–	–	–	(284,784)	(284,784)
Shares issued (Note 23)	65,657	1,824,073	–	–	–	–	1,889,730
Share issue costs	–	(116,164)	–	–	–	–	(116,164)
Warrant issue	–	(285,432)	–	–	285,432	–	–
Share Option expense	–	–	–	6,847	–	–	6,847
Transfer on forfeiture of share options	–	–	–	(616,096)	–	616,096	–
Balance at 31 July 2018	**10,919,117**	**15,719,784**	**8,466,827**	**6,847**	**285,432**	**(26,761,468)**	**8,636,539**

Consolidated statement of cash flows
for the year ended 31 July 2018

	Note	2018 £	2017 £
Operating activities			
Operating loss for the year		**(863,413)**	(725,820)
Depreciation		**–**	644
(Increase) decrease in trade and other receivables		**(123,827)**	1,083,854
Increase (decrease) in trade and other payables		**690,952**	(1,543,430)
Shares issued in lieu of fees		**89,750**	–
Exchange differences		**(26,590)**	82,027
Share option expense		**6,847**	–
Cash (used in) discontinued operations		**–**	(154,311)
Net cash (used in) continuing and discontinued operating activities		**(226,281)**	(1,257,036)
Investing activities			
Interest received		**–**	361
Purchase of intangible assets:			
Gas Storage Development		**(1,378,069)**	(475,188)
Exploration and Evaluation (discontinued)		**–**	(6,902)
Net cash (used in) generated from investing activities		**(1,378,069)**	(481,729)
Financing activities			
Proceeds on issue of ordinary shares		**1,683,816**	875,229
Drawdown of short-term borrowings		**163,344**	200,000
Repayment of short-term borrowings		**–**	(1,600,364)
Net cash generated (used in) from financing activities		**1,847,160**	(525,135)
Net increase (decrease) in cash and cash equivalents		**242,810**	(2,263,900)
Cash and cash equivalents at beginning of year		**1,548,169**	3,812,069
Cash and cash equivalents at end of year		**1,790,979**	1,548,169
Cash and cash equivalents consist of:			
Cash at bank	20	**1,790,979**	1,548,169
		1,790,979	1,548,169

Significant non-cash transactions

As disclosed in Note 19, in 2017 the Group recognised a financial liability in respect of contractual payments which may become due in any future disposal of its assets and a corresponding deferred liability which has been amortised in that year and the current year.

In 2018 the Group entered into an obligation to pay Moyle Investments £200,000 on first storage of gas in recognition of the support by Moyle of the gas storage project at Islandmagee.

These transactions are non-cash items and do not appear in the statement of cash flows.

Company statement of cash flows
for the year ended 31 July 2018

	Note	2018 £	2017 £
Operating activities			
Operating profit for the year		**(184,784)**	23,985
Depreciation		**–**	644
Increase in trade and other receivables		**(2,131,796)**	(161,380)
(Decrease) Increase in trade and other payables		**687,980**	(1,514,391)
Shares issued in lieu of fees		**89,750**	–
Exchange differences		**(26,590)**	82,027
Share option expense		**6,847**	–
Cash (used in) discontinued operations		**–**	(154,311)
Net cash (used in) continuing and discontinued operating activities		**(1,558,593)**	(1,723,426)
Investing activities			
Interest received		**–**	361
Purchase of exploration intangible assets (discontinued)		**–**	(6,902)
Net cash (used in) generated from investing activities		**–**	(6,541)
Financing activities			
Proceeds on issue of ordinary shares		**1,683,816**	875,229
Drawdown of short-term borrowings		**–**	200,000
Repayment of short-term borrowings		**–**	(1,600,364)
Net cash generated from (used in) financing activities		**1,683,816**	(525,135)
Net increase (decrease) in cash and cash equivalents		**125,223**	(2,255,102)
Cash and cash equivalents at beginning of year		**1,545,779**	3,800,881
Cash and cash equivalents at end of year		**1,671,002**	1,545,779
Cash and cash equivalents consist of:			
Cash at bank	20	**1,671,002**	1,545,779
		1,671,002	1,545,779

Significant non-cash transactions

As disclosed in Note 19, in 2017 the Group recognised a financial liability in respect of contractual payments which may become due in any future disposal of its assets and a corresponding deferred liability which has been amortised in that year and the current year.

In 2018 the Group entered into an obligation to pay Moyle Investments £200,000 on first storage of gas in recognition of the support by Moyle of the gas storage project at Islandmagee.

These transactions are non-cash items and do not appear in the statement of cash flows.

Notes to the financial statements
for the year ended 31 July 2018

1. General information

InfraStrata plc is a company incorporated in England & Wales under the Companies Acts 2006 and is domiciled in the United Kingdom and its shares are admitted to trading on the AIM market of the London Stock Exchange. The Company's registered office is 200 Strand, London, England, WC2R 1DJ.

2. Accounting policies

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

Basis of preparation

InfraStrata plc adopted International Financial Reporting Standards (IFRS) as adopted by the European Union effective in July 2018, 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

Discussions are currently ongoing with potential equity partners towards funding project and corporate costs. The directors have prepared cash flow projections which indicate that, following completion of this funding, the Group and parent Company will have sufficient funds to meet their corporate costs and the forecast equity contribution for the Islandmagee gas storage project (the "Project") to the end of 2019. On this basis the directors have prepared the financial statements on a going concern basis.

The next phase of the development of the Project is the co-ordinated assembly of the contracts and long term funding arrangements for the Final Investment Decision to be made. These include a long-term Gas Storage Agreement with an offtaker, an EPC contract with a managing contractor, and debt and equity financing. Only in the event that all of these elements are in place can the board confirm FID.

Under the terms of the EU Grant for FEED works, a report has been submitted to the EU in compliance with the terms of the Grant award, and the activities undertaken will be subject to EU audit. Satisfaction of EU audit will release the balance of the EU funding to the Company. Payment of this existing grant obligation is not expected to be affected by Brexit.

Should the Project not proceed with a positive FID as expected, the ability of the subsidiaries to repay inter-company debt due to the parent Company would be in doubt.

The directors remain confident that the project is economically viable and following the successful completion of FEED, further funding for the Company and the project will be secured. Having reviewed the value of gas storage assets in accordance with the principles set out below, and the value of balances due to the parent Company from its subsidiaries, the directors are of the opinion that these assets are not impaired in value.

However, the success of the current fundraising is uncertain, as is the outcome of the FID. The directors have concluded that without additional funding the group would be unable to meet its corporate and project costs and thus a material uncertainty exists that may cast significant doubt upon the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Were the Group no longer a going concern, or if the FID is not positive, the Group's capitalised project development costs totalling £7,479,690 and amounts due to the Company from its subsidiaries amounting to £8,831,740 may become impaired in value. A provision would be required for the future liabilities arising as a consequence of the Group ceasing business and assets and liabilities currently classified as non-current would be reclassified as current.

Adoption of new and revised standards

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been adopted by the EU and minor changes to other standards arising from annual improvements have been issued but are yet to be adopted. None of these standards are considered to have a material effect on the Group financial statements. IFRS 16 Leases has also been issued; as the Group currently has no material leases, this is not expected to have a significant impact. The Group continues to assess the impact of the new standards on its financial statements.

Basis of consolidation

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

Business combinations and goodwill

On acquisition, the assets and liabilities and contingent liabilities of subsidiaries are measured at their fair values at the date of acquisition. Any excess of cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit or loss in the period of acquisition. Goodwill arising on consolidation is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss, and is not subsequently reversed. The financial effect of any change in ownership interest of a subsidiary that does not result in a change in control is recognised in equity.

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 or loss represents the profit or loss attributable to equity holders of the parent attributable to each segment. This is the measure of profit that is reported to the Board of Directors for the purpose of resource allocation and the assessment of segment performance. When assessing segment performance and considering the allocation of resources, the Board of Directors review information about segment assets and liabilities.

Property plant and equipment

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

2. Accounting policies continued

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

Office equipment	20-33%
Freehold land	0%

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

Capitalisation and impairment of intangible gas storage assets

Costs of development of gas storage facilities are capitalised as intangible assets once it is probable that future economic benefits that are attributable to the assets will flow to the Group and until consent to construct has been awarded, at which time the capitalised costs are transferred to plant and equipment provided there being reasonable certainty of construction proceeding. The nature of these costs includes all direct costs incurred in project development, including any directly attributable finance costs. No amortisation or depreciation is provided until the storage facility is available for use.

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

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.

Government grants

Government grants are recognised only when there is reasonable assurance that the Group will comply with the conditions attaching to the grant and that the grants will be received. Capital grants are recognised to match the related development expenditure and are deducted in arriving at the carrying value of the related assets. Any grants that are received in advance of recognition are deferred.

Investments

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

Taxation

Tax expense represents the sum of the tax currently payable and any deferred tax. The taxable result differs from the net result as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Foreign currency

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

Operating leases

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

Share based payment transactions

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

2. Accounting policies continued

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

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

Retirement benefit costs

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

Financial instruments

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

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

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

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Convertible financial instruments denominated in foreign currencies are not treated as compound financial instruments on initial recognition or subsequently, including when the repayment of the instrument is agreed at a specific sterling rate using funds held in escrow.

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

Revenue

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

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.

Judgements

Capitalisation of gas storage costs – note 13

The assessment of whether costs incurred on gas storage development should be capitalised or expensed involves judgement. Any expenditure where it is not probable that future economic benefits will flow to the Group are expensed. Management considers the nature of the costs incurred and the stage of project development and concludes whether it is appropriate to capitalise the costs. The key assumptions depend on whether it is probable that the expenditure will result future economic benefits that are attributable to the assets.

Estimates

Review of gas storage project asset carrying values– note 13

The assessment of capitalised project costs for any indications of impairment involves judgement. When facts or circumstances suggest that impairment exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that the carrying amount exceeds recoverable amount. Recoverable amount is determined to be the higher of fair value less costs to sell and value in use. The key assumptions are the net income expected to be generated from the facilities, the cost of construction and the date from which the facilities become operational. Management assigns values and dates to these inputs after taking into account market information, engineering design costing and the project programme. A discount rate of 8% (2017: 8%) is applied in determining gas storage project net present values. Salt cavern gas storage projects are long term investments and cash flows are therefore projected over periods greater than 5 years. Engineering design provides for a project life of 40 years (2017: 40 years). It is assumed that 100% (2017: 100%) of a project's capacity will be sold from the date that the capacity becomes operational.

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 continuing gas storage operations are located in Northern Ireland. In 2018 there were no petroleum exploration activities. In 2017 exploration activities were classified as discontinued operations.

2018

	Discontinued Operations -exploration Total £	Continuing operations – gas storage Northern Ireland £	Central income and costs £	**Total £**
Revenue	–	–	–	**–**
Management & administrative expenses	–	(673,567)	(189,846)	**(863,413)**
Impairment of Exploration & Evaluation assets	–	–	–	**–**
Finance expense	–	–	(100,000)	**(100,000)**
Finance income	–	–	–	**–**
Pre and post tax loss for the year	–	(673,567)	(289,846)	**(963,413)**
Analysis of:				
Assets by segment	–	9,125,197	850,063	**9,975,260**
Liabilities by segment	–	(1,620,720)	(707,789)	**(2,328,509)**
	–	7,504,477	142,274	**7,646,751**

2017

	Discontinued Operations -exploration Total £	Continuing operations – gas storage Northern Ireland £	Central income and costs £	Total £
Revenue	15,273	–	–	–
Management & administrative expenses	(169,584)	(541,942)	(183,878)	(725,820)
Impairment of Exploration & Evaluation assets	(26,361)	–	–	–
Finance expense	–	–	(58,000)	(58,000)
Finance income	–	–	361	361
Pre and post tax loss for the year	(180,672)	(541,942)	(241,517)	(783,459)
Analysis of:				
Assets by segment	44,702	8,466,155	309,432	8,775,587
Liabilities by segment	(44,702)	(1,454,689)	(291,147)	(1,745,836)
	–	7,011,466	18,285	7,029,751

In 2017, cash flows relating to discontinued operations comprised net cash used in discontinued operations of £154,311, and net cash used in investing activities of £6,902.

4. Loss before taxation

	2018 £	2017 £
Fees payable to the Group's auditor and its associates:		
– for the audit of the Company's annual financial statements	**17,050**	17,050
– for the audit of the Company's subsidiaries	**12,950**	12,950
– other services relating to taxation	**9,010**	11,645
– all other services	**3,400**	3,400
Depreciation	**–**	644
Net foreign exchange loss	**2,005**	371
Operating lease rentals – land and buildings	**–**	14,275

Project management & company administrative expenditure

	2018 £	2017 £
Management & administrative expenditure paid in cash	**764,811**	820,714
Advisor costs relating to Islandmagee Storage	**–**	11,771
Advisor costs relating to Strategic Review and General Meeting	**–**	61,904
Non-cash items:		
Share based payments, including share option charge	**96,597**	–
Exchange differences	**2,005**	371
Depreciation	**–**	644
	863,413	895,404
Attributable to:		
Continuing operations	**863,413**	725,820
Discontinued operations	**–**	169,584
	863,413	895,404

5. Employee information

	2018 Number	2017 Number
Average number of Executive Directors and staff	**3**	3

Staff costs for the above persons and non-executive directors:	£	£
Wages and salaries	**255,868**	446,282
Social security costs	**22,091**	48,093
Defined contribution pension plan expenditure and other costs	**441**	3,509
Other staff costs	**6,242**	14,020
Share based payments, including share option charge	**69,847**	–
	354,489	511,904

6. Directors' and key management emoluments and compensation

Group and Company

2018

	Salary & fees £	Benefits £	Share based payments £	Pension £	**Total 2018 £**
Executive Directors					
John Wood (appointed 26 June 2018)	7,115	–	–	142	**7,257**
Adrian Pocock (ceased 12 September 2018)	80,000	–	–	125	**80,125**
Non-Executive Directors					
Graham V Lyon (appointed 7 November 2017)	18,000	–	15,000	–	**33,000**
Matthew Beardmore (appointed 7 November 2017, resigned 18 December 2018)	21,667	–	25,000	–	**46,667**
Arun S Raman (appointed 26 July 2018)	–	–		–	**–**
Peter Wale (resigned 9 November 2017)	6,617	–	8,000	–	**14,617**
Karen Campbell (appointed 7 November 2017, resigned 26 June 2018)	21,400	–	15,000	–	**36,400**
Key Management					
Andy Duncan (appointed 26 June 2018)	6,667	–	–	133	**6,800**
	161,466	–	63,000	400	**224,866**
Share option expense					**6,847**
Employers national insurance contributions					**11,585**
					243,298

2017

	Salary & fees £	Benefits £	Pension £	Total 2017 £
Executive Directors				
Adrian Pocock (appointed 27 June 2017)	7,404	–	–	7,404
Andrew Hindle (ceased 27 June 2017)	82,305	3,337	–	85,642
Stewart McGarrity (ceased 27 June 2017)	105,010	2,670	–	107,680
Anita Gardiner (resigned 25 June 2017)	104,635	750	–	105,385
Non-Executive Directors				
Peter Wale (appointed 27 June 2017)	2,468	–	–	2,468
Kenneth Ratcliff (ceased 27 June 2017)				
Maurice Hazzard (ceased 27 June 2017)	28,385	–	–	28,385
	13,979	–	–	13,979
	344,186	6,757	–	350,943
Share based payment				–
Employers national insurance contributions				42,314
				393,257

Aggregate emoluments above include an amount of £63,000 for the value of shares issued to former and current directors in recognition of work performed beyond contracted roles and an expense of £6,847 relating to the share options granted to all directors of the Company on 19 February 2018. The share issues took place on 24 July 2018 and further detail is included in note 28 on Related Parties. Further detail of share options is included in note 7 below.

Executive Directors and directors' indemnity insurance premiums of £16,095 (2017: £15,914) were paid in respect of all directors. In July 2018, the Company established a company workplace pension scheme and all eligible employees were auto enrolled as required under current legislation.

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 were Enterprise Management Incentive share options for qualifying employees. These options have now lapsed following the departure of these employees.

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

	2018 Number	**2018 WAEP £**	2017 Number	2017 WAEP £
Outstanding at the beginning of the year	**6,379,167**	**0.1807**	6,379,167	0.1807
Granted during the year	**30,000,000**	**0.01**	–	–
Forfeited during the year	**(6,379,167)**	**0.1807**	–	–
Outstanding at the end of the year	**30,000,000**	**0.01**	6,379,167	0.1807
Exercisable at the end of the year	**–**	**–**	6,379,167	0.1807

A total of 30,000,000 options over new ordinary shares of 0.01p each in the Company ("Options") were granted to all the directors of the Company on 19 February 2018, with G Lyon, A Pocock, M Beardmore and K Campbell receiving 7,500,000 Options each. After the reporting period 7,500,000 options lapsed as a result of Adrian Pocock's departure from the business on 12 September 2018.

The Options are subject to performance criteria and vest in tranches as follows:

- one third of Options held upon completion of the FEED;
- one third of Options held upon commencement of construction of the Project following a successful conclusion of the Financial Investment Decision; and
- one third of Options held upon the date of first gas stored at the Project.

The Options vest immediately in the event of a sale of the Company, its subsidiary (subject to the Project comprising an asset of the subsidiary) or the Project, and in customary "good leaver" circumstances.

Options are exercisable in three tranches noted above with estimated dates ranging from December 2018 through to end 2022 at a price of 1 penny per share (a premium of 270 per cent. to the closing share price on 16 February 2018). The options will expire after five years. The weighted average remaining option life for the share options outstanding at 31 July 2018 is 5 years (2017: 4 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 and the following inputs: share price volatility of 105%, risk free interest rate of 1.1%, no dividends to be paid over the option lives, assumed early exercise when the share price exceeds twice the exercise price and no directors leaving during the option life. The vesting conditions were not included in the model.

8. Retirement benefits

The Group operates a defined contribution retirement plan for all qualifying employees who wish to participate. The assets of the scheme are held separately from those of the Group in funds under the control of independent trustees. The total cost charged to expenses of £441 (2017: £3,509) 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 2018, employer and employee contributions of £Nil (2017: £Nil) due in respect of the current period had not been paid over to the scheme.

9. Finance income

	2018 £	2017 £
Interest on bank deposits	**–**	361

10. Income tax

	2018 £	2017 £
The major components of income tax expense for the years ended 31 July 2018 and 2017 are:		
a) Income tax recognised in profit or loss		
Continuing operations		
Current income tax charge/(credit)	**–**	–
Adjustments in respect of current income tax of previous years	**–**	–
Total Current tax	**–**	–
Deferred tax charge/(credit)		
– origination and reversal of timing differences	**–**	–
Total deferred tax	**–**	–
b) A reconciliation between tax expense and the product of accounting loss from continuing operations for the years ended 31 July 2018 and 2017 is as follows:		
Accounting loss before tax from continuing operations	**(963,413)**	(783,459)
Loss on continuing activities multiplied by the standard rate of tax (19%; 2017: 19.67%)	**(183,048)**	(154,106)
Expenses not permitted for tax purposes	**–**	11,535
Tax losses carried forward	**183,048**	142,571
Items not subject to tax	**–**	–
	–	–

The accounting loss from discontinued operations is £Nil (2017 – loss – £180,672). No tax charge / credit arises in 2018 or in 2017 due to expenses not permitted for tax purposes and losses carried forward.

c) Factors that may affect the future tax charge
The Group has trading losses of £6,565,719 (2017: £5,700,467) which may reduce future tax charges. Future tax charges may also be reduced by capital allowances on cumulative capital expenditure.

No balance is recognised due to the uncertainty of future results.

11. Earnings per share

	2018 £	2017 £
(Loss) profit		
The (loss) profit for the purposes of basic and diluted loss per share being the net (loss) profit attributable to equity shareholders		
Continuing operations	(963,413)	(783,459)
Discontinued operations	–	(180,672)
Continuing and discontinued operations	(963,413)	(964,131)
Number of shares		
Weighted average number of ordinary shares for the purposes of:		
Basic earnings per share	647,957,629	259,405,983
Basic and diluted earnings per share		
Continuing operations	(0.15)p	(0.30)p
Discontinued operations	–	(0.07)p
Continuing and discontinued operations	(0.15)p	(0.37)p

For 2018 and 2017, the share options were not dilutive as a loss was incurred in both years.

12. Loss attributable to InfraStrata plc

The loss for the period dealt with in the financial statements of InfraStrata plc was £284,784 (2017 £214,326). As provided by s408 of the Companies Act 2006, no statement of comprehensive income is presented in respect of InfraStrata plc.

13. Intangible assets – Gas Storage Development

	Group £	Company £
Cost		
At 1 August 2016	6,116,114	–
Additions	475,188	–
Grant accrual during year (note 18)	–	–
At 31 July 2017	6,591,302	–
Additions	1,378,069	–
Grant accrual during year (note 18)	(489,681)	
Net book value		
At 31 July 2018	7,479,690	–

Capitalised finance costs
Additions during the year to 31 July 2018 include capitalised finance costs totalling £Nil (2017 – £16,002).

Capital and other commitments
In the event that the project does not proceed to development IMEL would have an obligation to reinstate the area of the well-pad which has already been constructed. This is an unrecognised contingent liability estimated at £100,000 (2017: £100,000). At 31 July 2018 the Group had capital commitments with the principal FEED contractors of £3,712,375 (2017: £Nil) relating to the FEED project, of which £2,454,105 was not provided for in the financial statements.

14. Intangible assets – Exploration & Evaluation

	Group £	Company £
Cost		
At 1 August 2016	19,459	19,459
Additions	6,902	6,902
Disposals	–	–
Impairments	(26,361)	(26,361)
At 31 July 2017	–	–
Additions	–	–
Disposals	–	–
Impairments	–	–
Net book value		
At 31 July 2018	–	–

The Company had a retained Net Profits Interest in each of exploration licences P1918, P2222 and P2235 at 31 July 2018. No value was ascribed to the Net Profits Interests retained on each of the licence interests as it was not possible to determine a reliable fair value for these instruments at that time. These assets were sold after the year end – see note 29.

15. Property, plant and equipment

Group

	Freehold land £	Office equipment £	Total £
Cost			
At 1 August 2016	440,100	83,776	523,876
Additions	–	–	–
Written-off	–	(83,776)	(83,776)
At 31 July 2017	440,100	–	440,100
Additions	–	–	–
At 31 July 2018	440,100	–	440,100
Depreciation			
At 1 August 2016	–	83,132	83,132
Charge for the year	–	644	644
Written-off		(83,776)	(83,776)
At 31 July 2017 and 31 July 2018	–	–	–
Net book value			
At 31 July 2018	440,100	–	440,100
At 31 July 2017	440,100	–	440,100

Company

	Freehold land £	Office equipment £	Total £
Cost			
At 1 August 2016	–	18,630	18,630
Written-off	–	(18,630)	(18.630)
At 31 July 2017 and 31 July 2018	–	–	–
Depreciation			
At 1 August 2016	–	17,986	17,986
Charge for the year	–	644	644
Written-off			
At 31 July 2017 and 31 July 2018	–	18,630	18,630
Net book value			
At 31 July 2018	–	–	–
At 31 July 2017	–	–	–

16. Investments

Company

Investment in subsidiaries

	2018 £	2017 £
Cost		
Balance at 1 August 2017 and 31 July 2018	**15,247,011**	15,247,011
Impairment		
Balance at 1 August 2017 and 31 July 2018	**(15,247,011)**	(15,247,011)
Net book value		
Balance at 31 July 2018	–	–

Investment in subsidiaries

The Company's subsidiary undertakings at 31 July 2018, all of which are wholly owned, are as follows:

InfraStrata UK Limited	Holding and corporate	England

InfraStrata UK Limited owns the following subsidiary undertakings:

Islandmagee Energy Limited ("IMEL")	Sub surface gas storage developer	Northern Ireland

InfraStrata UK Limited's registered office address is 200 Strand, London, England, WC2R 1DJ. Islandmagee Energy Limited's registered office address is 8 Portmuck Road, Islandmagee, Larne, Co Antrim, Northern Ireland, BT40 3TW.

In December 2017, the Company's wholly-owned subsidiary, InfraStrata UK Limited increased its ownership in IMEL from 90% to 100% by acquiring the remaining 10% interest from Moyle Energy Investments Limited.

The Company has impaired its investment in InfraStrata UK Limited and loan receivable from InfraStrata UK Limited as required.

17. Trade and other receivables

	Group 2018 £	Group 2017 £	**Company 2018 £**	Company 2017 £
Amounts due from Group undertakings	**–**	–	**8,831,740**	7,113,671
Trade receivables	**–**	44,702	**–**	44,702
Other receivables	**198,538**	32,708	**197,707**	31,549
Prepayments	**23,953**	21,308	**23,953**	21,308
	222,491	98,718	**9,053,400**	7,211,230

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. Grants received in advance

In May 2016, the Company signed a grant agreement with the European Commission's Connecting Europe Facility in relation to the Islandmagee gas storage project for a maximum of €4.024 million or up to 50% of the costs of Front End Engineering and Design ("FEED") for the project. An advance of 40% of the maximum grant amounting to €1.6 million was received and held in a Euro denominated bank account (included in Cash and cash equivalents in the statement of financial position).

At 31 July 2018 €557,257 of this grant had been drawn down by the Company, in accordance with the drawdown criteria set by the European Commission. At the prevailing year end exchange rate the cash balance included in the statement of financial position is £916,294 (2017: £1,432,408) and the grant received in advance is £924,642 (2017: £1,440,913).

19. Financial liabilities

	Group 2018 £	Group 2017 £	**Company 2018 £**	Company 2017 £
Current liabilities				
Baron Loan	**200,000**	–	**200,000**	–
Costain Loan	**163,344**	–	**–**	–
	363,344	–	**200,000**	–
Non-current liabilities				
Baron Loan	**–**	200,000	**–**	200,000
Moyle Investments	**200,000**	–	**200,000**	–
	200,000	200,000	**200,000**	200,000

Baron Loan
Following repayment and cancellation of a loan with Baron Oil dated 5 January 2017 loan, Baron remains entitled to receive an additional £200,000 in the event of a sale or disposal by InfraStrata or its subsidiaries, IMEL and InfraStrata UK, of substantially all of their assets, which comprise interests in the Islandmagee gas storage project, and/or a change in control of InfraStrata, IMEL or InfraStrata UK, within two years from the date of the loan agreement.

Under IAS 39 – Financial Instruments the Company is required to recognise the fair value of this contingent settlement financial liability at inception and to subsequently recognise the liability at its amortised cost. The full liability of £200,000 is now recognised as a short-term financial liability in the consolidated statement of financial position, as this liability will expire in January 2019.

At inception, IAS 39 requires that the liability initially recognised be deferred thus creating a corresponding asset which is amortised as an expense to the consolidated statement of comprehensive income the over the two year period from 5 January 2017.

Amortisation for the year ended 31 July 2018 of £100,000 has been classified as a finance expense in the statement of comprehensive income. The remaining asset of £42,000 continues to be recognised as a deferred liability, but is now classed entirely within current assets as it will be fully amortised within twelve months of this report.

Costain Loan
In April 2018, IMEL concluded a Secured Development Loan Agreement with Costain Oil, Gas & Process Limited ("Costain"). Costain is the principal contractor in the FEED programme and in return for its services to IMEL, it agreed to provide a secured loan so as to facilitate the further development of the Islandmagee gas storage project. The loan is secured on the assets of Islandmagee Energy Limited. At 31 July 2018 the Costain loan required to be repaid, together with accrued interest of 10% per annum, on the earlier of FID being taken to proceed with the Project; or any sale of IMEL or the Project itself; or 31 July 2019. The loan terms were amended on 25 September 2018 to change the backstop date from 31 July 2019 to 31 December 2019.

At 31 July 2018, IMEL had drawn down £163,344 of this loan and this is disclosed as short-term borrowings in the Group accounts.

Moyle Investments
In December 2017, the Company's wholly-owned subsidiary, InfraStrata UK Limited increased its ownership in IMEL from 90% to 100% by acquiring the remaining 10% interest from Moyle Energy Investments Limited at par value. In recognition of the support by Moyle of the gas storage project at Islandmagee, InfraStrata plc will pay Moyle £200,000 on first storage of gas.

20. Cash and cash equivalents

	Group 2018 £	Group 2017 £	**Company 2018 £**	Company 2017 £
Cash at bank	**1,790,979**	1,548,169	**1,671,002**	1,545,779

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.

21. Trade and other payables

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade creditors	**560,803**	71,889	**555,822**	64,935
Preference shares (note 23)	**12,500**	12,500	**12,500**	12,500
Other taxation and social security	**7,474**	18,949	**7,474**	18,949
Other creditors	**13,135**	–	**–**	–
Accruals	**246,611**	46,287	**229,425**	20,802
	840,523	149,625	**805,221**	117,186

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

22. Financial assets and liabilities

The Group and Company's financial instruments comprise cash and cash equivalents, long and short-term borrowings and items such as trade and other receivables and trade and other payables which arise directly from the Group's operations. The Group's operations expose it to a variety of financial risks including credit risk, interest rate risk, foreign currency exchange risk and liquidity 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 staff.

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. The Group has held all funds in Bank of Scotland during the last two years. In the directors' view there is a low risk of the bank holding the Group's funds at year end failing in the foreseeable future.

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

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade and other receivables	**26,978**	70,349	**26,978**	70,349
Due from subsidiary undertakings	**–**	–	**8,831,740**	7,113,671
Cash and cash equivalents	**1,790,979**	1,548,169	**1,671,002**	1,545,779

The reconciling items between the trade and other receivables presented above and that presented in note 17 are VAT receivable and prepayments. No receivables are past due but not impaired.

Interest rate risk

The Company and Group are exposed to interest rate risk as a result of positive cash balances, denominated in sterling and in euros, which earn interest at variable rates. Any surplus cash is held on deposit with Bank of Scotland. An effective interest rate increase or decrease by 1% on the cash and cash equivalents balance at year end would result in a before tax financial effect of an increase or decrease of £17,910 (2017: £15,482).

As disclosed in note 19, the Group and Company's long-term borrowings at 31 July 2018 bear interest at a fixed rate of 10% per annum.

Foreign currency risk

At 31 July 2018, €1.04million (£916,294) of the funds received in advance in respect of a grant for the FEED study on Islandmagee gas storage project was held in a Euro denominated bank account. Euro suppliers are being paid directly from the Euro account to reduce foreign currency risk and otherwise drawdown amounts are converted into sterling using the best available market rates. Entitlement to draw down from the Euro grant is subject to strict criteria set by the EU and this is closely monitored before any transactions take place.

The currency risk disclosures are as follows:

	Group 2018 Euros	Group 2017 Euros
Cash and cash equivalents	**£916,294**	£1,432,408
Grant received in advance	**(£947,357)**	(£1,440,913)
Trade payables and accruals	**(£114,060)**	–

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

22. Financial assets and liabilities continued

Liquidity risk

The total carrying value of Group and Company financial liabilities is disclosed in note 19 (financial liability) and in note 21 (trade and other payables). The Company seeks to issue share capital, gain loan funding and/or dispose of assets when external funds are required. The reconciling items between the contractual maturities presented below and that presented in notes 19 and 21 are taxes and accruals. The following table shows the contractual maturities of the Group's and Company's financial liabilities, all of which are measured at amortised cost.

	Group 2018 £	Group 2017 £	**Company 2018 £**	Company 2017 £
Trade & other payables				
Within one month	**560,803**	71,889	**555,822**	64,395
More than one month less than one year	**–**	–	**–**	–
Financial liability (Note 19)				
Within one month	**–**	–	**–**	–
More than one month less than one year	**363,344**	–	**200,000**	–
More than one year	**200,000**	–	**200,000**	–

23. Share capital and redeemable preference shares

Share capital classed as equity

	Number	**2018 £**	Number	2017 £
Ordinary shares of 0.01p	**1,032,607,285**	**103,261**	376,041,599	37,604
Deferred shares of 1p	**895,424,391**	**8,954,244**	895,424,391	8,954,244
Second deferred shares of 0.01p	**18,616,118,301**	**1,861,612**	18,616,118,301	1,861,612
		10,919,117		10,853,460

Allotted, called up and fully paid
Ordinary shares

	1p Ordinary Shares Number	£	0.01p Ordinary Shares Number	£	Total £
At 31 July 2016	188,041,599	1,880,416	–	–	1,880,416
Share subdivision	(188,041,599)	(1,880,416)	188,041,599	18,804	(1,861,612)
Issue of 0.01p Ordinary shares	–	–	188,000,000	18,800	18,800
At 31 July 2017	–	–	376,041,599	37,604	37,604
Issue of 0.01p Ordinary Shares		656,565,686	65,657	65,657	
At 31 July 2018	–	–	1,032,607,285	103,261	103,261

Allotted, called and fully paid
Deferred Shares

	1p Deferred Shares Number	£	0.01p Second Deferred Shares Number	£	Total £
At 31 July 2016	895,424,391	8,954,244	–	–	8,954,244
Share subdivision	–	–	18,616,118,301	1,861,612	1,861,612
At 31 July 2017 and 31 July 2018	895,424,391	8,954,244	18,616,118,301	1,861,612	10,815,856

Redeemable preference shares of £1 each
(classified as liabilities)

	Allotted called up and part paid Number	£
At 31 July 2018, 2017 and 2016	50,000	12,500

On 20 October 2017, the Company issued 125,000,000 shares of 0.01 penny at 0.4 pence each to raise £500,000 and incurred expenses of £42,414. Further, on 30 January 2018 the Company issued another 125,000,000 shares of 0.01 penny at 0.3 pence each to raise £375,000, with expenses of £27,500. These shares were also accompanied by 62,500,000 warrants exercisable at 0.6p. Finally, on 10 April 2018 and 30 April 2018, the Company issued 266,265,387 and 119,151,279 shares of 0.01 penny at 0.24 pence each to raise a total of £925,000 with expenses of £46,250. These shares were also accompanied by 192,708,333 warrants exercisable at 0.48p.

At various dates through the year, 14,030,304 shares were issued to directors at a market value of £63,000 (see note 6) and 7,118,716 shares were issued to suppliers in respect of fees due extinguishing liabilities of £26,750.

Details of share issues post year end are given in note 29.

23. Share capital and redeemable preference shares continued

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

Authorised share capital
The Company's articles do not specify an authorised share capital.

Objectives, policies and processes for managing capital
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to achieve its operational objectives.

The Group defines capital as being share capital plus reserves. The Board of Directors monitors the level of capital as compared to the Group's forecast cash flows and long-term commitments and when necessary issues new shares. Dilution of existing shareholder value is considered during all processes which may result in an alteration of share capital in issue.

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

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

24. Merger reserve

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

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

25. Share based payment reserve

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

A share-based payment plan was created in the year ended 31 July 2008 and the options granted were Enterprise Management Incentive share options for qualifying employees. These options have now lapsed following the departure of these employees and there was a transfer out of £616,096 from the share based payment reserve to reflect this during the year.

There were 30,000,000 new options issued in February 2018, details of which are included in note 7. An expense of £6,847 was charged to the P&L in respect of these options and the same value transferred in to the share based payment reserve.

For further information on the share based payment scheme see note 7.

26. Warrant reserve

The reserve for warrants was created during the year and used to record the fair value of warrants issued, as described in note 23. The fair value of the warrants was calculated using the Black-Scholes methodology, with the following inputs:

- Share price volatility – 105%
- Warrant life – January 2018 issue – 1 year; April 2018 issue – 3 years
- Future dividends over the life of the warrants – none
- Risk free interest rate – based on return on 5 year gilts at the date of issue – 1 to 1.1%
- Early exercise – assumed when the share price is expected to be twice the warrant exercise price

The volatility was determined by reference to past volatility over a period similar to the warrant lives.

27. Reconciliation of liabilities arising from financing activities

Group

	As at 1 August 2017	Cash-flows	Non-cash movement	Transfer	**As at 31 July 2018**
Short term liabilities					
Baron Loan	–	–	–	200,000	**200,000**
Costain Loan	–	163,344			**163,344**
Non-current liabilities					
Baron Loan	200,000	–		(200,000)	**–**
Moyle Investments	–	–	200,000	–	**200,000**
	200,000	163,344	200,000	–	**563,344**

27. Reconciliation of liabilities arising from financing activities continued

The non-cash movement relates to the obligation to pay Moyle Investments £200,000 on first storage of gas in recognition of the support by Moyle of the gas storage project at Islandmagee. The cost of this is written off directly in Group equity.

Company

	As at 1 August 2017	Cash-flows	Non-cash movement	Transfer	**As at 31 July 2018**
Short term liabilities					
Baron Loan	–	–	–	200,000	**200,000**
Non-current liabilities					
Baron Loan	200,000	–		(200,000)	**–**
Moyle Investments	–	–	200,000	–	**200,000**
	200,000	–	200,000	–	**400,000**

The non-cash movement relates to the obligation to pay Moyle Investments £200,000 on first storage of gas in recognition of the support by Moyle of the gas storage project at Islandmagee. The asset arising on the recognition of this liability was an increase in the inter-company balance due from Islandmagee Energy Limited's immediate parent company.

28. Related party transactions

The executive services of Graham Lyon are provided through Soncer Limited, a private Oil and Gas leadership consulting firm, in which Graham is sole Director. The executive fees paid during the period were £16,000 and the balance outstanding at 31 July 2018 was £2,400 including VAT.

Prior to his employment in June 2018, the consultancy services of John Wood were provided through Teramar Limited, in which John is sole Director. Consulting and advisory fees including expenses during the period were £48,000 and the balance outstanding at 31 July 2018 was £nil.

Prior to his employment as Chief Financial Officer in June 2018, the consultancy services of Andy Duncan were provided through Semper Consulting Limited, in which Andy is Director. Consulting and advisory fees including expenses during the period were £28,000 and the balance outstanding at 31 July 2018 was £nil.

Prior to her employment in June 2018, the advisory and non-executive services of Judith Tweed were provided through her sole trader business St Ronans, based in Islandmagee. Advisory and non-executive fees including expenses during the period were £10,947. The balance outstanding at 31 July 2018 was £nil.

Company

The Company has related party relationships with its subsidiaries in the course of normal operations. InfraStrata plc recovered overhead, technical and project management costs from Islandmagee Energy Limited (formerly Islandmagee Storage Limited – see note 29) of £660,946 (2017: £520,513). Gross balances due to/from subsidiaries were £Nil (2017: £Nil) / £17,250,063 (2017: £15,531,994). The amounts due from Group undertakings, which are unsecured, are stated net of an impairment provision of £8,418,323 (2017: £8,418,323).

29. Events after the reporting period

Since the 31 July 2018, the following warrants have been exercised:

- On 24 August 2018, 10,416,666 warrants at 0.48p;
- On 29 August 2018, 5,833,333 warrants at 0.6p;
- On 29 August 2018, 4,166,666 warrants at 0.48p;
- On 4 September 2018, 4,166,666 warrants at 0.48p;
- On 29 November 2018, 18,617,666 warrants at 0.6p;
- On 6 December 2018, 333,333 warrants at 0.6p;
- On 11 December 2018, 1,049,000 warrants at 0.6p;
- On 14 December 2018 1,356,162 warrants at 0.48p;
- On 17 December 2018 4,693,466 warrants at 0.6p;
- On 2 January 2019 1,768,838 warrants at 0.48p;
- On 3 January 2019 6,139,867 warrants at 0.6p;
- On 3 January 2019 4,508,427 warrants at 0.48p;
- On 4 January 2019 5,000,000 warrants at 0.6p.

In total 68,050,090 warrants have been exercised, bringing the total consideration received for warrants exercised to £376,640.45.

In August 2018, Adrian Pocock stepped down from the Chief Executive position in favour of John Wood. After a period of handover, Mr Pocock subsequently left the Company on 12 September 2018. The Chairman's Statement and the Strategic Report note activities since the financial year close of 31 July 2018.

On 25 September 2018 the repayment date of the Costain loan facility was amended from 31 July 2019 to 31 December 2019.

29. Events after the reporting period continued

In October 2018 the Company changed the name of its gas storage project company Islandmagee Storage Limited, which is owned 100% by InfraStrata, to Islandmagee Energy Limited.

On 2 October 2018 InfraStrata plc disposed of its net profits interests in three offshore UK oil and gas licences (the "Net Profits Interests") to Westmount Energy Limited for a consideration of £100,000. No value was previously ascribed to the net profits interests in the Company's financial statements.

On 29 October 2018 InfraStrata plc's 100% owned subsidiary, Islandmagee Energy Limited exercised some historic options to purchase land that is required to progress the Islandmagee gas storage project (the "Project").

Lot Number	Purchase Price	Completion Date
1	£116,000.00	15.04.19
1.1	£66,000.00	15.04.19
2	£88,000.00	15.04.19
5	£210,000.00	Completed 31.12.18
5.1	73,802.00	Completed 31.12.18

The Company's existing cash resources were used to finance the purchase of lots 5 and 5.1 and in conjunction with its discussions for the next phase of Project funding, the Company is exploring new sources of finance for those lot acquisitions due for completion by 15 April 2019.

In November 2018, 3,253,660 shares were issued as consideration for services provided by contractors at a weighted average price of 0.5694p.

On 24 December 2018, the Company incorporated Islandmagee Energy Hub limited as a new wholly-owned subsidiary of InfraStrata UK Limited.

30. Control of the Group

There is no ultimate controlling party of InfraStrata plc.

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