Portland Gas plc

Interim report
31 January 2008

Portland Gas plc

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Portland Gas plc

Directors, secretary and advisors

Directors	Kenneth Maurice Ratcliff *(Non-executive Chairman)* Andrew David Hindle *(Chief Executive Officer)* Craig Stuart Gouws *(Chief Financial Officer)* Walter Rookehurst Roberts *(Legal and Commercial Director)* Mark Anthony William Abbott *(Non-executive Director)* Maurice Edward Hazzard *(Non-executive Director)*
Company secretary	Walter Rookehurst Roberts
Registered office	Blackstable House Longridge Sheepscombe Stroud Gloucestershire, GL6 7QX
Principal office	80 Hill Rise Richmond Surrey, TW10 6UB
Financial advisors	NM Rothschild & Sons New Court St Swithins Lane London, EC4P 4DU
Auditors	Nexia Smith & Williamson 1 Bishops Wharf Walnut Tree Close Guildford Surrey, GU1 4RA
Tax advisors	Smith & Williamson Limited 1 Bishops Wharf Walnut Tree Close Guildford Surrey, GU1 4RA
Registrars	Capita IRG Plc The Registry 34 Beckenham Road Beckenham Kent, BR3 4TH
Nominated advisor and broker	Seymour Pierce Limited 20 Old Bailey London, EC4M 7EN
Solicitors	Norton Rose LLP 3 More London Riverside London, SE1 2AQ
Bankers	Bank of Scotland 155 Bishopsgate London, EC2M 3YB
Financial public relations	Buchanan Communications Limited 45 Moorfields London, EC2Y 9AE

Portland Gas plc

Overview and highlights

- Successful admission to AIM on 17 January 2008, following demerger from oil and gas exploration business of Egdon Resources Plc, to form an independent sub-surface gas storage company
- Anticipated planning permission decision for Portland Project by Dorset County Council now imminent
- Expressions of interest received from potential Portland Project joint venture partners
- Successful acquisition of 3D seismic programme for Larne Project in Northern Ireland
- Environmental Impact Assessment for Larne Project now underway
- Recruitment programme has increased staff numbers to facilitate new project development and support the Portland and Larne Project programmes
- Cash position - £3.6 million
- Net asset position - £14.6 million

CEO and Chairman's statement

On 17 January 2008 Portland Gas demerged from the oil and gas exploration business of Egdon Resources Plc to form an independent sub-surface gas storage company listed on AIM and now enters an exciting phase of the Company's development.

The Company has long recognised the need for additional gas storage capacity within the UK as the demand for natural gas increases and indigenous supplies continue to fall. The UK no longer produces sufficient gas from the North Sea to meet its own demands and therefore imports gas from abroad. In the coming years the UK needs additional gas storage capacity in order to manage supply efficiently during peak periods of demand such as during a prolonged cold snap. Portland Gas' strategy is to identify and develop sites for the underground storage of gas in sub-surface salt caverns.

Portland Gas awaits the decision of Dorset County Council in respect of its planning applications to develop sub-surface gas storage facilities from a brown field site on the Isle of Portland in Dorset submitted on 29 March 2007. On 6 February 2008 the planning committee of Weymouth & Portland Borough Council ('WPBC') voted unanimously to support the planning application for the gas storage facility on Portland subject to Dorset County Council ('DCC'), the determining authority for the planning application, being satisfied with the applications for the gas storage and other facilities associated with the Project. Portland Gas anticipates that a decision will be made by the DCC planning committee very shortly. The authorisation for the construction of the pipeline infrastructure required for the project is the responsibility of the Department of Business, Enterprise and Regulatory Reform.

Portland Gas intends to become a significant operator of sub-surface gas storage caverns within the UK and subsequently to extend that capability into other European countries. In the short term Portland Gas hopes to receive planning permission from Dorset County Council and then immediately embark upon fund raising in order to commence construction work after award of contracts. The construction has been tendered in three packages. Tenders were received separately for the pipelines and facilities during January 2008 and are currently being evaluated. Tenders for the drilling rigs were received during February 2008.

The current estimate for the construction cost is £500 million. Full construction of the project is anticipated to take seven years with initial gas storage operations commencing in 2011 after a phased construction process. Capacity is planned to increase each year thereafter until reaching full operational capacity in the winter of 2015.

NM Rothschild & Sons were appointed in 2006 to determine the most appropriate financing structure. Rothschild has recently launched, on behalf or Portland, a process to select one or more joint venture partners to develop the project together with Portland. This process would allow bidders to submit offers to fund those development costs of the Project attributable to the bidders' interest in the Project and in addition to fund a share of the costs otherwise attributable to Portland. The process would form part of a Third Party Access compliant structure under the Gas Act. The process has already seen expressions of interest submitted to Rothschild from a number of potential joint venture partners.

The Company continues to develop other gas storage projects, in particular the Larne Lough project in Northern Ireland, in order to broaden its portfolio and enhance shareholder value. Portland Gas announced today the results of the 3D seismic programme acquired during October and November 2007 by its wholly owned Northern Ireland subsidiary Portland Gas NI Limited.

The interpretation of the data has indicated that the Permian salt sequence encountered in 1981 in the Larne-2 borehole extends as anticipated under Larne Lough into the area where Portland Gas was granted an exploration licence in 2007 by The Crown Estate. Interpretation of the seismic data indicates that the salt in the target area is at a depth of approximately 1400 metres with a thickness of approximately 200 meters. Portland Gas is now planning to drill a borehole later in 2008 on Islandmagee to confirm the seismic interpretation and to take cores of the salt sequence to complete the design of the caverns to store natural gas. The Company is seeking a suitable site from which to drill the borehole within the area of its onshore mineral licence, awarded in 2007 by Department of Enterprise Trade and Investment, near Ballylumford.

CEO and Chairman's statement *(continued)*

The Company is also negotiating terms with a strategic partner to take a 25-35% interest in the project. Portland Gas will be the operator of the proposed joint venture.

Portland Gas is now undertaking an Environmental Impact Assessment with the intention of submitting a full planning application for the gas storage project in Q2 2009, subject to concluding any necessary landowner agreements. The Company will liaise closely during 2008 with all stakeholders to ensure that the surface facilities required to create the caverns and compress the gas into store are located in the most appropriate place and designed to minimise visual and environmental impact. The caverns would be created within the salt sequence below Larne Lough but accessed from directionally drilled boreholes on the land. The nearest point of connection to the national gas infrastructure is at the Scotland to Northern Ireland Pipeline above ground installation at Ballylumford.

Network, market, technical and economic analyses are underway to determine the most appropriate storage capacity and the gas injection and withdrawal rates for the facility. Initial studies indicate that the facility could have a storage volume up to 500 million cubic metres (18 billion cubic feet) of gas. In this case some reinforcement of the current gas infrastructure will be required to manage the injection and withdrawal of gas and provide sufficient flexibility to meet demand spikes for customers.

Portland Gas will ensure that the capacity availability is Third Party Access compliant under Northern Ireland and European legislation. It is anticipated that a proportion of the capacity in the facility would be made available under long-term contracts to facilitate the debt financing of the project, however the majority would be auctioned on an annual basis. Customers could be based in Northern Ireland, the remainder of the UK or the Republic of Ireland.

Portland Gas has progressed in building up its staff levels to manage the Portland and Larne Projects and develop new venture opportunities. In addition to the UK the Company is focusing its new venture activities on the liberalised gas markets of Europe and North America.

The Group has recorded a loss for the six month period ended 31 January 2008 of £798,170. This loss is considerably in excess of that incurred during the previous period due in the main to the non-recurring impact of demerger and re-admission costs. In addition, the Company has embarked upon a successful recruitment programme to prepare itself for the next phase of development and this has resulted in an increase in staff costs.

At 31 January 2008 the carrying value of our investment in the Portland Project amounted to £10.5 million and a further £1.1 million had been invested in the Larne Project. The Company's cash and net asset positions are £3.6 and £14.6 million respectively at the period end.

The Company is looking forward to an exciting year ahead and is in a strong position to react without delay to developments in respect of each of our main storage projects. Our small team of dedicated staff continue to work effectively and we would like to take this opportunity to thank them and our shareholders for their support. The Company's management team remain focused upon broadening the business and enhancing shareholder value. We look forward to meeting the challenges that lie ahead.

Ken Ratcliff – Non-executive Chairman
Andrew Hindle – Chief Executive Officer
31 March 2008

CONSOLIDATED INCOME STATEMENT for the six months ended 31 January 2008

	Notes	Six months ended 31 January 2008 Unaudited £	Six months ended 31 January 2007 Unaudited £	Year ended 31 July 2007 Unaudited £
Continuing operations				
Revenue		-	-	-
Cost of sales		-	-	-
Gross profit/(loss)		-	-	-
Administrative expenses		(927,433)	(110,800)	(351,708)
Operating loss		(927,433)	(110,800)	(351,708)
Investment revenues		129,263	1,933	143,193
Loss before taxation		(798,170)	(108,867)	(208,515)
Taxation		-	-	-
Loss for the period	3	(798,170)	(108,867)	(208,515)

Portland Gas plc

CONSOLIDATED BALANCE SHEET as at 31 January 2008

	Notes	31 January 2008 Unaudited £	31 January 2007 Unaudited £	31 July 2007 Unaudited £
Non-current assets				
Intangible assets		11,605,687	5,400,829	9,049,439
Equipment		54,617	-	4,400
Total non-current assets		11,660,304	5,400,829	9,053,839
Current assets				
Trade and other receivables		430,250	88,192	328,336
Cash and cash equivalents	7	3,650,735	6,188,878	3,436,695
Available for sale assets		50,000	-	-
Total current assets		4,130,985	6,277,070	3,765,031
Current liabilities				
Trade and other payables		(1,211,887)	(200,678)	(1,441,298)
Net current assets		2,919,098	6,076,392	2,323,733
Net assets		14,579,402	11,477,221	11,377,572
Shareholders' funds				
Share capital	4,5	6,780,184	117,782	117,782
Merger reserve		8,988,112	11,650,514	11,650,514
Retained earnings		(1,188,894)	(291,075)	(390,724)
		14,579,402	11,477,221	11,377,572

Portland Gas plc

CONSOLIDATED CASH FLOW STATEMENT for the six months ended 31 January 2008

	Notes	Six months ended 31 January 2008 Unaudited £	Six months ended 31 January 2007 Unaudited £	Year ended 31 July 2007 Unaudited £
Net cash (used in) operating activities	6	(1,630,839)	(4,185,537)	(4,682,415)
Investing activities				
Interest received		129,263	1,933	143,193
Purchases of intangible assets		(2,175,794)	(1,357,168)	(3,748,890)
Purchase of equipment		(58,590)	-	(4,843)
Purchase of financial assets		(50,000)	-	-
Net cash (used in) investing activities		(2,155,121)	(5,540,772)	(3,610,540)
Financing activities				
Proceeds on issue of ordinary shares		4,000,000	11,768,196	11,768,196
Net cash generated from financing activities		4,000,000	11,768,196	11,768,196
Net increase in cash and cash equivalents		214,040	6,227,424	3,475,241
Cash and cash equivalents at beginning of year		3,436,695	(38,546)	(38,546)
Cash and cash equivalents at end of year	7	3,650,735	6,188,878	3,436,695

Cash and cash equivalents consist of:

Cash in hand and at bank		3,650,735	6,188,878	3,436,695
Bank overdraft		-	-	-
		£3,650,735	£6,188,878	£3,436,695

NOTES TO THE INTERIM RESULTS for the six months ended 31 January 2008

1. General information

Portland Gas plc ('the Company' and ultimate parent of the Group) is a public limited company listed on the Alternative Investment Market (AIM) of the London Stock Exchange and incorporated in England. The registered office is Blackstable House, Longridge, Sheepscombe, Stroud, Gloucestershire, GL6 7QX.

Portland Gas plc and its subsidiaries intend to make a significant contribution to the UK's energy infrastructure and have been established to acquire and develop a portfolio of salt cavern gas storage assets in the United Kingdom and internationally.

This interim report was authorised for issue by the directors on the 31 March 2008.

Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the period covered by this interim report.

Basis of preparation

Portland Gas plc an AIM listed entity adopted International Financial Reporting Standards (IFRS) and IFRIC Interpretations expected to be effective in July 2008 as the basis for preparation of its financial statements from the 1 August 2007, with a date of transition of 1 August 2006. The financial information has been prepared under the historical cost convention as modified by the revaluation of certain financial assets. The Group's previous published financial information contained in the Portland Gas plc AIM admission document dated 9 November 2007 for the year ended 31 July 2007 was prepared under IFRS. The Group has not presented reconciliations of UK GAAP to IFRS as required by IFRS1, 'First time adoption of International Financial Reporting Standards' as there are no material reconciling items.

Accounting policies, consistent with those used in the Company's admission document dated 9 November 2007, have been applied in this Interim Report.

Non-statutory accounts

The unaudited results contained in this document do not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. Copies of the statutory accounts of the relevant Group companies for the year ended 31 July 2007 have been delivered to the Registrar of Companies. The audit reports on those accounts were unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and did not contain a statement under Sections 237(2)-237(3) of the Companies Act 1985. The first statutory accounts for Portland Gas plc will be in respect of the period ended 31 July 2008.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

NOTES TO THE INTERIM RESULTS for the six months ended 31 January 2008 *(continued)*

Impairment of intangible assets

An impairment test is performed annually or 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 gas sales. The present value of future cash flows is calculated on the basis of future gas prices and cost levels as forecast at the balance sheet date.

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

Basis of consolidation

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

Business combinations and goodwill

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

With effect from 16 January 2008 a new parent company was introduced to the group via a share for share exchange between the new parent company Portland Gas plc and the former parent company Egdon Resources plc.

The introduction of a new holding company does not result in the addition of any new businesses to the group, and as such it falls outside of the scope of IFRS 3. Therefore, it has been accounted for using merger accounting principles. As a result, although the group reconstruction did not become effective until January 2008, the consolidated financial statements of Portland Gas plc are presented as if Portland Gas plc and its subsidiaries as defined in note 9 had always been part of the same group. Accordingly, the financial information for the current period has been presented, and that for the prior periods restated, as if the subsidiaries had been owned by Portland Gas plc throughout the current and comparative accounting periods.

Similarly the introduction of intermediate holding companies in December 2006 has been accounted for using merger accounting principles as these did not result in the addition of any new businesses to the Group.

The results for the period ended 31 January 2007 incorporate the results of Portland Gas Storage Limited for the six months ended 31 January 2007 and the results of the subsidiaries incorporated during the period from their dates of incorporation as set out in note 9 to 31 January 2007. The results for the year ended 31 July 2007 incorporate the results of Portland Gas Storage Limited for the year ended 31 July 2007 the results of the subsidiaries incorporated during the period from their dates of incorporation to 31 July 2007.

The results for the period ended 31 January 2008 incorporate the results of the subsidiary entities for the six months ended 31 January 2008 and the results of Portland Gas plc from 25 October 2007 to 31 January 2008.

NOTES TO THE INTERIM RESULTS for the six months ended 31 January 2008 *(continued)*

Gas storage research and development costs

Research expenditure is written off in the year in which it is incurred. Costs of development of gas storage facilities are capitalised as intangible assets. No amortisation will be provided until the storage facility is brought into commercial use. An impairment review is undertaken at the end of each accounting period and any expenditure that is no longer considered recoverable is written off through the income statement. Cost capitalisation of development costs commences once it is probable that future economic benefits that are attributable to the asset will flow to the Group.

Taxation

Tax expense represents the sum of the tax currently payable and any deferred tax. No tax is currently payable being based upon the taxable result for the year. The taxable result differs from the net result as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

Foreign currency

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

NOTES TO THE INTERIM RESULTS for the six months ended 31 January 2008 *(continued)*

Equipment

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

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following basis:

Equipment - 33%

Leases

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

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

Financial instruments

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

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

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.
Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

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

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

NOTES TO THE INTERIM RESULTS for the six months ended 31 January 2008 *(continued)*

2. **Segment information**

The Group has only one material reportable business segment, which is the development of gas storage facilities in the United Kingdom. All operations are classified as continuing.

3. **Loss per share**

	Six months ended 31 January 2008 p	Six months ended 31 January 2007 p	Year ended 31 July 2007 p
Basic	(1.19)	(0.18)	(0.33)

The calculation of basic loss per share is based upon loss of £0.80m (January 2007: £0.11m, July 2007: £0.21m) divided by the weighted average number of ordinary shares in issue of 67,089,549 (January 2007: 61,262,674, July 2007: 63,392,512), being the Egdon Resources Plc weighted average number of shares in issue for the respective periods.
In accordance with IAS 33, diluted earnings per share calculations are not presented as assumed conversion of outstanding share options would be anti-dilutive.

4. **Reconciliation of movement in capital and reserves**

Reconciliation of movement in capital and reserves	Share capital £000	Merger reserve £000	Retained earnings £000	Total £000
Balance at 31 July 2006	0.1	-	(182)	(182)
Issue of ordinary shares	118	11,650	-	11,768
Loss for the period	-	-	(109)	(109)
Total recognised income and expenses	-	-	(109)	(109)
Balance at 31 January 2007	118	11,650	(291)	11,477
Loss for the period	-	-	(100)	(100)
Total recognised income and expenses	-	-	(100)	(100)
Balance at 31 July 2007	118	11,650	(391)	11,377
Issue of ordinary shares	40	3,960	-	4,000
Portland Gas plc capitalisation	6,622	(6,622)	-	-
Loss for the period	-	-	(798)	(798)
Total recognised income and expenses	-	-	(798)	(798)
Balance at 31 January 2008	6,780	8,988	(1,189)	14,579

NOTES TO THE INTERIM RESULTS for the six months ended 31 January 2008 *(continued)*

	31 January 2008 £	31 January 2007 £	31 July 2007 £
5. **Called up share capital**			
Authorised			
15,000,000 ordinary shares of £0.01 each	-	150,000	150,000
100,000,000 ordinary shares of 10p each	10,000,000	-	-
50,000 redeemable preference shares of £1 each (classified as liabilities)	50,000	-	-
Allotted, called up and fully paid			
11,778,196 ordinary shares of £0.01 each	-	117,782	117,782
67,801,840 ordinary shares of 10p each	6,780,184	-	-
50,000 redeemable preference shares of £1 each (classified as liabilities)	50,000	-	-

2005 – Share capital of Portland Gas Storage Limited

Portland Gas Storage Limited (formerly Portland Gas Limited) was incorporated on 15 February 2005 with an authorised share capital of 100 Ordinary shares of £1 each.

On incorporation, 100 ordinary shares of £1 were issued at par for aggregate cash consideration of £100.

2007 – Share capital of Portland Gas A Limited

On 15 December 2006, Portland Gas Limited was incorporated as Portland Gas Storage Limited with an authorised share capital of 15,000,000 ordinary shares of 1p each, the company changed its name on the 22 December 2006. Portland Gas Limited changed its name to Portland Gas A Limited on the 15 January 2008.

On 20 December 2006, one ordinary share representing the entire issued share capital was transferred to Egdon Resources Plc (now re-named Egdon Resources U.K. limited). On the same day the company acquired from Egdon Resources by means of a share for share exchange the entire issued share capital of Portland Gas Holdings Limited by issuance of 9,999 ordinary shares of 1p each. The nominal value of the consideration shares was £100.

On 25 January 2007, Egdon Resources U.K. Limited subscribed for 11,768,196 ordinary 1p shares in Portland Gas A Limited with a nominal value of £117,682 for aggregate cash consideration of £11,768,196. On the 26 October 2007 Egdon Resources U.K. Limited subscribed for 4,000,000 ordinary shares of 1p each in Portland Gas A Limited at £1 per share.

NOTES TO THE INTERIM RESULTS for the six months ended 31 January 2008 *(continued)*

5. **Called up share capital (continued)**

2008 – Share capital of Portland Gas plc

Portland Gas plc was incorporated as New Portland PLC on the 25 October 2007 with an authorised share capital of 500,000 ordinary shares of 10p each. On the 6 November 2007 the authorised share capital was increased from £50,000 to £10,050,000 by the creation of 99,500,000 additional ordinary shares of 10p each and 50,000 redeemable preference shares of £1 each.

The 50,000 redeemable preference shares of £1 each issued on the 6 November 2007 are held by Egdon Resources U.K. Limited and one quarter of the nominal value is paid up.

In order to enable the demerger of Egdon Resources and Portland Gas to occur a Scheme of Arrangement was implemented to introduce New Egdon PLC as the holding company of Egdon Resources U.K. Limited. Under the Scheme of Arrangement, Egdon shareholders on the register of Egdon exchanged their Egdon Shares for New Egdon Shares on the basis of one New Egdon share for each Egdon Share. As a result New Egdon became the ultimate holding company of the Egdon Group and all of its shares were owned by former Egdon Shareholders.
The demerger was effected by a reduction in the capital of New Egdon as follows:
(a) the capital of New Egdon was reduced by reducing the nominal value of each New Egdon Share by an amount determined by the Directors;
(b) New Egdon transferred the whole of the issued share capital of Portland Gas to New Portland such that it came to own the Gas Storage Business; and
(c) the New Egdon shareholders at the Demerger Record Time were allotted and issued one New Portland share, credited as fully paid, for each New Egdon share then held resulting in 67,801,838 ordinary shares of 10p being allotted on the 16 January 2008.
Former Egdon Shareholders thus came to hold one New Egdon Share and one New Portland Share for every one Egdon share formerly held by them.

6. **Cash (used in) operations**

	Six months ended 31 January 2008	**Six months ended 31 January 2007**	**Year ended 31 July 2007**
	£	**£**	**£**
Operating loss for the year	(927,433)	(110,800)	(351,708)
Depreciation	8,373	-	443
(Increase)/Decrease in debtors	(101,913)	245,810	5,666
(Decrease) in creditors	(609,866)	(4,320,547)	(4,336,816)
Cash (used in)/ generated from operations	(1,630,839)	(4,185,537)	(4,682,415)

NOTES TO THE INTERIM RESULTS for the six months ended 31 January 2008 *(continued)*

	31 January 2008 £	31 January 2007 £	31 July 2007 £
7. **Cash and cash equivalents**			
Cash at bank and in hand	543,329	488,878	117,319
Short term bank deposits	3,107,406	5,700,000	3,319,376
	3,650,735	6,188,878	3,436,695

8. **Post Balance Sheet Events**

Larne project
The interpretation of the 3D seismic data acquired during October and November 2007 has indicated that the Permian salt sequence encountered in 1981 in the Larne-2 borehole extends as anticipated under Larne Lough into the area where Portland Gas was granted an exploration licence in 2007 by The Crown Estate. Interpretation of the seismic data also indicates that the salt in the target area is at a depth of approximately 1400 metres with a thickness of approximately 200 meters. The Company is now planning to drill a borehole later in 2008 on Islandmagee to confirm the seismic interpretation and to take cores of the salt sequence to complete the design of the caverns to store natural gas.

9. **Control of the Group**

The largest Group in which the results of the company are consolidated is that headed by Portland Gas plc as detailed in note 5 (31 January 2007, 31 July 2007; Egdon Resources Plc renamed Egdon Resources U.K. Limited). It is the ultimate holding company and is incorporated in Great Britain and registered in England.

Subsidiaries
A list of the Group's subsidiaries is given below. The entire share capital of the companies listed is held within the Group, allowing for the position where subsidiary undertakings are owned by intermediate subsidiary undertakings.

Holding company	Country of incorporation
Portland Gas A Limited	England
Portland Gas Holdings Limited	England
Gas Storage and Infrastructure	
Portland Gas Storage Limited	England
Portland Gas NI Limited	Northern Ireland
Portland Gas NV Limited	England
Portland Gas Transportation Limited	England

On 15 December 2006, Portland Gas Holdings Limited was incorporated with an authorised share capital of £1,000 divided into 100,000 Ordinary Shares of 1p each. On 20 December 2006 one Ordinary Share of 1p representing the entire issued share capital was transferred to Egdon Resources U.K. Limited.

NOTES TO THE INTERIM RESULTS for the six months ended 31 January 2008 *(continued)*

9. **Control of the Group (continued)**

On the same date Portland Gas Holdings Limited acquired, by means of a share for share exchange, the entire issued share capital of 10,000 Ordinary 1p shares of Portland Gas Storage Limited (formerly Portland Gas Limited) from Egdon Resources U.K. Limited.

On 15 December 2006, Portland Gas Transportation Limited was incorporated with an authorised share capital of £1,000 divided into 100,000 Ordinary Shares of 1p each. On 20 December 2006, one Ordinary Share of 1p representing the entire issued share capital was transferred to Portland Gas Holdings Limited.

On 15 December 2006, Portland Gas Limited was incorporated (as Portland Gas Storage Limited) with an authorised share capital of £150,000 divided into 15,000,000 Ordinary Shares of 1p each. The company changed its name to Portland Gas A Limited on the 16 January 2008. On 20 December 2006, one Ordinary Share of 1p representing the entire issued share capital was transferred to Egdon Resources U.K. Limited.

On the same date Portland Gas A Limited acquired from Egdon Resources U.K. Limited by means of a share for share exchange the entire issued share capital of 10,000 Ordinary 1p shares of Portland Gas Holdings Limited.

On 15 December 2006, Portland Gas NV Limited was incorporated with an authorised share capital of £1,000 divided into 100,000 Ordinary Shares of 1p each. On 20 December 2006 one Ordinary Share of 1p representing the entire issued share capital was transferred to Portland Gas A Limited.

Portland Gas NI Limited was incorporated under the Companies Act (Northern Ireland) Order 1986 on 15 June 2006 as Sarcon (No. 220) Limited. Portland Gas A Limited acquired the total number of shares in issue for £2 on 26 January 2007. The name of the company was changed to Portland Gas NI Limited on 30 January 2007.

10. **Publication of the interim report**

This interim report is available on the Company's website www.portland-gas.com.