

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000, as amended, ("FSMA") who specialises in advising on the acquisition of shares and other securities. This document, which has been drawn up in accordance with the AIM Rules for Companies, does not constitute an offer to the public in accordance with section 85 of FSMA and is not a prospectus for the purposes of the Prospectus Rules. Accordingly, this document has not been and will not be pre-approved by the Financial Services Authority pursuant to section 85 of FSMA.

If you have sold or transferred all of your shares in Egdon Resources Plc, please send this Admission Document, together with the accompanying documents and proxy forms, at once, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Company and the Directors, whose names appear on page 6 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge of the Company and the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The information in this document has been prepared solely for the purpose of Admission and it is not intended to inform or be relied upon by any purchasers of shares in the Company (whether on or off market) and accordingly, no duty of care is accepted in relation to them by the Company, its Directors or Seymour Pierce.

Application will be made for the whole of the issued ordinary share capital of the Company to be admitted to trading on AIM, a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. It is emphasised that no application is being made for admission of the New Portland Shares to the Official List of the United Kingdom Listing Authority. AIM securities are not admitted to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

Subject, *inter alia*, to the Scheme of Arrangement becoming effective, it is expected that the New Portland Shares will be admitted to trading on AIM and dealings will commence on 16 January 2008. Upon Admission, all the New Portland Shares will rank *pari passu* in all respects and will rank in full for all dividends or other distributions declared, made or paid after the date on which they are issued. The New Portland Shares are not dealt on any recognised investment exchange and no other applications have been or are being made for such shares to be traded on any other investment exchange.

New Portland PLC to be renamed

PORTLAND GAS PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered No 6409712)

Nominated Adviser, financial adviser and broker

SEYMOUR PIERCE LIMITED

Expected ordinary share capital on Admission

Authorised			Issued and fully paid	
Number	Amount		Number	Amount
100,000,000	£10,000,000	<i>New Portland Shares of 10p each</i>	67,801,840	£6,780,184

These figures represent the expected issued and fully paid up ordinary share capital of the Company on Admission based on 67,801,840 Egdon Shares in issue at 7 November 2007 (the latest practicable date before publication of this document).

The Ordinary Shares have not been, and will not be, registered under the US Securities Act in reliance upon the exemption from the registration requirements of the US Securities Act provided by section 3(a)(10) thereof. The New Portland Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Portland Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

The distribution of this document in jurisdictions other than the UK may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Seymour Pierce Limited is acting exclusively for Egdon, New Egdon and New Portland and for no one else in connection with the matters described herein and will not be responsible to anyone else for providing the protections afforded to customers of Seymour Pierce or for advising any other person on the contents of this document or any matter referred to herein. No representation or warranty, express or implied, is made by Seymour Pierce Limited as to any of the contents of this document.

Seymour Pierce Limited has been appointed to act as nominated adviser and broker to the Company in accordance with the AIM Rules. Seymour Pierce Limited's responsibilities as the nominated adviser to the Company are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person, whether in respect of any decisions to acquire New Egdon Shares in reliance on any part of this document or otherwise.

THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING CIRCULAR. YOU SHOULD READ THE WHOLE OF THE TEXT OF THIS DOCUMENT. YOUR ATTENTION IS SPECIFICALLY DRAWN TO THE SECTION ENTITLED "RISK FACTORS" SET OUT IN PART II OF THIS DOCUMENT.

Contents

	<i>Page</i>
Admission Statistics	2
Expected timetable of principal events	2
Definitions	3
Directors, Secretary and Advisers	6
PART I Information on New Portland	7
PART II Risk Factors	16
PART III Financial Information	23
PART IV Summary of the Proposals	46
PART V Additional Information	48

Admission Statistics

Number of New Portland Shares in issue	67,801,840
ISIN	GB00B28YMP66
AIM Symbol	PTG

Expected timetable of principal events

Expected time and date New Portland Shares will be admitted to trading on AIM	8.00 a.m. on 16 January 2008
CREST member accounts credited with New Portland Shares	8.00 a.m. on 16 January 2008
Despatch of share certificates of New Portland Shares	by 25 January 2008

Definitions

The following definitions apply throughout this document, unless the context requires otherwise:

“Act”	Companies Act 1985, as amended
“Admission”	the admission of the New Portland Shares to trading on AIM becoming effective in accordance with the AIM Rules
“Admission Document”	an admission document prepared in accordance with the AIM Rules for Companies
“AIM”	AIM, a market of the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies and/or the AIM Rules for Nominated Advisers, as the context requires
“AIM Rules for Companies”	the rules and guidance notes contained in parts one and two respectively of the booklet entitled AIM Rules for Companies published by the London Stock Exchange, as amended or reissued from time to time
“AIM Rules for Nominated Advisers”	the rules contained in the booklet entitled AIM Rules for Nominated Advisers published by the London Stock Exchange, as amended or reissued from time to time
“Articles” or “New Portland’s Articles”	the Articles of Association of the Company
“Board of New Portland” or “New Portland Directors”	the directors of New Portland
“CA 2006”	the Companies Act 2006, as amended
“Circular”	the circular to Egdon Shareholders accompanying this document
“Combined Code”	the Combined Code on Corporate Governance
“Companies Acts”	the Act and/or the CA 2006, as the context requires
“Court”	the High Court of Justice in England and Wales
“Court Meeting”	the meeting of holders of Egdon Shares convened by order of the Court under section 425 of the Companies Act 1985, notice of which is set out in the Circular and any adjournment of that meeting
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 2001) in respect of which CRESTCo is the operator
“CRESTCo”	Euroclear UK & Ireland Limited (formerly trading as CRESTCo Limited), the operator of CREST
“Demerger”	the proposed demerger of the Gas Storage Business as described in this document and the Circular
“Demerger Record Time”	6.00 a.m. on 16 January 2008 or such other time and/or date as may be determined by the Directors

“Directors” or “Board”	the directors of the Company whose names are set out on page 6 of this document
“Egdon”	the company currently called Egdon Resources Plc (registered number 03424561) and which, prior to the Demerger becoming effective, is the owner of both the Oil and Gas Business and the Gas Storage Business
“Egdon Cancellation of Share Premium”	the proposed cancellation of Egdon’s share premium account under section 135 of the Companies Act, as described in Part II of the Circular
“Egdon Extraordinary General Meeting”	the extraordinary general meeting of Egdon Shareholders, notice of which is set out in the Circular
“Egdon Group”	Egdon and its subsidiaries, prior to the Demerger
“Egdon Shareholder(s)”	a holder(s) of Egdon Shares
“Egdon Shares”	ordinary shares of 1p each in the capital of Egdon
“FSMA”	the Financial Services and Markets Act 2000, as amended
“Gas Storage Business”	the division of Egdon comprising the companies owning the gas storage business of the Egdon Group, being Portland Gas and its subsidiaries
“Larne Lough Project”	the proposal by Portland Gas, subject to confirming technical viability and obtaining planning permission, to create a gas storage facility below Larne Lough in Northern Ireland by creating caverns within a Permian salt sequence
“London Stock Exchange”	London Stock Exchange plc
“New Egdon”	New Egdon PLC (to be renamed Egdon Resources plc), the holding company of the Oil and Gas Business following the Demerger
“New Egdon Group”	New Egdon and its subsidiaries following the Demerger
“New Egdon Reduction of Capital”	the proposed reduction of capital of New Egdon under section 135 of the Companies Act 1985
“New Egdon Share(s)”	ordinary shares of 230p each in the capital of New Egdon
“New Portland” or “the Company”	New Portland PLC (to be renamed Portland Gas plc), the holding company of the Gas Storage Business following the Demerger
“New Portland Group”	New Portland and its subsidiaries following the Demerger
“New Portland Share(s)”	ordinary shares of 10p each in the capital of New Portland
“Official List”	the Official List of the UK Listing Authority
“Oil and Gas Business”	the division of the Egdon Group involved in oil and gas exploration and production activities, including all the Egdon Group companies not included within the Gas Storage Business

“Portland Gas”	the company currently called Portland Gas Limited (registered number 06030387) and which, prior to the Demerger, is the subsidiary of Egdon holding the Gas Storage Business
“Portland Project”	the proposal by Portland Gas, subject to obtaining planning permission, to create a gas storage facility on Portland, Dorset, comprising 14 caverns to be created within a Triassic salt sequence
“Portland Group”	Portland Gas and its subsidiaries, prior to the Demerger;
“Proposals”	the proposals for the introduction of New Egdon as the holding company of Egdon and the Demerger, as described in the Circular and summarised in Part IV of this document
“Prospectus Rules”	the prospectus rules made by the Financial Services Authority pursuant to section 73A of FSMA
“Registrar”	Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH
“Reorganisation”	the introduction of New Egdon as the holding company of Egdon pursuant to the Scheme of Arrangement and the reduction of capital of Egdon provided for by the Scheme of Arrangement and the Egdon Cancellation of Share Premium
“Scheme of Arrangement”	the scheme of arrangement under section 425 of the Companies Act 1985 set out in Part V of the Circular in its present form or with or subject to any modification, addition or condition approved or imposed by the Court
“Scheme Record Time”	6.00 p.m. on the day before the date on which the Scheme of Arrangement becomes effective
“Scheme Shares”	has the meaning given in the Scheme of Arrangement
“Seymour Pierce”	Seymour Pierce Limited
“UK Listing Authority”	the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“US Securities Act”	the US Securities Act of 1933, as amended

Directors, Secretary and Advisers

Directors	Kenneth Maurice Ratcliff (<i>Non-executive Chairman</i>) Andrew David Hindle (<i>Chief Executive Officer</i>) Craig Stuart Gouws (<i>Chief Financial Officer</i>) Walter Rookehurst Roberts (<i>Legal and Commercial Director</i>) Mark Anthony William Abbott (<i>Non-executive Director</i>) Maurice Edward Hazzard (<i>Non-executive Director</i>)
Company Secretary	Walter Rookehurst Roberts
Registered office	Blackstable House Longridge Sheepscombe Stroud Gloucestershire GL6 7QX
Nominated adviser and broker	Seymour Pierce Limited 20 Old Bailey London EC4M 7EN
Solicitors to the Company	Norton Rose LLP 3 More London Riverside London SE1 2AQ
Solicitors to the nominated adviser	Nabarro Lacon House 84 Theobald's Road London WC1X 8RW
Auditors and reporting accountants	Nexia Smith & Williamson 1 Bishops Wharf Walnut Tree Close Guildford Surrey GU1 4RA
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TH

PART I

Information on New Portland

1. Introduction

Egdon Resources Plc, a UK based energy company which was primarily focused on the hydrocarbon-producing basins of the onshore UK, was listed on AIM on 21 December 2004. Egdon developed two distinct businesses: an oil and gas exploration and production business (initially focused on the UK onshore) and a gas storage business (initially focused on developing a salt cavern gas storage facility in Dorset). The directors of Egdon believe that it is the best interests of both distinct businesses that they be demerged by way of Scheme of Arrangement and each business be listed separately on AIM. The demerged companies will provide a focused use of capital and management resources to maximise shareholder value. The demerged Gas Storage Business will exploit opportunities for UK and international growth in addition to the construction of the Portland gas storage facility. The demerged Oil and Gas Business will have a programme of field development and new exploration drilling opportunities within the existing portfolio with the potential to add significant value in the future.

This document has been prepared on the basis that the Demerger has become effective. New Portland is a newly-formed company established for the purpose of the Proposals which will become the holding company for the Gas Storage Business after the Demerger. Both New Egdon and New Portland are to be admitted to AIM.

To avoid confusion in this document, Egdon Resources Plc as it exists today (prior to the implementation of the Proposals) is referred to as "Egdon" and the new Oil and Gas Business holding company that will take the "Egdon Resources Plc" name after the Proposals are implemented is referred to as "New Egdon". The new holding company for the Gas Storage Business is referred to as "New Portland" and will take the name "Portland Gas plc" after the Proposals are implemented.

This document, which is an Admission Document of New Portland, is prepared in accordance with the AIM Rules for Companies and gives information on New Portland in support of its application to be admitted to trading on AIM. It describes New Portland after the Reorganisation and Demerger have taken place. Admission is conditional upon the Demerger becoming effective and is expected to take place on 16 January 2008.

2. The Gas Storage Business

New Portland intends to make a significant contribution to the UK's energy infrastructure and has been established to acquire and develop a portfolio of gas storage assets in the UK and internationally.

New Portland currently has two active projects:

- Portland Project, Dorset; and
- Larne Lough Project, Northern Ireland.

3. Portland Project, Dorset

New Portland is seeking permission to build a natural gas storage facility on Portland, Dorset and to install the other infrastructure necessary to take and return gas to the National Grid's gas network. To obtain permission for the project, Portland Gas submitted in March 2007 a total of seven applications, one to the Department of Trade and Industry (now known as the 'Department For Business Enterprise & Regulatory Reform') for the pipeline and a further six to Dorset County Council for the permanent facilities and the temporary storage areas for the pipeline during construction.

At a depth of 2,400 metres under Portland there is a very thick layer of Triassic rock salt (halite), 220 million years old. This salt can be dissolved safely and quickly using seawater to create secure, impermeable caverns to store natural gas. The thickness, extent and suitability of the salt were proven by Portland Gas following the acquisition of seismic data in 2005 and the drilling of a borehole in 2006.

New Portland hopes to create 14 of these caverns, which will provide safe storage for 1,000 million cubic metres of gas – equivalent to 1 per cent. of the UK's total annual demand; a big contribution to Britain's energy security. The facility is being designed to completely fill or empty within 50 days.

3.1 *UK Gas Storage*

The business of New Portland is driven by the need to achieve security and maintain flexibility in the nation's energy supply. Natural gas is an extremely important source of energy, currently contributing 37 per cent. of the UK's energy needs. The nation has come to rely on gas for domestic and industrial use and for electricity generation.

Over the last 40 years, the UK has relied heavily on its North Sea resource of natural gas. That resource of a secure and sustainable gas flow has limited the need to provide significant storage volumes, since daily and seasonal demands for gas have been accommodated by the flexibility of supplies close to shore. This relative luxury is becoming less and less sustainable as the nation becomes increasingly reliant on less flexible imported gas, the outcome of which is that in order to maintain control of supply and demand requirements, the need for a substantial portfolio of natural gas storage facilities is now a national issue.

Opportunities for a safe and environmentally friendly method of storing gas are relatively few. Gas storage is not an uncommon requirement since, from Victorian times, gas derived from coal/coke has been stored in our towns and cities in the form of gas holders. The UK would need tens of thousands of new gas holders around the country for the level of storage required by the middle of the next decade. The Directors do not believe this is a realistic solution today in environmental or commercial terms.

One of the safest and most environmentally friendly methods of storing large quantities of gas is deep underground. A detailed understanding of the deep-lying geological formations resulting from deep drilling over 70 years or more has enabled the Directors to target these formations.

One such geological opportunity for storing gas is offered by deep-lying salt formations within which caverns can be created by dissolving ("leaching") the salt under controlled conditions to create voids into which gas can be stored. Some of the earliest caverns were developed in Yorkshire in the 1970s and this method of storage is widely used in other parts of Europe. Other opportunities arise in porous rocks such as depleted oil and gas fields.

3.2 *The Project*

The key elements of a gas storage project in the UK are:

- a location for the underground storage caverns and the surface infrastructure required to operate gas storage and retrieval; and
- a connecting point into National Grid's Gas Transmission System from and into which the gas will be transmitted together with an underground pipeline linking the connection point on the National Grid with the gas storage facility.

There are very few areas in the UK with suitable geology to develop a gas storage facility. A thick salt sequence with the right rock mechanical properties is present in the Weymouth and Portland area. The site for the Portland Project is brownfield and offers an opportunity to construct a facility with a storage capacity that the Directors believe will significantly improve the security of gas supplies in the UK.

The component parts of the project are:

- the gas storage facility at Upper Osprey, Portland Port. The site for the caverns and surface facilities was determined by the geology (the presence of suitable underground salt beds, and proximity to the sea in order to construct the caverns with injected seawater and to facilitate discharge of the resulting dissolved salt as brine) and a presence of a suitable brownfield site;
- an underground 36-inch steel gas pipeline between Mappowder and Upper Osprey. The National Grid connection point is at Mappowder, some 18km north east of Dorchester, this being the nearest technically available point of entry;

- a brine wellsite at Stafford Farm, near West Stafford, with a connecting brine pipeline to Upper Osprey. An essential component with gas storage is to maintain a minimum pressure in the caverns during fluctuations in the amount of gas being stored. This can be done by maintaining a fixed volume of “cushion” gas that never leaves the caverns to maintain the minimum pressure. An alternative is to use brine to create a constant pressure operation. In this case, gas withdrawn is replaced by an equivalent volume of brine and if gas is injected, an equivalent volume of brine is withdrawn. The Dorset geology has a suitable brine aquifer within the Triassic, known as the Sherwood Sandstone. Oil exploration drilling in the 1990s identified an area where it has the right properties beneath the route for the gas pipeline. This and favourable economic considerations, contributed towards New Portland’s decision to utilise brine instead of “cushion” gas. To withdraw and inject brine into the aquifer requires a wellsite with boreholes drilled into this geological formation at a depth of 1,400 metres and linked to Portland by a separate brine pipeline;
- an underground 30-inch glass-reinforced-plastic pipeline between Stafford Farm and Upper Osprey. This will be laid in the same trench as the gas pipeline for the onshore section;
- a gas pipeline above ground installation (AGI) at Mappowder. The underground gas pipeline requires a surface infrastructure at each of its connection points;
- a block valve station near Osmington. This is a safety feature located close to the land/sea pipeline interface; and
- associated temporary pipe storage areas and contractors’ temporary facilities at the Mappowder AGI, Bourne Park and near Broadmayne, required for the construction of the onshore section of the pipeline.

3.3 *Environmental and Regulatory Applications*

The Environmental Statement that accompanied the planning applications submitted by Portland Gas provided a comprehensive assessment of the potential impact of all the component parts of the project. The statement sets out proposed mitigation measures to neutralise or reduce any potential adverse impact to an acceptable level.

The statement was produced by a team of specialists in each of their subjects, compiled into a comprehensive environmental assessment as a result of a programme of close interaction within the team and between the team and New Portland over two years. Regular informal meetings have been held with the planning authorities and key Government agencies, which has enabled the project design to be steered towards the most environmentally acceptable solution. The New Portland Group continues to respond to questions raised as part of the planning consultation process prior to a determination of the applications by Dorset County Council and Department for Business Enterprise & Regulatory Reform.

Dorset County Council is co-ordinating consideration of the applications on behalf of the numerous councils and agencies involved. The time required for consideration has taken longer than originally expected following the need to supply additional supporting information to the applications, for example extensive new archaeological fieldwork, geotechnical and other surveys and the adoption of additional environmental mitigation measures. However, these works and designs have been completed and New Portland now expects a planning decision to be made during the first quarter of 2008.

3.4 *Project Design and Operation*

The Front End Engineering Design, managed by Penspen Limited, was completed during September 2007. Following a process of pre-qualification for the construction of the pipelines and facilities, Portland Gas issued an Invitation To Tender Package to the short listed companies at the beginning of October 2007. NM Rothschild & Sons Limited is assisting the New Portland Group with the financing for the project.

Portland Gas Storage Limited, a subsidiary of the New Portland Group, will own and operate the gas storage facility and lease out space in “Standard Bundled Units” to utility companies, gas producers and gas traders.

A network analysis has been undertaken for the New Portland Group by consultants Advantica and the flow conditions for the entry point at Mappowder for the Portland Project have been modelled. Data used was sourced from National Grid's industry-compiled 10 year statement which reflects up to date views on supply and demand forecasts for the UK.

The analysis found that a gas storage facility in the Portland area is in a good strategic location on the National Grid, being able to support the south and south west of England, where no other storage of this nature exists. It was found that supplying gas from Portland provided considerable benefit to the National Grid in supporting the system by providing a supply of gas into an area having lower pressures and, as a consequence, there was a considerably reduced requirement for compression within the National Grid.

In addition, assuming the majority of the gas is put into storage in the summer (and similar other lower demand conditions away from the peak demand) and then emptied from storage in the winter (at or towards peak conditions), emptying gas from the Portland Project will have the effect of reducing the peak design flows through the south and south west of the network. This will provide pressure support to this part of the system and reduce compression requirements and the need for network reinforcement within the National Grid.

The Portland Project gas storage facility will be the most southerly located merchant storage facility in the UK and will be one of the largest in terms of gas in store, injection and withdrawal capability. The pipeline will be a significant (privately funded) enhancement to the National Grid to support the physical and strategic supply of gas to both the south and southwest of England most notably in times of high or peak demand.

The Portland Project gas storage facility could also provide pressure support to the two new gas fired electricity power stations in the region, thereby also enhancing security of electricity supply to the parts of the south and southwest of England.

Ongoing activity and expenditure is being undertaken so that construction can commence in the first quarter of 2008, assuming grant of planning permission for the project by this time. The pipeline is expected to be laid in 2009, and first gas operations are expected to commence during 2011 on completion of the surface facilities. All the storage space is planned to be available during 2015.

4. Larne Lough Project, Northern Ireland

Egdon announced in July 2007 that its wholly owned subsidiary, Portland Gas NI Limited, was being granted an exploration licence from The Crown Estate to evaluate the suitability of a Permian salt sequence deep below Larne Lough, County Antrim, Northern Ireland to create caverns to store natural gas.

In 1981, a borehole, Larne-2, drilled close to the docks in Larne encountered a 113 metres thick sequence of Permian salt at a depth of 1,688 meters. New Portland is carrying out a seismic survey during November 2007, with the contractor IMC Geophysics International Limited, to confirm the extent of the salt sequence seen in the old borehole. Data will be acquired in the northern half of Larne Lough using shallow-draft boats and on roads adjacent to the Lough by vibroseis trucks.

Northern Ireland currently has no natural gas storage facilities and relies on an uninterrupted supply from overseas or the Republic of Ireland to ensure that all its gas demands are met. The Northern Ireland gas market has been growing significantly over recent years and without access to local gas storage facilities it could become vulnerable to supply disruptions. With no depleted gas fields in Northern Ireland, the Directors believe that the creation of salt caverns offers the best option to store significant quantities of gas. There is a limited distribution of salt beds in the subsurface of Northern Ireland and New Portland believes that the Larne region is the most prospective area.

The New Portland Group has already embarked on a comprehensive Environmental Impact Assessment ('EIA') which will be developed in consultation with all stakeholders as the project progresses. The EIA, which will thoroughly consider all aspects of the surrounding environment, is being undertaken by RPS (Ireland), the engineering and environmental consultant company. Technical support for the project is being provided by DEEP. Underground Engineering GmbH ('DEEP') and Geo International Limited. DEEP has developed a conceptual design for a cavern within the salt sequence

based upon the Larne-2 borehole. A number of factors will need to be considered in determining the number of caverns, and, the flexibility and size of a gas storage facility at Larne Lough, including the salt thickness, infrastructure capacity and the market.

If the distribution of the salt is confirmed, following the seismic programme, and a suitable surface site can be secured, a full planning application accompanied by an Environmental Statement will be prepared. New Portland will be consulting with stakeholders and local public groups over the coming year.

5. Financial information and current trading

Financial record

The trading record of the ongoing Gas Storage Business which has been extracted from the accountants' report set out in Part III of this document, is as follows:

Income Statement

	<i>31 July</i> <i>2007</i> £	<i>31 July</i> <i>2006</i> £	<i>31 July</i> <i>2005</i> £
Continuing operations			
Revenue	–	–	–
Cost of sales	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>
Gross profit/(loss)	–	–	–
Administrative expenses	<u>(351,708)</u>	<u>(132,450)</u>	<u>(51,560)</u>
Operating loss	(351,708)	(132,450)	(51,560)
Investment revenues	<u>143,193</u>	<u>1,581</u>	<u>220</u>
Loss before taxation	(208,515)	(130,869)	(51,340)
Taxation	<u>–</u>	<u>–</u>	<u>–</u>
Loss for the financial year	<u><u>(208,515)</u></u>	<u><u>(130,869)</u></u>	<u><u>(51,340)</u></u>

Portland Gas NV Limited holds 50,000 redeemable preference shares of £1 each in New Edgon. It is intended that such shares will be redeemed by New Edgon as soon as reasonably practicable after Admission. Apart from such shares the New Portland Group does not currently and will not hold any investments in non-wholly owned subsidiaries outside the New Portland Group on Admission.

On 5 November 2007, Portland commenced its planned 3D seismic acquisition programme in Larne Lough, Northern Ireland. IMC Geophysics is undertaking the survey which will cover approximately 10km² using shallow-draft boats on the Lough and vibroseis trucks on roads adjacent to the Lough.

6. Directors

The Board of New Portland at Admission will consist of three executive directors and three non-executive directors comprising the individuals set out below:

Directors

Kenneth Maurice Ratcliff, *Non-executive Chairman*

Ken, aged 57, is a Chartered Accountant with extensive finance and business experience. He is currently the accountant at Epsom College and at GDC UK Limited, an oil and gas industry seismic contractor. He was an audit manager with Touche Ross & Co in London before moving into accountancy and finance positions within the oil and gas industry in 1978. Ken has previously held senior management positions with Ensign Geophysics Limited, Seismic Geocode Limited, Tenneco Corporation and Merlin Geophysical Limited. He joined the Board of New Portland in 2007 and became Chairman in October 2007. Ken has been a non-executive director of Edgon since 2001.

Andrew David Hindle, Chief Executive Officer

Andrew, aged 45, is a highly experienced geologist with over 20 years worldwide experience. He holds a degree in Geological Sciences gained in 1983 from Leeds University and, following a year with BP, gained a MSc. degree in Petroleum Geology in 1985 from Aberdeen University. In 1998 he completed a PhD (part-time) through the Open University. He worked for Texaco from 1985 until 1996 on UK and international exploration and development projects, working overseas from 1990 to 1994. Subsequently, he worked for Anadarko Algeria Corporation from 1996 to 1997. In 1997 he became a founding director of Egdon and, following the Demerger, will be a non-executive director of New Egdon. Andrew has been the Chief Executive of the Portland Gas Group since 2005. Andrew is also a Director of Geofocus Limited, Toffee Limited, Eskbank Resources Limited and Eskbank Resources (Canada) Limited.

Craig Stuart Gouws, Chief Financial Officer

Craig, aged 40, is a Chartered Accountant and holds an engineering degree. He worked within the forestry sector in South Africa before qualifying as a Chartered Accountant with Ernst & Young in 2001. His finance experience includes working for major auditing organisations in senior financial positions in South Africa, the Middle East and the United Kingdom. Prior to joining Portland Gas in 2007, he worked for GE Medical Systems Limited.

Walter Rookehurst Roberts, Legal and Commercial Director

Walter, aged 56, is an oil and gas lawyer with a strong record in commercial and legal management. Walter qualified as a solicitor with Simmons & Simmons before joining Phillips Petroleum in 1980. He then worked for Lasmo in both the UK and in Australia where he set up its legal department. Walter was the principal negotiator for UK joint venture commercial negotiations and gas sales for Talisman Energy (UK) Limited (previously Bow Valley Petroleum (U.K.)) until 1995. More recently he was the London partner of Cummings & Co. and he is currently an executive director of Pinnacle Energy Limited and a non-executive director of Bow Valley Petroleum (UK) Limited and other related Bow Valley companies. Walter joined the Board of Egdon in 2001 as a non-executive director. He joined Portland Gas in an executive role in 2007.

Mark Anthony William Abbott, Non-executive Director

Mark, aged 46, is a geophysicist. He holds a degree in Exploration Sciences (Geology/Geophysics/Mining Engineering) gained in 1985 from the University of Nottingham. He worked for the British Geological Survey from 1985 to 1992 in the UK and overseas, mainly involved in onshore basin analysis in the UK. Between 1992 and 1996 he worked in the International Division of British Gas Exploration and Production Limited evaluating exploration and appraisal projects. From 1996 to 1997 he was employed by Anadarko Algeria Corporation as a Staff Exploration Geophysicist. In 1997 he became a founding director of Egdon and, following the Demerger, will be Managing Director of New Egdon. Mark is also a director of MA Exploration Services Limited, an exploration consulting company and Bishopswood Pavilion Limited and an owner of sports grounds.

Maurice Edward Hazzard, Non-executive Director

Maurice, aged 69, has extensive business experience in the oil and gas industry, particularly in large offshore projects. He has held senior positions with Phillips Petroleum, Hamilton Bros. Oil & Gas Limited and Halyard Offshore Limited. Between 1979 and 1989 Maurice was responsible for development of the Energy Division of the Tung Group of companies, based in Hong Kong, and during this period was Executive Chairman of Houlder Marine Drilling Limited. From 1989 to 1996 he was a consultant with Maritime Audit & Technical Services Limited, consulting to the international offshore oil and marine services industry. From 1996 to 1999 he was Chairman and CEO of PD Systems International Limited, a UK electronics manufacturer. Maurice joined the board of Portland Gas in September 2007. He is also non-executive Chairman of Orbitron Technologies Limited, a software company.

7. Lock-In Arrangements

Pursuant to and in accordance with Rule 7 of the AIM Rules, all the Directors and related parties (all as defined in the AIM Rules) who on Admission, are the holders of New Portland Shares, are prevented by the AIM Rules from disposing of any of the interests in New Portland Shares held by them for a period of 12 months from Admission. Accordingly, Kenneth Ratcliff, Andrew Hindle, Craig Gouws, Walter Roberts, Mark Abbott and Maurice Hazzard, who will, in aggregate, be interested in 14,377,258 New Portland Shares (representing 21.2 per cent. of the enlarged issued share capital) have undertaken to the Company and Seymour Pierce not to sell or dispose of any of their New Portland Shares for a period of 12 months from Admission.

Further details of the lock-in undertakings are set out in paragraph 9.5 of Part V of this document.

8. Corporate Governance

The Company intends, insofar as is practicable, taking into account its size, to comply with the relevant requirements of the Combined Code on Corporate Governance. In line with the Combined Code, the running of the Board of New Portland and the executive responsibility for the running of the Company's business is separated, with Kenneth Ratcliff acting as Non-executive Chairman of the Board and Andrew Hindle as Chief Executive Officer. Upon Admission, the Board will comprise 6 members, 3 of whom will be non-executive Directors.

The Board has appointed the following committees:

Audit Committee

This committee, which comprises Kenneth Ratcliff (chairman), Mark Abbott and Craig Gouws, will review the annual financial statements, internal control matters and the scope and effectiveness of external audit. Representatives of senior management and the external auditors will attend meetings, though such attendance is at the invitation of the committee. The external auditors have unrestricted access to the chairman of the committee. In addition, the committee will review the necessity for the establishment of an internal audit function but considers that, given the size of the Company and the close involvement of senior management in day-to-day operations, there is currently no requirement for such a function.

Remuneration Committee

This committee, which currently comprises Maurice Hazzard (chairman), Walter Roberts and Andrew Hindle, will determine the Company's executive directors' remuneration. Non-executive Directors' fees are considered and agreed by the Board of New Portland as a whole.

Nomination Committee

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

Share Dealing Code

The Company has adopted a share dealing code for the Directors and employees in accordance with the AIM Rules for Companies and will take proper steps to ensure compliance by the Board of New Portland and relevant employees.

9. Dividend Policy

It is the intention of the Directors to focus on capital growth and therefore Directors do not intend that New Portland will declare or pay a dividend in the foreseeable future.

10. Further information on the Demerger

Following the development of two distinct businesses by Egdon, being an oil and gas exploration and production business (initially focused on the UK onshore) and a gas storage business (initially focused on developing a salt cavern gas storage facility in Dorset), the Directors believe that it is in the best

interests of both distinct businesses that they be demerged by way of the Scheme of Arrangement and each business admitted to trading on AIM. Accordingly the Directors are proposing the Scheme of Arrangement.

If the Scheme of Arrangement becomes effective but the Demerger does not, New Egdon will become the new holding company of the Egdon Group and its shares will be traded on AIM, while its activities will comprise those of both the Oil and Gas Business and the Gas Storage Business of Egdon. In this event, the board of New Egdon will consider carefully whether it is in the best interests of New Egdon and its shareholders to continue to pursue the strategy of demerging the Gas Storage Business and, if so, the most effective means of doing so.

In the event that the Demerger becomes effective, each Egdon Shareholder will hold, for each Egdon Share held prior to the Demerger, one new ordinary share in New Portland and one new ordinary share in New Egdon. Both the New Portland Shares and the New Egdon Shares will be admitted to trading on AIM.

Further information on the Demerger is contained in the accompanying Circular and in Part IV of this document, and further information on the business and activities of New Egdon is contained in the accompanying Admission Document relating to New Egdon.

11. Relationship between New Egdon and New Portland

Following the Demerger and Admission, New Egdon and New Portland will operate as independent companies separately traded on AIM.

Any trading between the New Egdon Group and the New Portland Group will be on an arm's length basis and on normal commercial terms.

Following the Demerger becoming effective, Egdon will hold 50,000 redeemable preference shares of £1 each in New Portland, and Portland NV Limited will hold 50,000 redeemable preference shares of £1 each in New Egdon. These redeemable preference shares have been subscribed for the purposes of the Demerger. It is intended that these shares will be redeemed as soon as reasonably practicable following the Demerger. No other companies in the New Egdon Group are expected to hold shares in any other companies in the New Portland Group and no companies in the New Portland Group are expected to hold shares in any companies in the New Egdon Group following the Demerger becoming effective.

12. Employees

New Portland will have 8 employees upon the Demerger becoming effective. Since April 2007, Portland Gas has operated from a separate office (in Richmond, Surrey) to the oil and gas activities of Egdon (in Odiham, Hampshire).

All New Portland employees will be based at the Richmond office. Portland Gas makes extensive use of technical and environmental consultants, for example from organisations such as Penspen, DEEP Underground Engineering and RPS.

13. Taxation

Information regarding taxation is set out in paragraph 13 of Part V of this document. These details are intended as a general guide to the current tax position under UK taxation law. Any person who is in any doubt as to his or her position or who may be subject to tax in any jurisdiction other than the UK should consult their professional adviser.

14. Admission, dealings and CREST

Application will be made to the London Stock Exchange for the New Portland Shares to be admitted to trading on AIM. It is expected that Admission will take place and that dealings in the New Portland Shares will commence at 8.00 a.m. on 16 January 2008.

Application will be made to permit New Portland Shares to be settled through CREST with effect from Admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred other than by written instrument.

The CREST accounts of Egdon Shareholders who hold their Egdon Shares in uncertificated form will be credited with the appropriate number of New Portland Shares immediately following Admission.

Egdon Shareholders who hold their Egdon Shares in certificated form will receive certificates for their New Portland Shares by post. It is expected that these will be despatched at the holder's risk by 25 January 2008. In the case of joint holders, certificates will be dispatched to the joint holder whose name appears first in the register.

15. Further information

Further information regarding New Portland is set out in Parts II to V of this document. Further information on the Proposals, is set out in Part IV and in the Circular (which also includes a detailed expected timetable of events). Information concerning New Egdon is contained in the Admission Document relating to New Egdon which, along with the Circular and certain other documents, accompanies this document.

PART II

Risk Factors

Investors should carefully consider the risks described in Part II and all other information contained in this document. If any of the following risks actually occur, the Company's business, financial condition, trading performance and prospects may be substantially adversely affected and the future business success of the Company and/or achievement of the Company's strategic objectives could be endangered. In such case, the trading price of the New Portland Shares could decline and investors may lose all or part of their investment. The risk factors contained in this Part II should not be viewed as an exhaustive list. The risks below are not intended to be presented in any order of priority. Additional risks and uncertainties not presently known to the New Portland Group or that it currently deems immaterial may have a substantial adverse effect on the New Portland Company's business, financial condition, trading performance and prospects.

Uncertainty of achieving the business plan, future revenue and operating results

The New Portland Group's future revenue is difficult to forecast. If the New Portland Group does not achieve its expected revenue and/or does not manage to contain expenses at reasonable levels, the New Portland Group's results of operations may fall below expectations. As a result of the rapidly evolving nature of the New Portland Group's business and the New Portland Group's limited operating history, the Directors believe that any period to period comparisons of financial results are not necessarily meaningful and should not be relied upon as an indication of future performance. The New Portland Group does not expect to pay dividends for the foreseeable future. The New Portland Group's results of operations may not meet the future expectations of public market analysts or investors and the market price of the New Portland Shares could be substantially adversely affected.

Need to raise capital

The New Portland Group's projections are based on its ability to raise additional debt and equity financing in order to meet its planned capital expenditure requirements. The New Portland Group may not be able to secure such financing or it may not be available on commercially acceptable terms.

Limited operating history and track record of operating losses

The New Portland Group was established in 2005 and is operating in a new, emerging industry. The New Portland Group has a limited operating history and has incurred net losses to 31 July 2007 of approximately £0.4 million. These losses reflect its costs and the lack of revenue over the period. There can be no guarantee that New Portland will achieve profitability in the future.

Ability to manage growth

The New Portland Group is currently experiencing a period of rapid growth which has placed, and will continue to place, significant pressure on its management and financial resources. The New Portland Group's execution of its business plan and its future success will depend in part on the New Portland Group's ability to manage current and planned growth and expansion, the New Portland Group's success implementing its business plan and the New Portland Group's ability to attract, train, motivate and manage its employees. Any failure to manage the New Portland Group's current and planned growth may have a substantial adverse effect on the New Portland Group's business, financial condition, trading performance and prospects.

Dependence on key individuals

The loss of the services of any of the New Portland Group's Executive Directors would be disruptive to the New Portland Group's development plans, business relationships and development capabilities. As such, the loss of key personnel may have a substantial adverse effect on the New Portland Group's business, trading performance and prospects.

Gas storage and general operational risks

The New Portland Group is focusing on the development of underground gas storage facilities within salt sequences. Salt caverns have been used for storage of natural gas in Europe and the rest of the world for over 40 years and have proved to be a safe and efficient way of storing gas. The storage of natural gas in salt caverns formed part of the UK Government's Energy Review published in 2006, which included an expert report by the UK Health and Safety Executive (HSE) addressing the potential health and safety risks. This concluded that the hazards and risks associated with the storage of natural gas in salt caverns are well understood, that effective safety standards have been developed to ensure that the risks from future developments can be managed sensibly, and that the existing regulatory strategy for ensuring that the risks are properly controlled is robust.

Planning permission for the Portland Project will be sought from Dorset County Council (the Local Planning Authority) through the Town and Country Planning Act (1990). As the proposed quantity of natural gas to be stored on site exceeds the relevant threshold, an application for Hazardous Substances Consent (HSC) has also be made to the Hazardous Substances Authority (HSA), in this case Dorset County Council, which is required by statute to consult with the HSE, the parish council concerned, the Environment Agency (EA) and other bodies.

The major accident risks associated with accidental releases of gas (i.e. fires or explosions) will be controlled by the adoption of established industry standards and relevant good practice, developed over many years and incorporating input from industry and regulatory authorities. A gas explosion within a cavern is highly improbable, since the great depth of the caverns and their pressure will prevent the ingress of air required to form an explosive mixture. Recognised safety engineering techniques will be adopted at key stages of the project and isolation, protection and shutdown systems will be implemented as appropriate.

The New Portland Group will ensure that adequate engineering or procedural safeguards will be in place to control risks for major accident scenarios and will be required to demonstrate under The Control of Major Accident Hazards Regulations 1999 (COMAH) that risks are reduced to a level that is as low as reasonably practicable (ALARP). Before construction is allowed to proceed and again before operations are allowed to commence, the regulatory authorities must be satisfied that safety aspects have been properly addressed. Delays in this process with the regulatory authorities could cause delays to the construction and impact the projected future cashflow of the New Portland Group.

An initial assessment has been made by the Group of the hazards for a range of possible gas release scenarios, focusing on those that could have an impact off-site and estimates of the off-site levels of individual and societal risk. The site is remote from residential locations, and benefits from being within a larger area controlled by the Port of Portland. The report concludes that the highest level of individual risk at normally occupied residential locations lies well within the accepted limits for broadly acceptable risk, even for individuals present for 100 per cent. of the time.

The off-site contribution to the societal risk has been estimated assuming typical levels of occupation at each dwelling. The off-site contribution to the societal risk is very low and is well within the limits of broadly acceptable societal risk. However, it is recognised that in such a remote location, the overall societal risk will be dominated by the on-site contribution.

Despite operating best industry practice, the operations of the New Portland Group may be disrupted by the risks and hazards of operating a gas storage facility, for example, failure of the processing equipment could occur and, depending on the extent and duration of any failure, and the terms agreed with purchasers of storage capacity, it could expose the New Portland Group to liquidated damages.

Although the Company maintains and proposes to maintain insurance which it considers to be appropriate in accordance with industry practice, there may be circumstances where the Company's insurance will not cover or be adequate to cover the consequences of the events set out in the above paragraphs or where it may become liable for pollution or other operational hazards against which it either cannot insure or may have elected not to have insured on account of high premium costs or otherwise. Moreover, there can be no assurance that it will be able to maintain adequate insurance in the future at rates it considers reasonable.

Licences and other regulatory Issues

The New Portland Group's activities are dependent upon the grant and maintenance of appropriate licences, concessions, leases, permits and regulatory consents ("Authorisations") which may not be granted or may be withdrawn or made subject to conditions. Although the New Portland Group believes that the Authorisations will be renewed following expiry or granted (as the case may be) there can be no assurance that such Authorisations will be renewed or granted or as to the terms of such grants or renewals. In addition, if the terms of any Authorisation are breached, the licence holder could be fined or the licence could be revoked.

The areas covered by the Authorisations are or may be subject to agreements with the proprietors of the land, for example grants of easement or rights of wayleave for pipelines. If such agreements are not obtained on appropriate terms, or are breached, terminated, found void or otherwise challenged, the New Portland Group may suffer significant damage, as the project would not be able to operate as planned.

The New Portland Group has taken legal and other expert advice on the legal and regulatory issues relating to seeking new Authorisations, additional environmental impact costs and planning permissions. However, the New Portland Group is likely to incur additional legal, regulatory and third party costs for which the New Portland Group has currently only been able to provide for on the basis of best estimates. It is conceivable that the amounts provided for by the New Portland Group to deal with these issues may be insufficient and the additional costs might have an impact on future profitability.

Estimates of capacity and performance of gas storage facilities

The data relating to the capacity of the gas storage facilities referred to in this document are estimates. The estimates are expressions of judgement based on knowledge, experience and industry practice. They are therefore imprecise and dependant to some extent on interpretations, which may prove to be inaccurate. Storage capacity and performance may vary from these estimates and consequently impact upon estimates of future revenues, cash flows and development and operating expenditure.

Environmental risks and planning

The New Portland Group is exposed to environmental risks given the nature of its operations and an environmental situation could arise in the future which could affect the Company's profitability and its ability to pay dividends. The New Portland Group is subject to environmental laws and regulations in connection with its operations. Although the New Portland Group intends to be in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental leakages or other circumstances that could subject the New Portland Group to extensive liability.

Further, the New Portland Group may require approval from the relevant authorities before it can undertake activities which are likely to impact the environment, for example leaching the salt caverns. Failure to obtain such approvals will prevent the New Portland Group from undertaking its desired activities.

Environmental and safety legislation may change in a manner that may require stricter or additional standards than those now in effect, a heightened degree of responsibility for companies and their directors and employees and more stringent enforcement of existing laws and regulations.

The Portland Project requires planning approval from Dorset County Council for the gas storage facilities and the Department of Business, Enterprise and Regulatory Reform ("BERR") (formerly known as the Department of Trade and Industry) for authorisation to construct the pipeline connection to the National Grid. A number of applications were submitted seeking permission for the project in March 2007. Dorset County Council is co-ordinating consideration of the applications on behalf of the numerous councils and agencies involved. The time required for consideration has taken longer than originally expected following the need to supply additional supporting information to the applications, for example extensive new archaeological fieldwork, geotechnical and other surveys and the adoption of additional environmental mitigation measures. However, these works and designs have been

completed and the New Portland Group now expect a decision to be made during the first quarter of 2008. The New Portland Group might experience further delays, including rejection at the planning committee meeting making the determination. In the event of a rejection, the New Portland Group would need to embark on an appeal process which would affect future cash flow projections.

Decommissioning costs

The New Portland Group may become responsible for costs associated with decommissioning pipelines which it will use for the transportation of gas and brine to and from storage facilities or with site restoration requirements under environmental legislation. Should decommissioning and/or site restoration be required the costs could be significant. Any decommissioning/site restoration costs (if required) are likely to be incurred in the future. There are no immediate plans to establish a cash reserve for these potential costs, rather any costs of decommissioning and/or site restoration are expected to be paid from the revenue generated by the New Portland Group, given that the life of the project is anticipated to be at least 40 years.

Risk of forfeiture of the lease over the land on which the storage facilities are located

The New Portland Group does not hold the freehold of the land on which the storage facilities are located but leases it from Portland Port Limited pursuant to a 15 year lease, with the ability to renew the lease for up to 90 years from the date of the lease. The lease contains standard forfeiture provisions, and whilst the New Portland Group does not expect to breach any of these provisions, if it were to do so the landlord would have a right to forfeit the lease.

Requirement to obtain leases from all landowners whose land the pipeline will cross

The New Portland Group requires agreements and leases with various landowners in respect of the pipelines. If such leases are not completed to the satisfaction of both parties it may result in a delay to the construction of a pipeline.

Construction risks

The Portland Project will not be constructed by a single contractor under a turn-key engineering, procurement and construction (EPC) contract, with such contractor taking full responsibility to deliver the project. Instead, two separate contracts for the pipelines and facilities will be entered into with separate contractors. The New Portland Group will manage the drilling and leaching operations. This approach, which the New Portland Group believe to be the most cost effective and best to deliver the project, could give rise to greater construction risk. It is possible that delays or interference by one contractor will affect the other contractors who may then be able to make a claim against the New Portland Group.

There may be insufficient capacity in the construction market to enable the New Portland Group to obtain appropriate contracts and equipment according to the current timetable. If there is a shortage of contractors or equipment (e.g. drilling rigs) or the contract price increases, the New Portland Group's profitability may be adversely affected.

Volatility of gas and gas storage prices

The profitability of the New Portland Group's operations will be dependent, *inter alia*, upon the market prices of gas and gas storage which have fluctuated in the past. Gas and gas storage prices are affected by numerous factors beyond the control of the New Portland Group, including international economic and political conditions, levels of supply and demand which are impacted severely by weather, the discovery of gas offshore and currency exchange rates, the level of consumer product demand, the price and availability of alternative fuels and action taken by governments and other organisations. A reduction in the market price for gas storage provision could have a material adverse effect upon the New Portland Group's financial condition and result of operations. Movements in market prices could render uneconomic storage activities to be undertaken.

To maximise revenue in the medium term for the Portland Project, the New Portland Group intend not to fully contract its storage capacity on a long term basis as it believes the market price will firm as the UK become more dependent upon imports and whilst insufficient storage capacity to meet demand is available. However as a result, the revenue generated will therefore be more dependent on market prices for gas storage than if its capacity was fully contracted on a long term basis and will be affected by market fluctuations. Gas storage prices will be affected by the amount of swing capacity available in the market, the seasonal nature of demand for gas in the UK, changes in use for gas and extreme weather patterns. If demand for gas in the future becomes less seasonal (and more constant), the demand for gas storage is likely to decrease and the New Portland Group's profitability could be adversely affected. Fluctuation in gas price will affect the cost of operating the compressors.

Capital intensive nature of the gas storage projects

The projects which the New Portland Group intends to develop are highly capital intensive. The financial resources currently available to the New Portland Group will not allow it to complete its projects. It is anticipated that significant additional debt and/or equity funding will be sought. There can be no guarantee that the New Portland Group will be able to raise the additional funding, which may have an adverse effect on the development of the New Portland Group's projects. In addition, the costs of the New Portland Group's projects may overrun those estimated by the Directors or the projects may be delayed. Any of these events may prevent the New Portland Group from progressing such projects at all.

Competition and price risk

Gas storage opportunities are limited in terms of the availability of other potential sites for gas storage projects (for example in the UK there is only a limited number of depleted reservoirs that exist for potential conversion to gas storage or suitable areas for salt cavern development) and large multinational corporations may have the competitive advantage of size (in terms of comparative financial and technical resources) for developing new gas storage opportunities.

The discovery of new significant reserves of gas in the North Sea, or the development of numerous new storage facilities, may also impact adversely on the New Portland Group's business model by putting downward pressure on seasonal price variations due to an increased flexible supply in the market. There can be no guarantee that the summer/winter pricing differential, the underlying fundamental to gas storage profitability, will continue in line with the New Portland Group's expectations.

Geological and other technical risks

The New Portland Group depends upon the results of surveys and assessments in order to determine the suitability of a site for gas storage facilities. In the event that a survey proved to be incorrect in its findings or the actual geology of the site turned out to be significantly different to expectations, this could render the New Portland Group's projects unviable for use as gas storage facilities with the attendant exploratory costs to be met by the New Portland Group from its cashflows.

Key personnel

In order to develop, support and maintain the business, the New Portland Group must recruit and retain highly skilled employees with particular expertise. The implementation of the New Portland Group's strategic business plans could be undermined by a failure to recruit or retain key personnel, the unexpected loss of key senior employees, failures in the New Portland Group's succession planning, or a failure to invest in the development of key skills. Additionally, unless skills are supported by a sufficient infrastructure to enable knowledge and skills to be passed on, the New Portland Group risks losing accumulated knowledge if key employees leave the New Portland Group.

Dependence on the Directors

The New Portland Group's future success is dependent on the ability of the Directors to deal effectively with complex risks and relationships and execute the New Portland Group's business plan. The success of the New Portland Group is, and will continue to be, to a significant extent, dependent

on the expertise and experience of the Directors and the loss of one or more of the Directors could have a materially adverse affect on the New Portland Group. The success of the New Portland Group will depend on the ability of the Directors to interpret market and geological data correctly and to interpret and respond to economic, market and other conditions in order to locate and explore appropriate investment opportunities, monitor such investments and ultimately, if required, successfully divest such investments.

Litigation

The New Portland Group faces the risk of litigation in connection with the business. In general, liability for litigation is difficult to assess or quantify; recovery may be sought for very large and/or indeterminate amounts and the existence and magnitude of liability may remain unknown for substantial periods of time. Although the New Portland Group is not party to any material litigation at present, substantial legal liability in the future could have a material adverse effect on its business, results of operations and/or financial condition.

Third party access requirements for gas storage in the UK under the Gas Act 1986

Section 19B of the Gas Act 1986 applies the system of regulated third party access, established under the Second Gas Directive, to gas storage facilities in the UK. Section 19B applies to a gas storage facility unless or except to the extent that the facility has been granted an exemption by the relevant regulatory authority (Ofgem) and, in certain circumstances, the European Commission. The New Portland Group has decided for the present not to apply for an exemption from the requirements of Section 19B of the Gas Act 1986 in respect of the Portland Project. Broadly speaking, to comply with these requirements, the owner of a storage facility must: (a) annually publish the main commercial conditions governing storage of gas at the facility, and publish any changes to these conditions as soon as they become effective; (b) ensure that these conditions do not discriminate against any applicants or potential applicants for a right to have gas stored in the facility; and (c) negotiate in good faith with any applicant for storage capacity who provides notice that it requires access in accordance with Section 19B(5) and endeavour to reach agreement.

In addition, if the owner and applicant fail to reach an agreement, the applicant may request that Ofgem makes a direction on the matter. This direction can ultimately specify the conditions on which Ofgem considers the owner should enter into an agreement with the applicant for the storage of gas in the facility, including securing capacity for a period of time and regulating the sums charged for that capacity. It is therefore possible that the company could be directed by Ofgem to enter into contracts on different terms to those it had proposed.

No profit to date

The New Portland Group has incurred losses since its inception and it is therefore not possible to evaluate its prospects based on past performance. Since the New Portland Group intends to continue investing in the Portland and Larne Projects, and further new projects are anticipated in the future, the Directors anticipate making further losses for the foreseeable future.

There can be no certainty that the New Portland Group will achieve or sustain profitability or achieve or sustain positive cash flow from its activities.

Force Majeure

The New Portland Group's projects may be adversely affected by risks outside the control of the New Portland Group including labour unrest, civil disorder, war, subversive activities, sabotage, fires, floods, acts of God, explosions or other catastrophes.

Future share issues

It is possible that New Portland may decide to issue additional shares in the future, for example through a capital increase undertaken to fund an acquisition or for another purpose. An issue of a substantial number of shares, or the perception that such issues could occur, may substantially and adversely affect the market price of the shares irrespective of the New Portland Group's actual financial, trading or operational performance.

Expectation of volatile share price

Following Admission, the market price of New Portland Shares may be volatile. The New Portland Group's operating results may fluctuate significantly in the future due to a variety of factors, many of which are outside the New Portland Group's control.

Furthermore, stock markets in general have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies.

Lack of liquidity

Due to the limited volume of shares that may be offered for sale or purchase from time to time and the potentially limited number of prospective buyers or sellers of shares, there can be no guarantee that the market for the New Portland Shares will remain liquid or that all buy and sell orders for the shares will be fulfilled on a timely basis or at all. Any illiquidity of the shares may have a substantial adverse effect on the market price of the shares.

Investment in securities traded on AIM

The New Portland Shares will be admitted to AIM. An investment in shares traded on AIM may be less liquid and may carry a higher degree of risk than in investment in shares quoted on the main market of the London Stock Exchange. An investment in shares may be difficult to sell. Prospective investors should be aware that the price of shares may go down as well as up and that the market price of shares may not reflect the underlying value of the Company. New Portland shareholders may therefore realise less than, or lose all of, their investment in shares.

PART III

Financial Information

Part A: Accountants' Report on New Portland PLC

Nexia Smith & Williamson

The Directors
New Portland PLC (to be renamed Portland Gas plc)
80 Hill Rise
Richmond
Surrey
TW10 6UB

The Directors
Seymour Pierce Limited
20 Old Bailey
London
EC2M 7EN

9 November 2007

Dear Sirs

New Portland PLC (“the Company”)

We report on the financial information set out below. This financial information has been prepared for inclusion in the AIM Admission Document (“AIM Admission Document”) dated 9 November 2007 of the Company. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that Schedule and for no other purpose.

Introduction

The Company was incorporated on 25 October 2007 and has not completed its first accounting reference period. No statutory financial statements have been prepared, audited or filed with the Registrar of Companies since incorporation. As at the date of this report, the Company has not traded.

The company was formed with an authorised share capital of £50,000 comprising 500,000 ordinary shares of £0.10 each and an issued share capital of 2 ordinary shares of £0.10 each.

Responsibility

The Directors of the Company are responsible for preparing the financial information in accordance with the basis of preparation set out in note 2 and the accounting policies set out in note 3.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view for the purposes of the AIM Admission Document and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial

information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 9 November 2007, a true and fair view of the state of affairs of the Company as at the date of this report in accordance with the basis of preparation set out in note 2 and the accounting policies set out in note 3.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

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

BALANCE SHEET

The balance sheet of the Company as at 25 October 2007 is set out below:

	<i>Note</i>	£
Assets		
Current Assets		
Trade and other receivables		<u>0.2</u>
Total assets		<u><u>0.2</u></u>
Equity and liabilities		
Equity		
Share capital	5	<u>0.2</u>
Total equity and liabilities		<u><u>0.2</u></u>

INCOME STATEMENT

There were no transactions on the date of incorporation of 25 October 2007.

STATEMENT OF CHANGES IN EQUITY

The statement of equity for the Company as at 25 October 2007 is set out below:

	<i>Share capital £</i>	<i>Total equity £</i>
Issue of share capital	<u>0.2</u>	<u>0.2</u>
Balance at 25 October 2007	<u><u>0.2</u></u>	<u><u>0.2</u></u>

STATEMENT OF CASH FLOWS

There were no cash flows on the day of incorporation of 25 October 2007.

NOTES

1. The Company

New Portland Plc was incorporated on 25 October 2007 (registered in England and Wales, company number 6409712) as a public limited company. The Company's accounting reference date is 31 July.

2. Basis of preparation

The financial information is based on the Company's unaudited records. The information is prepared under the historical cost convention.

3. Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), including standards and interpretations issued by the International Accounting Standards Board.

4. Nature of Financial Information

The financial information presented in respect of the period ended 25 October 2007 does not constitute statutory accounts within the meaning of Section 240 the Companies Act of 1985.

5. Share Capital

	£
Authorised share capital:	
500,000 ordinary shares of 10p each	<u>50,000</u>
Called up, allotted and unpaid:	
2 ordinary shares of 10p each	<u>0.2</u>

6. Post Balance Sheet Events

On 6 November 2007 the authorised share capital of the Company was increased to £10,050,000 by the creation of 99,500,000 new ordinary shares of 10p each and 50,000 redeemable preference shares of £1 each.

On the same date, 50,000 redeemable preference shares of £1 each were issued paid up to one quarter of their nominal value.

Part B: Accountants' Report on Portland Gas Limited

Nexia Smith & Williamson

The Directors
New Portland PLC (to be renamed Portland Gas plc)
80 Hill Rise
Richmond
Surrey
TW10 6UB

The Directors
Seymour Pierce Limited
20 Old Bailey
London
EC2M 7EN

Dear Sirs,

9 November 2007

Portland Gas Limited (the "Company") & Subsidiaries ("together the Group")

We report on the financial information set out below. This financial information has been prepared for inclusion in the AIM Admission Document ("AIM Admission Document") dated 9 November 2007 of New Portland PLC (to be renamed Portland Gas plc) on the basis of preparation set out below and the accounting policies set out in note 1. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Introduction

The Company was incorporated on 15 December 2006 as a private limited company registered in England (Registered Company Number 06030687) under the name of Portland Gas Storage Limited. The Company's accounting date is 31 July.

On 22 December 2006 the Company changed its name from Portland Gas Storage Limited to Portland Gas Limited.

Portland Gas Holdings Limited ("PGHL") was incorporated on 15 December 2006 as a private limited company registered in England (Registered Company Number (06030680)). The Company's accounting date is 31 July.

Portland Gas NI Limited ("PGNIL") was incorporated on 15 June 2006 as a private limited company (Registered Company Number NI059776) under the Companies Act (Northern Ireland) Order 1986 under the name of Sarcon (No. 220) Limited. The Company's accounting date is 31 July.

On 30 January 2007 its name was changed from Sarcon (No. 220) Limited to Portland Gas NI Limited.

Portland Gas NV Limited ("PGNVL") was incorporated on 15 December 2006 as a private limited company registered in England (Registered Company Number 06030678). The Company's accounting date is 31 July.

Portland Gas Storage Limited ("PGSL") was incorporated on 15 February 2005 as a private limited company registered in England (Registered Company Number 05365526) under the name of Portland Gas Limited. The Company's accounting date is 31 July.

On 22 December 2006 its name was changed from Portland Gas Limited to Portland Gas Storage Limited.

Portland Gas Transportation Limited (“PGTL”) was incorporated on 15 December 2006 as a private limited company registered in England (Registered Company Number 06030685). The Company’s accounting date is 31 July.

Basis of preparation

The financial information set out below is based on the audited financial statements of the Company, PGHL, PGNIL, PGNVL and PGTL for the period ended 31 July 2007 and of PGSL for the years ended 31 July 2007 and 31 July 2006 and for the period ended 31 July 2005. Adjustments have been made to the financial information to reflect the position as if the Group had been in existence since 15 February 2005.

The audited financial statements were presented under UK GAAP, the financial information set out below is presented on a basis consistent with International Financial Reported Standards (“IFRS”).

The financial statements for each period were audited by Nexia Smith & Williamson. Unmodified audit reports were given.

Responsibility

The Directors of Portland Gas Limited are responsible for preparing the financial information on the basis of preparation as set out above and in note 1 to the financial information and in accordance with IFRS.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view for the purposes of the AIM Admission Document and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out below gives, for the purposes of the AIM Admission Document dated 9 November 2007, a true and fair view of the state of affairs of the Company as at the dates stated and of its results, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 1 and in accordance with IFRS.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

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

CONSOLIDATED INCOME STATEMENT

The summarised consolidated income statements for the Group for the period ended 31 July 2005 and the years ended 31 July 2006 and 31 July 2007 are set out below:

	Notes	2007 £	2006 £	2005 £
Continuing operations				
Revenue		–	–	–
Cost of sales		–	–	–
		<u>–</u>	<u>–</u>	<u>–</u>
Gross profit/(loss)		–	–	–
Administrative expenses	2,3,4,5	<u>(351,708)</u>	<u>(132,450)</u>	<u>(51,560)</u>
		(351,708)	(132,450)	(51,560)
Operating loss				
Investment revenues	6	<u>143,193</u>	<u>1,581</u>	<u>220</u>
		(208,515)	(130,869)	(51,340)
Loss before taxation				
Taxation	7	<u>–</u>	<u>–</u>	<u>–</u>
		<u>(208,515)</u>	<u>(130,869)</u>	<u>(51,340)</u>
Loss for the financial year		<u>(208,515)</u>	<u>(130,869)</u>	<u>(51,340)</u>

CONSOLIDATED BALANCE SHEET

The summarised consolidated balance sheets of the Group as at 31 July 2005, 31 July 2006 and 31 July 2007 are set out below:

	Notes	2007 £	2006 £	2005 £
Non-current assets				
Intangible assets	8	9,049,439	4,043,661	207,028
Equipment	9	<u>4,400</u>	<u>–</u>	<u>–</u>
Total non-current assets		9,053,839	4,043,661	207,028
Current assets				
Trade and other receivables	11	328,336	334,002	31,155
Cash and cash equivalents	19	<u>3,436,695</u>	<u>–</u>	<u>5,967</u>
Total current assets		<u>3,765,031</u>	<u>334,002</u>	<u>37,122</u>
Current liabilities				
Financial liabilities - borrowings		–	(38,546)	–
Trade and other payables	13	<u>(1,441,298)</u>	<u>(4,521,226)</u>	<u>(295,390)</u>
Net current assets/(liabilities)		<u>2,323,733</u>	<u>(4,225,770)</u>	<u>(258,268)</u>
Net assets/(liabilities)		<u>11,377,572</u>	<u>(182,109)</u>	<u>(51,240)</u>
Shareholders' funds				
Share capital	14	117,782	100	100
Share premium account		11,650,514	–	–
Retained earnings		<u>(390,724)</u>	<u>(182,209)</u>	<u>(51,340)</u>
		<u>11,377,572</u>	<u>(182,109)</u>	<u>(51,240)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The summarised consolidated statements of changes in equity for the period ended 31 July 2005 and the years ended 31 July 2006 and 31 July 2007 are set out below:

	<i>Share Capital</i> £	<i>Share premium</i> £	<i>Retained earnings</i> £	<i>Total Equity</i> £
Balance as at 15 February 2005				
Loss for the period	—	—	(51,340)	(51,340)
Total recognised income and expenses for the period	—	—	(51,340)	(51,340)
Issue of equity share capital	100	—	—	100
Balance at 31 July 2005	100	—	(51,340)	(51,240)
Loss for the period	—	—	(130,869)	(130,869)
Total recognised income and expenses for the period	—	—	(130,869)	(130,869)
Issue of equity share capital	—	—	—	—
Balance at 31 July 2006	100	—	(182,209)	(182,109)
Loss for the period	—	—	(208,515)	(208,515)
Total recognised income and expenses for the period	—	—	(208,515)	(208,515)
Issue of equity share capital	117,682	11,650,514	—	11,768,196
Balance at 31 July 2007	<u>117,782</u>	<u>11,650,514</u>	<u>(390,724)</u>	<u>11,377,572</u>

CONSOLIDATED CASH FLOW STATEMENT

The summarised consolidated cash flows for the Group for the period ended 31 July 2005 and the years ended 31 July 2006 and 31 July 2007 are set out below:

	Notes	2007 £	2006 £	2005 £
Net Cash generated (used in)/from operating activities	17	(4,682,415)	3,480,426	212,675
Investing activities				
Interest received		143,193	1,581	220
Purchases of intangible assets		(3,748,890)	(3,526,520)	(207,028)
Purchase of equipment		(4,843)	–	–
Net Cash used in investing activities		<u>(3,610,540)</u>	<u>(3,524,939)</u>	<u>(206,808)</u>
Financing Activities				
Proceeds on issue of shares		11,768,196	–	100
Net Cash generated from financing activities		<u>11,768,196</u>	<u>–</u>	<u>100</u>
Net increase/(decrease) in cash and cash equivalents		3,475,241	(44,513)	5,967
Cash and cash equivalents at beginning of year		<u>(38,546)</u>	<u>5,967</u>	<u>–</u>
Cash and cash equivalents at end of year	11	<u><u>3,436,695</u></u>	<u><u>(38,546)</u></u>	<u><u>5,967</u></u>
Cash and cash equivalents consist of:				
Cash in hand and at bank (note 11)		3,436,695	–	5,967
Bank overdraft (note 12)		–	(38,546)	–
		<u><u>£3,436,695</u></u>	<u><u>£(38,546)</u></u>	<u><u>£5,967</u></u>

1. Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the period covered by these financial statements.

Basis of preparation

The financial information has been prepared under the historical cost convention and on a basis consistent with the UK Companies Act 1985 and International Financial Reporting Standards and IFRIC Interpretations expected to be in issue in 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.

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 and provision is made. Any such provisions are charged to cost of sales.

Basis of consolidation

The financial information incorporates the financial statements of the Company and entities controlled by the Company prepared at the 31 July each year. 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.

In the opinion of the directors the restructuring undertaken in December 2006 was a group reconstruction rather than an acquisition, since the shareholders in the ultimate holding company of the group after the restructuring were the same as the shareholders in the ultimate holding company before the restructuring with no change to the rights of each shareholder, relative to the others, and no alteration to minority interests in the net assets of the group. Accordingly, the directors adopted merger rather than acquisition accounting principles in preparing the financial information, having regard to the over-riding requirement of Section 227(b) of the Companies Act 1985 for the accounts to present a true and fair view of the group's results and financial position.

IFRS 3 (“Business Combinations”) does not identify merger accounting as applicable for business combinations. However, it does not address the situation where a new holding company is added to an existing group by issuing shares in exchange for the transfer of shares in the existing group. There is currently no guidance as to the appropriate accounting in such situations under IFRS. The directors therefore believe that it is appropriate to adopt merger accounting for the group reconstruction under IFRS.

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 profit or loss. 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

The tax expense represents the sum of the tax currently payable and any deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit 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 profit or loss, 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. Exchange gains and losses on short-term foreign currency borrowings and deposits are included within net interest payable. Exchange differences on all other transactions, except relevant foreign currency loans, are taken to operating profit.

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 of 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 profit or loss 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.

2. Directors' emoluments

	2007	2006	2005
	£	£	£
All directors:			
Aggregate emoluments	<u>68,750</u>	<u>–</u>	<u>–</u>

3. Employee information

The average number of persons, including directors employed by the company during the year was:

	2007 Number	2006 Number	2005 Number
Administration	<u>2</u>	<u>2</u>	<u>2</u>
	<u>2</u>	<u>2</u>	<u>2</u>

The directors did not receive any remuneration in 2005 or 2006.

	£	£	£
Staff costs for the above persons were:			
Wages and salaries	104,031	–	–
Social security costs	<u>10,894</u>	<u>–</u>	<u>–</u>
	<u>114,924</u>	<u>–</u>	<u>–</u>

4. Auditors remuneration

	2007 £	2006 £	2005 £
Fees payable to the Group's auditor for the audit of the Group's annual accounts (including £2,750) in respect of the Company (2006 £10,250 and 2005 £2,000).	14,750	10,025	2,000
Fees payable to the Group's auditor and it's associates for other services:			
Other services relating to taxation	1,100	950	–
All other services	<u>7,290</u>	<u>–</u>	<u>–</u>

5. Loss on ordinary activities before taxation is stated after charging

	2007 £	2006 £	2005 £
Research expenditure	24,748	–	–
Operating lease expenditure	155,205	–	–
Depreciation of equipment	443	–	–
Staff costs (note 3)	<u>114,924</u>	<u>–</u>	<u>–</u>

6. Investment revenues

	2007 £	2006 £	2005 £
Bank interest receivable	<u>143,193</u>	<u>1,581</u>	<u>220</u>

7. Tax on profit on ordinary activities

	2007 £	2006 £	2005 £
(a) UK corporation tax at 30%	–	–	–
Current	–	–	–
Deferred	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>	<u>–</u>
 (b) Factors affecting tax charge for period			
	2007 £	2006 £	2005 £
Loss on ordinary activities before tax	<u>(208,515)</u>	<u>(130,869)</u>	<u>(51,340)</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2006 and 2005: 19%)	(62,554)	(24,865)	(9,755)
Effects of:			
Expenses not deductible for tax purposes	91,704	–	–
Utilisation of tax losses	(28,555)	24,865	9,755
Capital allowances in excess of depreciation	<u>(595)</u>	<u>–</u>	<u>–</u>
Current tax charge for period	<u>–</u>	<u>–</u>	<u>–</u>

(c) Factors that may affect future tax charge

The company has trading losses carried forward of £nil (2006: £182,429 2005: £51,560) which may reduce future tax charges.

No provision has been made in these accounts for a deferred tax asset of £nil (2006: £34,662 2005: £9,796) resulting from carry forward trading losses. A deferred tax asset would only be recognised where there is reasonable certainty that suitable taxable profits will be generated in the future.

8. Intangible Assets

	<i>Development Costs – Gas Storage £</i>
Cost or valuation	
At 15 February 2005	–
Additions	<u>207,028</u>
At 31 July 2005	<u><u>207,028</u></u>
Depreciation	
At 15 February 2005	–
Charge for the year	<u>–</u>
As at 31 July 2005	<u><u>–</u></u>
Net book value	
As at 31 July 2005	<u><u>207,028</u></u>
Cost or valuation	
At 1 August 2005	207,028
Additions	<u>3,836,633</u>
At 31 July 2006	<u><u>4,043,661</u></u>
Depreciation	
At 1 August 2005	–
Charge for the year	<u>–</u>
At 31 July 2006	<u><u>–</u></u>
Net book value	
At 31 July 2006	<u><u>4,043,661</u></u>
Cost or valuation	
At 1 August 2006	4,043,661
Additions	<u>5,005,778</u>
At 31 July 2007	<u><u>9,049,439</u></u>
Depreciation	
At 1 August 2006	–
Charge for the year	<u>–</u>
At 31 July 2006	<u><u>–</u></u>
Net book value	
At 31 July 2007	<u><u>9,049,439</u></u>

9. Equipment

	<i>Computer equipment</i> £
Cost or valuation	
At 15 February 2005, 1 August 2005 and 1 August 2006	–
Additions	<u>4,843</u>
At 31 July 2007	<u>4,843</u>
Depreciation	
At 15 February 2005, 1 August 2005 and 1 August 2006	–
Charge for the year	<u>443</u>
At 31 July 2007	<u>443</u>
Net book value	
At 31 July 2007	<u><u>4,400</u></u>
At 31 July 2005 and 31 July 2006	<u><u>–</u></u>

10. Trade and other receivables

	2007 £	2006 £	2005 £
Amounts due from Group undertakings	105,299	–	–
Other receivables	184,414	334,002	31,155
Prepayments	<u>38,623</u>	<u>–</u>	<u>–</u>
	<u><u>328,336</u></u>	<u><u>334,002</u></u>	<u><u>31,155</u></u>

Prepayments include a rent deposit of £4,600 which is payable on the termination of the premises lease.

The Group's credit risk is primarily attributable to its 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.

11. Cash and cash equivalents

	2007 £	2006 £	2005 £
Cash at bank and in hand	117,319	–	5,967
Short term bank deposits	<u>3,319,376</u>	<u>–</u>	<u>–</u>
	<u><u>3,436,695</u></u>	<u><u>–</u></u>	<u><u>5,967</u></u>

The directors consider that the carrying amount of these assets approximates to their fair value. The credit risk on liquid funds is limited because the counter-party is a bank with a high credit rating.

12. Financial liabilities – borrowings

	2007 £	2006 £	2005 £
Short-term borrowings			
Bank overdraft	–	38,546	–
	<u>–</u>	<u>38,546</u>	<u>–</u>

The directors consider that the carrying amount of the bank overdraft approximates to their fair value.

13. Trade and other payables

	2007 £	2006 £	2005 £
Trade payables	256,482	565,994	8,696
Other taxation and social security			
Amount due to parent company	–	3,901,001	248,115
Accruals	1,184,816	54,231	38,579
	<u>1,441,298</u>	<u>4,521,226</u>	<u>295,390</u>

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

14. Called up share capital

	2007 £	2006 £	2005 £
Authorised			
15,000,000 ordinary shares of £0.01 each	150,000	–	–
100 ordinary shares of £1 each	<u>–</u>	<u>100</u>	<u>100</u>
Allotted, called up and fully paid			
11,778,196 ordinary shares of £0.01 each	117,782	–	–
100 ordinary shares of £1 each	<u>–</u>	<u>100</u>	<u>100</u>

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 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.

On 20 December 2006, one ordinary share representing the entire issued share capital was transferred to Egdon Resources Plc. 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 Plc subscribed for 11,768,196 ordinary 1p shares in Portland Gas Limited with a nominal value of £117,682 for aggregate cash consideration of £11,768,196.

15. Operating lease commitments

Future minimum rentals under non-cancellable operating leases as at 31 July 2007 are as follows:

	<i>Premises 2007 £</i>	<i>Premises 2006 £</i>	<i>Premises 2005 £</i>
For leases expiring:			
Within one year	21,840	–	–
Within more than 5 years	<u>2,753,153</u>	<u>–</u>	<u>–</u>
	<u>2,774,993</u>	<u>–</u>	<u>–</u>

16. Capital commitments

	<i>2007 £</i>	<i>2006 £</i>	<i>2005 £</i>
Approved but not contracted or provided for	<u>993,509</u>	<u>–</u>	<u>–</u>

17. Cash generated (used in)/from operations

	<i>2007 £</i>	<i>2006 £</i>	<i>2005 £</i>
Operating loss for the year	(351,708)	(132,450)	(51,560)
Depreciation	443	–	–
Decrease/(increase) in debtors	5,666	(302,847)	(31,155)
(Decrease)/increase in creditors	<u>(4,336,816)</u>	<u>3,915,723</u>	<u>295,390</u>
Cash (used in)/generated from operations	<u>(4,682,415)</u>	<u>3,480,426</u>	<u>212,675</u>

18. Related party transactions

The Group has a controlling related party relationship with its parent company which is also its ultimate parent company.

The Group also has a related party relationship with its subsidiaries and with its directors in the course of normal operations.

Balances with group companies are unsecured, interest free, have no fixed date for repayment and will be settled in cash. The balances outstanding as at 31 July 2007 are set out in the following table:

Related party	<i>Amounts owed by related parties £</i>	<i>Amounts owed to related parties £</i>
<i>The ultimate parent</i> Egdon Resources Plc	105,299	–
<i>Subsidiaries</i> Portland Gas Storage Limited	10,142,186	–
Portland Gas NI Limited	39,535	–
Portland Gas Holdings Limited	1,235	–

The balance outstanding at 31 July 2006 is set out in the following table:

Related party	<i>Amounts owed by related parties £</i>	<i>Amounts owed to related parties £</i>
<i>The ultimate parent</i> Egdon Resources Plc	–	3,901,001

The balance outstanding at 31 July 2005 is set out in the following table:

Related party	<i>Amounts owed by related parties £</i>	<i>Amounts owed to related parties £</i>
<i>The ultimate parent</i> Egdon Resources Plc	–	248,115

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Group. In the opinion of the Board, the Group's key management are the directors of Portland Gas Limited and include the Chief Financial Officer, who was appointed to the Board in July 2007, from the date his employment commenced. Information regarding their compensation is given below in aggregate.

	<i>2007 £</i>	<i>2006 £</i>	<i>2005 £</i>
Short-term employee benefits	<u>104,947</u>	<u>–</u>	<u>–</u>

19. Financial instruments

The Group's financial instruments comprise cash and cash equivalents, and overdrafts and items such as trade payables and trade receivables which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group's operations expose it to a variety of financial risks that include the effects of liquidity risk and interest rate risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and the related finance costs.

Given the size of the Group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Liquidity risk

The Group actively maintains a mixture of long-term and short-term deposits that are designed to ensure it has sufficient available funds for operations.

Interest rate risk

The Group has interest bearing assets. Interest bearing assets include only cash balances which earn interest at variable rates. The directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

The Group has not entered into derivatives transactions and has not traded in financial instruments during the period under review.

The Group's cash and cash equivalents earned interest at a fair market rate.

20. Post Balance Sheet Events

On 26 October 2007 the authorised share capital of the Company was increased from £150,000 to £200,000 by the creation of 5,000,000 additional ordinary shares of £0.01 each on the same day Egdon Resources plc subscribed for 4,000,000 ordinary shares of £0.01 each at £1 per share.

21. Guarantees

Egdon Resources Plc, the ultimate parent Company, is guarantor on the Upper Osprey site lease entered into by Portland Gas Storage Limited. The annual lease commitment is £193,600 and the minimum future lease payments are £2,753,153.

22. Control of the Group

The largest Group in which the results of the company are consolidated is that headed by Egdon Resources Plc, the accounts of which are available from the Registrar of Companies. It is the ultimate holding company, 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.

<i>Holding company</i>	<i>Country of incorporation</i>
Portland Gas Holdings Limited	England
<i>Gas Storage and Infrastructure</i>	
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 Plc.

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 Plc.

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. On 20 December 2006, one Ordinary Share of 1p representing the entire issued share capital was transferred to Egdon Resources Plc.

On the same date Portland Gas Limited acquired from Egdon Resources Plc 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 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 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.

PART IV

Summary of the Proposals

1) Reasons for and benefits of the Demerger

In order to enable the Demerger to occur the Scheme of Arrangement will be implemented to introduce New Egdon as the holding company of Egdon. Following the Scheme of Arrangement becoming effective, the subsidiaries of Egdon which own (directly or indirectly) the Gas Storage Business will be demerged pursuant to a reduction of capital of New Egdon.

2) Terms and Description of the Reorganisation and Demerger

The Reorganisation: for the purposes of the Demerger, it is necessary for the Egdon Group to be held by a new holding company, New Egdon. New Egdon will become the ultimate holding company of the Egdon Group pursuant to a scheme of arrangement under Section 425 of the Act.

Under the Scheme of Arrangement, Egdon Shareholders on the register of Egdon at the Scheme Record Time will exchange their Egdon Shares for New Egdon Shares on the following basis:

For each Egdon Share

One New Egdon Share

As a result New Egdon will become the ultimate holding company of the Egdon Group and all of its shares will be owned by former Egdon Shareholders.

The Demerger: the Reorganisation is not conditional on the Demerger proceeding, but the Demerger will not proceed unless the Reorganisation first occurs. If the Demerger proceeds, New Portland will issue New Portland Shares to New Egdon Shareholders on the following basis:

For each New Egdon Share

One New Portland Share

If the Demerger proceeds as contemplated, former Egdon Shareholders will thus come to hold one New Egdon Share and one New Portland Share for every Egdon Share held at the Scheme Record Time.

The Demerger will be effected by a reduction in the capital of New Egdon. Under the New Egdon Reduction of Capital, capital will be repaid to New Egdon Shareholders as follows:

- (a) the capital of New Egdon will be reduced by reducing the nominal value of each New Egdon Share by an amount to be determined by the Directors;
- (b) New Egdon will transfer the whole of the issued share capital of Portland Gas to New Portland such that it comes to own the Gas Storage Business; and
- (c) the New Egdon shareholders at the Demerger Record Time will be allotted and issued one New Portland Share, credited as fully paid, for each New Egdon Share then held.

3) Conditions of the Reorganisation and Demerger

The Reorganisation: the implementation of the Scheme of Arrangement is conditional upon the following:

- (a) the approval of the Scheme of Arrangement by a majority in number representing three fourths in value of the holders of the Scheme Shares present and voting either in person or by proxy at the Court Meeting;
- (b) the passing of Resolution 1 set out in the notice of the Egdon Extraordinary General Meeting;

- (c) the sanction of the Scheme of Arrangement and the confirmation of the reduction of capital of Egdon which comprises part of the Scheme of Arrangement by the Court; and
- (d) the registration by the Registrar of Companies of an office copy of the order of the Court sanctioning the Scheme of Arrangement and confirming the reduction of capital of Egdon which comprises part of the Scheme of Arrangement.

The directors of Egdon will not take the necessary steps to enable the Scheme of Arrangement to be sanctioned by the Court unless, at the relevant time, they consider that it continues to be in Egdon's best interests that the Reorganisation should occur and unless the London Stock Exchange has granted permission for the New Egdon Shares to be issued pursuant to the Scheme of Arrangement to be admitted to trading on AIM.

Assuming that the above conditions are satisfied, the Reorganisation is expected to be completed on 15 January 2008 and trading to commence in New Portland's shares on 16 January 2008. If the Scheme of Arrangement has not become effective by 30 April 2008 (or such later date as Egdon and New Egdon may agree and the Court may allow) it will lapse and neither the Reorganisation nor the Demerger will proceed. In this event, holders of Egdon Shares will remain the shareholders of Egdon and Egdon's shares will continue to be traded on AIM.

For legal reasons it may become necessary to change the nominal value of the New Egdon Shares to be issued pursuant to the Reorganisation if the market price of the Egdon Shares were to move significantly before the Scheme of Arrangement becomes effective. Any such change would not affect the number of New Egdon Shares received by Egdon Shareholders or their value.

The Demerger: the implementation of the Demerger is conditional upon the following:

- (a) the Scheme of Arrangement becoming effective;
- (b) the confirmation of the Egdon Cancellation of Share Premium by the Court;
- (c) the registration by the Registrar of Companies of an office copy of the Order of the Court sanctioning the Egdon Cancellation of Share Premium;
- (d) the passing of Resolution 2 set out in the notice of the Egdon Extraordinary General Meeting;
- (e) the board of New Egdon resolving, following the Scheme of Arrangement becoming effective, that the Demerger is in the best interests of New Egdon;
- (f) the confirmation of the New Egdon Reduction of Capital by the Court; and
- (g) the registration by the Registrar of Companies of an office copy of the order of the Court confirming the New Egdon Reduction of Capital.

The Directors will not take the necessary steps to enable the New Egdon Reduction of Capital to become confirmed by the Court unless, at the relevant time, they consider that it continues to be in New Egdon's best interests that the Demerger should occur and unless the London Stock Exchange has granted permission for the New Egdon Shares to be issued pursuant to the Demerger to be admitted to trading on AIM.

Assuming that the above conditions are satisfied, the Demerger is expected to be completed on 16 January 2008. If the Demerger has not become effective by 30 April 2008 (or such later date as New Portland and the Company may agree) it will lapse. In this event, holders of Egdon Shares will become holders of New Egdon Shares but will not receive any shares in New Portland.

In the event that, after the Scheme of Arrangement becomes effective, the conditions to the Demerger are not satisfied prior to the expected date for admission of the New Egdon Shares and the New Portland Shares to trading on AIM or shortly thereafter, the Board of New Egdon will seek admission of the New Egdon Shares to trading on AIM. If this occurs, the New Egdon Shares may initially trade on AIM "cum" the right to receive New Portland Shares in the event of the Demerger proceeding subsequently.

PART V

Additional Information

1 Responsibility

- 1.1 The Directors of the Company, whose names and functions appear on page 6 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (having taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.
- 1.2 Nexia Smith & Williamson of 1 Bishops Wharf, Walnut Tree Close, Guildford, Surrey GU1 4RA, accept responsibility for the information in its report set out in Part III of this document. To the best of the knowledge of Nexia Smith & Williamson (having taken all reasonable care to ensure that such is the case) the information contained in its report set out in Part III of this document is in accordance with the facts and contains no omission likely to affect its import.

2 The Company

- 2.1 The Company was incorporated in England and Wales (where it remains domiciled) as a public limited company with the legal and commercial name New Portland PLC on 25 October 2007 with registered number 6409712. On 7 November 2007, the Company obtained a trading certificate pursuant to section 117 of the Act. On 6 November a resolution of the Company was passed to change its name from New Portland PLC, to Portland Gas plc, conditional upon the Scheme of Arrangement becoming effective.
- 2.2 The Company's registered office is Blackstable House, Longridge, Sheepscombe, Stroud, Gloucestershire, GL6 7QX. The head office is at 80 Hill Rise, Richmond, Surrey TW10 6UB and its telephone number is +44 (0)20 8332 1200.
- 2.3 The liability of the members of the Company is limited.
- 2.4 The principal legislation under which the Company operates is the Act, the CA 2006 and the regulations made thereunder.
- 2.5 The Company has not traded since incorporation and is to be the holding company of the New Portland Group with effect from the Reorganisation becoming effective.

3 The New Portland Group

- 3.1 Upon the Demerger becoming effective, the Company will be the ultimate holding company of the New Portland Group and hold (directly or indirectly) the whole of the issued share capital in the principal subsidiary undertakings listed below:

<i>Company</i>	<i>Activity</i>	<i>Registered Office</i>	<i>Country of Incorporation and Operation</i>	<i>Proportion of Ownership Interest</i>
Portland Gas Limited (to be renamed Portland Gas A Limited)	Intermediate holding company	Blackstable House, Longridge, Sheepscombe, Stroud, Gloucestershire, GL6 7QX	England and Wales	100%
Portland Gas Holdings Limited	Intermediate holding company	Blackstable House, Longridge, Sheepscombe, Stroud, Gloucestershire, GL6 7QX	England and Wales	100%

<i>Company</i>	<i>Activity</i>	<i>Registered Office</i>	<i>Country of Incorporation and Operation</i>	<i>Proportion of Ownership Interest</i>
Portland Gas Storage Limited	Gas storage	Blackstable House, Longridge, Sheepscombe, Stroud, Gloucestershire, GL6 7QX	England and Wales	100%
Portland Gas Transportation Limited	Dormant subsidiary	Blackstable House, Longridge, Sheepscombe, Stroud, Gloucestershire, GL6 7QX	England and Wales	100%
Portland Gas NV Limited	Dormant subsidiary	Blackstable House, Longridge, Sheepscombe, Stroud, Gloucestershire, GL6 7QX	England and Wales	100%
Portland Gas NI Limited	Gas storage, gas infrastructure, development and operation	Murray House, Murray Street, Belfast, BT1 6DN	Northern Ireland	100%

3.2 Save as disclosed in this paragraph 3.1, there are no undertakings in which the Company holds a proportion of the capital that is likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits.

4 Share capital

4.1 On incorporation, the authorised share capital of the Company was £50,000 divided into 500,000 shares of 10p each, of which two were issued for cash at par to the subscribers to its memorandum of association.

4.2 The New Portland Shares will be created under the Act. The New Portland Shares will be denominated in pounds sterling.

4.3 The following changes have occurred in the share capital of the Company since its incorporation:

4.3.1 On 6 November 2007, the two subscriber shares were transferred to Philip Stephens and Kenneth Ratcliff respectively;

4.3.2 on 6 November 2007 the authorised share capital of the Company was increased to £10,050,000 by the creation of 99,500,000 new ordinary shares of 10p each and 50,000 redeemable preference shares of £1 each;

4.3.3 on 6 November 2007, 50,000 redeemable preference shares of £1 each were issued paid up to one quarter of their nominal value to Egdon.

4.4 It is intended that the redeemable preference shares of £1 each of the Company will be redeemed as soon as reasonably practicable following Admission.

4.5 On 6 November 2007, the Directors:

4.5.1 were generally and unconditionally authorised pursuant to section 80 of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of that section):

- (a) up to an aggregate nominal amount of £50,000 for the purposes of the proposed issue of 50,000 redeemable reference shares of £1 each;
- (b) up to an aggregate nominal amount of £6,780,184 for the purposes of the Demerger; and
- (c) up to an aggregate nominal amount equal to £2,260,061 to such persons and on such terms as the Directors think fit;

such authority, unless previously revoked or varied by the Company in general meeting, to expire at the earlier of: (i) the conclusion of the annual general meeting of the Company to be held in 2008; and (ii) 31 December 2008 (the "Expiry Date"), save that the Company may before such expiry make an offer or agreement which would or might require securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of that offer or agreement as if such authority had not expired; and

4.5.2 were generally empowered pursuant to section 95 of the Act, to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority referred to in paragraph 4.5(b), as if section 89(1) of the Act did not apply to such allotment. This power:

- (a) expires on the Expiry Date, but the Company before such expiry may make an offer or agreement, which would or might require equity securities to be allotted after expiry of such authority and the directors may allot equity securities in pursuance of that offer or agreement as if the power conferred by such authority had not expired; and
- (b) is limited to:
 - (i) the proposed allotment of 50,000 redeemable preference shares of £1 each;
 - (ii) allotments of equity securities where such securities have been offered (whether by way of rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company in proportion (as nearly as may be) to their existing holdings of ordinary shares but subject to the directors having a right to make such exclusions or other arrangements in connection with the offer as they deem necessary or expedient to deal with equity securities representing fractional entitlements and to deal with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory or otherwise howsoever; and
 - (iii) allotments of equity securities otherwise than pursuant to the preceding subparagraph up to an aggregate nominal amount equal to £1,017,027.

4.6 The provisions of section 89(1) of the Act (which, to the extent not disapplied pursuant to section 95 of the Act, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by, allotment to an employee's share scheme as defined in section 743 of the Act) apply to the authorised but unissued share capital of the Company except to the extent disapplied as referred to in paragraph 4.5.2 above.

4.7 Under the terms of the Scheme of Arrangement, New Portland will allot and issue New Portland Shares, credited as fully paid, to holders of New Egdon Shares on the basis of one New Portland Share for each New Egdon Share held at the Scheme Record Time save that the entitlement of persons holding New Portland Shares as at the Scheme Record Time shall be reduced by the number of New Portland Shares they hold.

- 4.8 The following table sets out the authorised and expected issued share capital of New Portland firstly as at 7 November 2007, the last practical day prior to the publication of this document, and secondly upon the Demerger becoming effective, before taking account of any further Portland Shares issued after 7 November 2007, the latest practicable date prior to the publication of this document:

	<i>Authorised</i>			<i>Issued and fully paid</i>	
	<i>Number</i>	<i>Amount (£)</i>		<i>Number</i>	<i>Amount (£)</i>
As at 7 November 2007	100,000,000	10,000,000	ordinary shares of 10p each	2	0.20
	50,000	50,000	redeemable preference shares of £1 each	50,000	50,000
Expected on Scheme becoming effective	100,000,000	10,000,000	ordinary shares of 10p each	67,801,840	6,780,184
	50,000	50,000	redeemable preference shares of £1 each	50,000	50,000

- 4.9 Save as disclosed in paragraph 4.3, at the date of this document there has been no issue of share or loan capital of New Portland since its incorporation and no share or loan capital of New Portland or any other member of the New Portland Group is under option or agreed to be put under option.
- 4.10 Under the New Egdon Reduction of Capital, the share capital of New Egdon will be reduced by cancelling the paid up capital on each of the New Egdon Shares in issue at the Demerger Record Time to an extent determined by the Directors and by reducing the nominal value of each of those shares by a corresponding amount. The amount of the paid up capital so cancelled, shall be repaid to New Egdon Shareholders by the allotment and issue to the New Egdon Shareholders as at the Demerger Record Time of a New Portland Share on the basis of one New Portland Share for each New Egdon Share held as at the Demerger Record Time, save that the entitlements of persons holding New Egdon Shares as at the Demerger Record Time shall be reduced by the number of New Portland Shares they hold.
- 4.11 The Company has not issued more than 10 per cent. of the issued share capital for the purchase of assets other than cash during the period covered by the financial information in Part III of this document.
- 4.12 There are no shares in the Company which are held by, or on behalf of, the Company and none of the Company's subsidiaries hold any shares in the Company.
- 4.13 The Company has no listed or unlisted securities not representing capital. The Company has not made any undertaking to increase its share capital and there are no acquisition rights or obligations over the authorised but unissued share capital of the Company. No person has any rights over the capital of any subsidiaries of the Company.
- 4.14 No commissions, discounts, brokerages or other special terms have been granted in connection with the issue of any share capital of the Company.
- 4.15 The New Portland Shares have not been marketed and are not available in whole or part to the public otherwise than pursuant to the Scheme of Arrangement.
- 4.16 The New Portland Shares will be issued credited as fully paid up and free from all liens, charges, encumbrances and other third party rights and will rank *pari passu* with each other in all respects and will rank *pari passu* in all respects for all dividends and other distributions declared, paid or made by the Company after Admission.
- 4.17 The International Security Identification Numbers for the New Portland Shares is GB00B28YMP66.
- 4.18 A New Portland shareholder is required pursuant to Chapter 5 of the Disclosure and Transparency Rules to notify the Company when he acquires or disposes of a notifiable interest in New Portland Shares equal to or in excess of 3 per cent. of the Company's total voting rights.
- 4.19 The New Portland Shares will be in registered form. The New Portland Articles (as defined in paragraph 5.2 below) permit the holding of its shares through CREST. The Directors will apply for the New Portland

Shares to be admitted to CREST with effect from Admission. Accordingly, arrangements will be put in place for the holders of Egdon Shares who hold their Egdon Shares in uncertificated form to hold their New Portland Shares in uncertificated form and effect settlement of transactions in New Portland Shares within the CREST system. CREST accounts will be credited on Admission. The register of members in respect of New Portland Shares held in uncertificated form will be maintained by Capital Registrars of The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

- 4.20 Those holders of Egdon Shares who hold share certificates in respect of Egdon Shares will receive share certificates in respect of their New Portland Shares. Share certificates are expected to be despatched by the Registrar by 25 January 2008. Such certificates will be posted at shareholders' own risk. Temporary documents of title will not be issued, and all transfers between the date on which dealings in New Portland Shares begin and the date on which share certificates in respect of New Portland Shares are despatched will be certified against the share register of the Company. Share certificates will not be renounceable.
- 4.21 The Company has not issued any convertible securities, exchangeable securities, or securities with warrants.

5 Memorandum and Articles of Association

- 5.1 Paragraph 4 of the Memorandum of Association of the Company provides that its principal objects are, *inter alia*, to carry on the business of a general commercial company and of a holding company. The objects of the Company are set out in full in paragraph 4.

The Articles of Association of New Portland (the "New Portland Articles") were adopted pursuant to a special resolution of New Portland passed on 6 November 2007, and include provisions to the following effect:

5.2 Voting rights

Subject to the provisions of the Companies Acts, to any special terms as to voting on which any shares may have been issued or may from time to time be held and any suspension or abrogation of voting rights pursuant to the New Portland's Articles, at a general meeting of the Company every member who is present in person or by proxy shall on a show of hands have one vote and every member present in person or by proxy shall on a poll have one vote for each share of which he is a holder. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.

Unless the Board of New Portland otherwise determines, no member is entitled to vote at a general meeting or at a separate meeting of the shareholders of any class of shares, either in person or by proxy, or to exercise any other right or privilege as a member in respect of any share held by him, unless all calls presently payable by him in respect of that share, whether alone or jointly with any other person, together with interest and expenses (if any) have been paid to the Company or if he, or any other person appearing to be interested in such shares, has been issued with a notice pursuant to section 793 CA 2006 (requiring disclosure of interests in shares) and has failed in relation to any such shares to give the Company the information required by such notice within 14 days from the service of the notice.

5.3 Dividends

Subject to the provisions of the Companies Acts and of the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board of New Portland.

Subject to the provisions of the Companies Acts, the Board of New Portland may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appears to the Board of New Portland to be justified by the profits of the Company available for distribution. If at any time the share capital of the Company is divided into different classes, the Board of New Portland may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividends as well as on shares conferring preferential rights, unless at the time of payment any preferential dividend is in arrears. Provided that the Board of New Portland acts in good faith, it shall not incur any liability to the holders of shares conferring preferential rights for any loss that they may suffer by the lawful payment of any interim dividend on any shares ranking after those preferential rights.

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid. Subject as aforesaid, all dividends should be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date, it shall rank for dividend accordingly.

All dividends, interest or other sum payable and unclaimed for 12 months after having become payable may be invested or otherwise used by the Board of New Portland for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of 12 years after having been declared or having become due for payment shall (if the Board so resolves) be forfeited and shall cease to remain owing by the Company.

The Board of New Portland may, with the authority of an ordinary resolution of the Company, direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular of paid up shares or debentures of any other company, or in any one or more of such ways.

The Board may also, with the prior authority of an ordinary resolution of the Company and subject to such conditions as the Board of New Portland may determine, offer to holders of ordinary shares (excluding any member holding shares as treasury shares) the right to elect to receive ordinary shares, credited as fully paid, instead of the whole (or some part, to be determined by the Board of New Portland) of any dividend specified by the ordinary resolution.

Unless the Board of New Portland otherwise determines, the payment of any dividend or other money that would otherwise be payable in respect of shares will be withheld if such shares represent at least 0.25 per cent in nominal value of their class and the holder, or any other person appearing to be interested in those shares, has been duly served with a notice under section 793 of CA 2006 and has failed to supply the information required by such notice within 14 days. Furthermore such a holder shall not be entitled to elect to receive shares instead of a dividend.

5.4 ***Distribution of assets on a winding-up***

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide *in specie* among the members (excluding any member holding treasury shares) the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the dividend shall be carried out as between the members or vest the whole or any part of the assets in trustees on such trusts for the benefit of the members as he with the like sanction shall determine, but no member shall be compelled to accept any assets on which there is a liability.

5.5 ***Transfer of shares***

Subject to any applicable restrictions in the New Portland's Articles, each member may transfer all or any of his shares by instrument of transfer in writing in any usual form or in any form approved by the Board of New Portland. Such instrument must be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor is deemed to remain the holder of the share until the transferee's name is entered in the register of members.

The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of a share or renunciation of a renounceable letter of allotment unless:

- it is in respect of a share which is fully paid up;
- it is in respect of only one class of shares;
- it is in favour of a single transferee or not more than four joint transferees;
- it is duly stamped (if so required); and
- it is delivered for registration to the registered office for the time being of the Company or such other place as the Board of New Portland may from time to time determine, accompanied (except in the case of a transfer by a recognised person (as defined in the New Portland's Articles) where a certificate has not been issued or in the case of a renunciation) by the certificate for the shares

to which it relates and such other evidence as the Board of New Portland may reasonably require to prove the title of the transferor or person renouncing and the due execution of the transfer or renunciation by him or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so;

provided that the Board of New Portland shall not refuse to register any transfer or renunciation of partly paid shares which are admitted to AIM on the grounds they are partly paid shares in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis.

Unless the Board otherwise determines, a transfer of shares will not be registered if the transferor or any other person appearing to be interested in the transferor's shares has been duly served with a notice under section 793 CA 2006, has failed to supply the information required by such notice within 14 days and the shares in respect of which such notice has been served represent at least 0.25 per cent in nominal value of their class, unless the member is not himself in default as regards supplying the information required and proves to the satisfaction of the Board of New Portland that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer, or unless such transfer is by way of acceptance of a takeover offer, in consequence of a sale on a recognised stock exchange or is in consequence of a *bona fide* sale to an unconnected party.

If the Board of New Portland refuses to register a transfer of a share, it shall send the transferee notice of its refusal within two months after the date on which the transfer was lodged with the Company.

No fee shall be charged for the registration of any instrument of transfer or any other document relating to or affecting the title to any share.

5.6 **Variation of rights**

Subject to the provisions of the Companies Acts, if at any time the share capital of the Company is divided into shares of different classes, any of the rights for the time being attached to any share or class of shares in the Company may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the class.

The quorum at any such meeting shall be not less than two persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the class in question (excluding any shares of that class held as treasury shares) and at an adjourned meeting not less than one person holding shares of the class in question or his proxy.

Subject to the terms of issue of or rights attached to any shares, the rights or privileges attached to any class of shares shall be deemed not to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* in all respects (save as to the date from which such new shares shall rank for dividend) with or subsequent to those already issued or by the reduction of the capital paid up on such shares or by the purchase or redemption by the Company of its own shares or the sale of any shares held as treasury shares in accordance with the provisions of the Companies Acts and the Articles.

5.7 **General meetings**

All general meetings other than annual general meetings shall be called extraordinary general meetings. The Board of New Portland may convene an extraordinary general meeting whenever it thinks fit. An extraordinary general meeting may also be convened by members pursuant to sections 303-305 (inclusive) CA 2006.

An annual general meeting shall be convened by not less than 21 clear days' notice in writing and an extraordinary general meeting shall be convened by not less than 14 clear days' notice in writing.

The notice shall specify the day, time and place of the meeting and the general nature of the business to be transacted at the meeting. In the case of a meeting convened to pass a special resolution, the notice shall specify the intention to propose the resolution as a special resolution. The notice shall specify that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and to speak

and vote instead of the member and that a proxy need not also be a member. The notice must also be given to the members (other than any who, under the provisions of the New Portland's Articles or of any restrictions imposed on any shares, are not entitled to receive notice from the Company), to the Directors and the Auditors. The accidental omission to give notice to, or the non-receipt of notice by, any person entitled to receive the same, shall not invalidate the proceedings at the meeting.

The right of a member to participate in the business of any general meeting shall include without limitation the right to speak, vote on a show of hands, vote on a poll, be represented by a proxy or proxies and have access to all documents which are required by the Companies Acts or the New Portland's Articles to be made available at the meeting.

A Director shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting. The Chairman of any general meeting may also invite any person to attend and speak at that meeting if he considers that this will assist in the deliberations of the meeting.

No business shall be transacted at any general meeting unless a quorum is present. Subject to the New Portland's Articles, two persons (either members, duly authorised representatives or proxies) entitled to vote upon the business to be transacted at the meeting shall be a quorum. The Chairman of the meeting may, with the consent of the meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time to time (or indefinitely) and from place to place as the meeting shall determine. Where a meeting is adjourned indefinitely, the Board shall fix a time and place for the adjourned meeting. Whenever a meeting is adjourned for 14 days or more or indefinitely, seven clear days' notice at the least, specifying the place, the day and time of the adjourned meeting and the general nature of the business to be transacted, must be given in the same manner as in the case of the original meeting.

A resolution put to a vote of the meeting should be decided on a show of hands unless a poll is duly demanded. Subject to the provisions of the Companies Acts, a poll may be demanded by the Chairman, at least five members having the right to vote on the resolution, a member or members representing not less than ten per cent. of the total voting rights of all the members having the right to vote on the resolution or member or members holding shares conferring the right to vote on the resolution, being shares on which an aggregate sum has been paid up equal to not less than ten per cent. of the total sum paid up on all the shares conferring that right. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting shall be entitled to a casting vote in addition to any other votes that he may have.

The Board of New Portland may, for the purpose of controlling the level of attendance and ensuring the safety of those attending at any place specified for the holding of a general meeting, from time to time make such arrangements as the Board shall in its absolute discretion consider to be appropriate and may from time to time vary any such arrangements or make new arrangements in place thereof. The entitlement of any member or proxy to attend a general meeting at such place shall be subject to any such arrangements as may be for the time being approved by the Board. In the case of any meeting to which such arrangements apply the Board may, when specifying the place of the meeting:

- (a) direct that the meeting shall be held at a place specified in the notice at which the chairman of the meeting shall preside (being the principal place); and
- (b) make arrangements for simultaneous attendance and participation at other places by Shareholders otherwise entitled to attend the general meeting or who wish to attend at any of such other places, provided that persons attending at the principal place and at any of such other places shall be able to see, and hear and be seen and heard by, persons attending at the principal place and at such other places, by any means.

Such arrangements for simultaneous attendance may include arrangements for controlling the level of attendance in any manner aforesaid at any of such other places, provided that they shall operate so that any excluded members are able to attend at one of such other places. Any such meeting shall be treated as being held and taking place at the principal place.

The Board of New Portland may direct that any person wishing to attend any meeting should provide such evidence of identity and submit to such searches or other security arrangements or restrictions as the Board of New Portland shall consider appropriate in the circumstances and shall be entitled in its absolute discretion to refuse entry to any meeting to any person who fails to provide such evidence of identity or to submit to such searches or to otherwise comply with such security arrangements or restrictions.

5.8 ***Borrowing powers***

The Board of New Portland may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (present and future) and uncalled capital and, subject to the provisions of the Companies Acts, to create and issue debentures and other loan stock and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

5.9 ***Alteration of share capital***

Subject to the provisions of the Companies Acts, the Company in general meeting may from time to time by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount, cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled and sub-divide all or any of its shares into shares of a smaller amount. The Company may also, subject to the provisions of the Companies Acts and to any rights for the time being attached to any shares, purchase its own shares and, by special resolution, reduce its share capital, any capital redemption reserve, share premium account or other undistributable reserve in any way.

5.10 ***Issue of shares***

Subject to the provisions of the Companies Acts and to any special rights for the time being attached to any shares, any shares may be allotted or issued with or have attached to them such preferred, deferred or other special rights or restrictions, whether in regard to dividend, voting, transfer, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board of New Portland may determine, and any share may be issued which is, or at the option of the Company or the holder of such share is liable to be, redeemed in accordance with the New Portland's Articles.

Subject to the provisions of the Companies Acts and to any relevant authority of the Company in general meeting required by the Companies Acts, the unissued shares at the date of adoption of the New Portland's Articles and any shares created thereafter shall be at the disposal of the Board.

5.11 ***Directors' fees***

The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Board of New Portland may from time to time determine (not exceeding in aggregate £200,000 per annum or such other sum as the Company in general meeting shall from time to time determine). Any such fees payable shall be distinct from any salary, remuneration or other amounts payable to a Director pursuant to any other provision of the Articles and shall accrue from day to day.

The Directors are entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors. The salary or remuneration of any Director appointed to hold any employment or executive office may be either a fixed sum of money, or may altogether or in part be governed by business done or profits made or otherwise determined by the Board of New Portland or any committee authorised by the Board of New Portland and may be in addition to or in lieu of any fee payable to him for his services as Director.

5.12 ***Pensions and gratuities for Directors***

The Board, or any committee authorised by the Board, may exercise all the powers of the Company to provide pensions, other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities for persons who are or were directors of the Company or any company in the New Portland Group and their relatives or dependants.

5.13 ***Directors' interests in contracts***

Subject to the provisions of the Companies Acts and provided that his interest is disclosed at a meeting of the Board of New Portland in accordance with the New Portland's Articles, a Director, notwithstanding his office, may enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested, may hold any other office or place of profit at the Company (except that of auditor of the Company or any of its subsidiaries) in conjunction

with holding the office of Director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Board of New Portland may arrange, and may be a Director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any company promoted by the Company or in which the Company is otherwise interested and shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement, transaction or proposal. No such contract, arrangement, transaction or proposal shall be liable to be avoided on the grounds of any such interest or benefit.

5.14 **Restrictions on Directors' voting**

A Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board of New Portland or of a committee of the Board of New Portland concerning any contract, arrangement, transaction or any other proposal whatsoever to which the Company is or is to be a party and in which he has an interest which (together with any interest of any person connected with him within the meaning of section 252 CA 2006) is to his knowledge a material interest (otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company), unless the resolution concerns any of the following matters:

- the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- the giving of any other indemnity where all other Directors are also being offered indemnities on substantially the same terms;
- any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- any proposal concerning any other body corporate in which he (together with persons connected with him) does not to his knowledge have an interest (as the term is used in Part 22 CA 2006) in one per cent or more of the issued equity share capital of any class of such body corporate nor to his knowledge hold one per cent or more of the voting rights available to members of such body corporate;
- any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
- any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons who include Directors; or
- any proposal concerning the funding of expenditure by one or more Directors on defending proceedings against him or them, or doing anything to enable such Director or Directors to avoid incurring such expenditure.

A Director shall not vote or be counted in the quorum on any resolution of the Board or committee of the Board of New Portland concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested.

5.15 **Number of Directors**

Unless and until otherwise determined by an ordinary resolution of the Company, the number of Directors shall not be less than two.

5.16 **Directors' appointment and retirement**

Directors may be appointed by the Company by ordinary resolution or by the Board. If appointed by the Board of New Portland, a Director holds office only until the next annual general meeting and shall not be

taken into account in determining the number of Directors who are to retire by rotation. A Director shall not be required to hold any shares in the Company. At each annual general meeting one-third of the Directors who are subject to retirement by rotation will retire by rotation and be eligible for re-election. Subject to the Companies Acts and to the New Portland's Articles, the Directors to retire will, firstly, be any Director who wishes to retire and not offer himself for re-election and secondly, those who have been longest in office since their last appointment or re-appointment, but as between those who have been in office an equal length of time, those to retire shall (unless they otherwise agree) be determined by lot.

5.17 ***Untraced shareholders***

Subject to the New Portland's Articles, the Company may sell any shares registered in the name of a member remaining untraced for 12 years who fails to communicate with the Company following advertisement of an intention to make such a disposal. Until the Company can account to the member, the net proceeds of sale will be available for use in the business of the Company or for investment, in either case at the discretion of the Board of New Portland. The proceeds will not carry interest.

5.18 ***Non-United Kingdom shareholders***

There are no limitations in the New Portland's Articles on the rights of non-United Kingdom shareholders to hold, or to exercise voting rights attached to, the ordinary shares. However, non-United Kingdom shareholders are not entitled to receive notices of general meetings unless they have given an address in the United Kingdom to which such notices may be sent or, subject to and in accordance with the Companies Act, an address to which notices may be sent in electronic form.

5.19 ***CREST***

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The New Portland's Articles are consistent with CREST membership and, amongst other things, allow for the holding and transfer of shares in uncertificated form. The New Portland's Articles contain other provisions in respect of transactions with the shares in the Company in uncertificated form and generally provide for the modifications of certain provisions of the New Portland's Articles so that they can be applied to transactions with shares in the Company in uncertificated form.

5.20 ***Indemnity of officers***

Subject to the provisions of the Companies Acts, but without prejudice to any indemnity to which he might otherwise be entitled, every Director, alternate Director, Secretary or other officer of the Company (except the Auditors) shall be entitled to be indemnified out of the assets of the Company against all costs, charges, losses, damages and liabilities incurred by him for negligence, default, breach of duty, breach of trust or otherwise in relation to the affairs of the Company or of an associated company, or in connection with the activities of the Company, or of an associated company, as a trustee of an occupational pension scheme (as defined in section 150(5) of the Finance Act 2004) that is established under a trust.

5.21 ***Lien and forfeiture***

The Company shall have a first and paramount lien on every share which is not fully paid for all amounts payable to the Company (whether presently or not) in respect of that share and to be extent and in the circumstances permitted by the Companies Acts. The Board of New Egdon may sell any share on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear days after notice has been sent to the holder of the share demanding payment and stating that if the notice is not complied with the share may be sold.

The Board of New Portland may from time to time make calls on members in respect of any monies unpaid on their shares, subject to the terms of allotment of the shares. Each member shall (subject to receiving at least 14 clear days' notice) pay to the Company the amount called on his shares. If a call or any instalment of a call remains unpaid in whole or in part after it has become due and payable, the Board may give the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any costs, charges and expenses incurred by the Company by reason of such non-payment. The notice shall name the place where payment is to be made and shall state that if the notice is not to be complied with the shares in respect of which the call was made is liable to be forfeited.

5.22 **Conversion provisions**

The New Portland's Articles do not contain any provisions relating to conversion of the New Portland Shares.

5.23 **Amendments**

The New Portland's Articles are largely based on the existing articles of association of Egdon. However, changes have been made to these articles to reflect the implementation of certain provisions of the CA 2006 with effect from 1 October 2007, principally in respect of meetings and resolutions, proxies and corporate representatives, definition of connected persons and directors' indemnities.

As a result:

- (a) notices of extraordinary general meetings are reduced from 21 to 14 clear days;
- (b) references to extraordinary resolutions are removed;
- (c) references to written resolutions of members are removed;
- (d) revisions to the proxy provisions have been made to reflect new rights (1) for members to appoint multiple proxies, (2) for proxies to have the right to speak at general meetings and vote on a show of hands as well as on a poll and (3) to allow the company to ignore weekends and bank holidays from the calculation of the 48 hours period which is the maximum period before a general meeting that it can specify as the deadline for receipt of appointments of proxies;
- (e) the definition of connected person has been changed and now covers more family members than before (this definition is used in the article dealing with directors entitlement to vote if he has interests); and
- (f) directors can be indemnified against liabilities incurred as a result of the company being a trustee of an occupational pension scheme.

5.24 **Redeemable Preference Shares**

The redeemable preference shares are entitled to an annual dividend out of distributable profits of 0.00001 per cent. per annum on the amount for the time being paid up on each such share and do not carry any voting rights. The rights attaching to the redeemable preference shares will not be contained in the New Articles but will be registered in accordance with Section 128 of the Act.

6 Substantial shareholders

6.1 So far as the Directors are aware, no person other than those listed below (and certain Directors whose holdings are detailed in paragraph 7 below) will be interested, directly or indirectly, in three per cent. or more of the voting rights in the capital of the Company immediately after Admission (based on their respective holdings of Egdon Shares at 7 November 2007):

	<i>Number of New Portland Shares</i>	<i>Percentage of issued share capital</i>
Credit Suisse Securities (Europe) Limited	12,234,225	18.04%
Bluehone Investors LLP*	4,333,872	6.39%
J.P. Morgan Fleming Mercantile Investment Trust plc	2,642,713	3.89%

Save as disclosed in this paragraph 6 and paragraph 7 below, so far as is known by the Directors, there is no person or persons who could directly or indirectly, jointly or severally exercise control over the Company immediately after Admission.

6.2 The shareholders listed in this paragraph 6 and in paragraph 7 do not have different voting rights to other holders of New Portland Shares.

- 6.3 The Directors are not aware of any arrangements in place or under negotiation (other than the Demerger) which may, at a subsequent date, result in a change of control of the Company.

7 Directors

- 7.1 Based on the number of Egdon Shares held by the Directors or their immediate families as at 7 November 2007 being the latest practicable date prior to the publication of this document and upon the Reorganisation becoming effective, the interests of the Directors of the Company and their immediate families in the share capital of the Company (all of which interests are beneficial unless otherwise stated at Admission), such interests being those which could, with reasonable diligence, be ascertained by that Director, whether or not held through another party, are anticipated to be as follows:

<i>Director</i>	<i>New Portland Shares following Admission</i>
Mark Abbott*	6,684,806
Andrew Hindle**	6,594,232
Walter Roberts	1,026,750
Craig Gouws	12,470
Maurice Hazzard	0
Kenneth Ratcliff	59,000

* In addition, persons connected to Mark Abbott for the purposes of section 252 Companies Act 2006, but excluding those in his immediate family as above, are anticipated to hold a further 5,200 New Portland Shares following Admission.

** In addition, persons connected to Andrew Hindle for the purposes of section 252 Companies Act 2006, but excluding those in his immediate family as above, are anticipated to hold a further 78,500 New Portland Shares following Admission.

- 7.2 None of the Directors, their immediate families or connected persons of the Directors are anticipated to have any interest of a sort described in paragraph 10 in the share capital of the Company upon the Reorganisation becoming effective.
- 7.3 None of the Directors or any members of their families hold any financial product referenced to the New Portland Shares.
- 7.4 The Directors have held the following directorships and been partner in the following partnerships within the five years prior to the publication of this document:

<i>Director</i>	<i>Current</i>	<i>Past</i>
Kenneth Ratcliff	St Hilary's School Trust Egdon Resources plc Portland Gas Limited	Cable Couriers (Thames Valley) Limited GDC UK Limited Ensign International Group Limited EG Realisations Limited EGUS Realisations Limited
Andrew Hindle	Egdon Resources plc Portland Gas Limited Portland Gas Holdings Limited Portland Gas Storage Limited Portland Gas NI Limited Portland Gas NV Limited Portland Gas Transportation Limited Egdon Resources NV Limited Geofocus Limited Toffee Limited Eskbank Resources Limited Eskbank Resources (Canada) Limited Egdon Resources (Purbeck) Limited	

<i>Director</i>	<i>Current</i>	<i>Past</i>
Walter Roberts	Pinnacle Energy Limited Bow Valley Petroleum (UK) Limited Portland Gas Limited Egdon Resources plc Brooklands Oil & Gas Limited	MCC Engines Limited
Craig Gouws	Portland Gas Limited	
Mark Abbott	MA Exploration Services Limited Bishopswood Pavilion Limited Egdon Resources plc Portland Gas Limited Portland Gas Holdings Limited Portland Gas Storage Limited Portland Gas NI Limited Portland Gas NV Limited Portland Gas Transportation Limited Egdon Resources NV Limited Egdon Resources (Purbeck) Limited	
Maurice Hazzard	Portland Gas Limited West Hill Golf Club (1959) Limited Orbitron Technologies Limited	

7.5 The following disclosures are required in respect of the Directors:

7.5.1 Kenneth Ratcliff was a director of Ensign International Group Limited and its subsidiaries, EG Realisations Limited and EGUS Realisations Limited, for whom an administrative receiver was appointed on 9 May 2001, as a result of an impasse between the company's shareholders and lending bank. Kenneth Ratcliff is not aware that the companies have been dissolved. Kenneth Ratcliff was a director of Cable Carriers (Thames Valley) Limited from 1 October 2002 to 30 November 2002 which entered into creditors' voluntary liquidation in April 2003.

7.5.2 Andrew Hindle was a director of Beauvase Limited which was dissolved (having never traded) on 5 February 2002. The company was established to acquire a commercial property, which did not take place.

7.5.3 Walter Roberts was a director of Petrolaw Limited which was placed into member's voluntary liquidation and was dissolved on 31 July 2001. Petrolaw's business was restructured and became part of Pinnacle Energy Limited which was incorporated as a new entity to amalgamate with other businesses.

7.6 Save as disclosed above none of the Directors has:

- (a) any unspent convictions in relation to indictable offences;
- (b) had any bankruptcy order made against him or entered into any voluntary arrangements;
- (c) been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he had ceased to be a director of that company;
- (d) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement, whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (e) been the owner of any asset which has been placed in receivership or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (f) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
- (g) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

8 Directors' Service Contracts and Remuneration

- 8.1 Save as disclosed below, there are no existing or proposed service agreements between any of the Directors or any existing or proposed consultancy agreements pursuant to which any of the services of any Director are to be provided and which are not terminable by the Company without the payment of compensation (other than statutory compensation) within one year:
- 8.1.1 Kenneth Ratcliff has an engagement letter with Portland Gas to act as non-executive Chairman. He receives an annual fee of £37,500;
 - 8.1.2 Andrew Hindle has a service agreement with Portland Gas. The contract is terminable by either party on 12 month's written notice. His salary is currently £120,000 a year;
 - 8.1.3 Walter Roberts has a service agreement with Portland Gas. The contract is terminable by either party on 12 month's written notice. His salary is currently £85,000 a year;
 - 8.1.4 Craig Gouws has a service agreement with Portland Gas. The contract is terminable by either party on 12 month's written notice. His salary is currently £80,000 a year;
 - 8.1.5 Mark Abbott has an engagement letter with Portland Gas to act as non-executive director. He receives an annual fee of £15,000;
 - 8.1.6 Maurice Hazzard has an engagement letter with Portland Gas to act as non-executive director. He receives an annual fee of £15,000; and
 - 8.1.7 All of the Directors are entitled to receive a one-off bonus payment, if they are still employed as at the calculation date for the bonus, which is expected to be 24 May 2008. The amount payable to a Director is that Director's annual salary or fee multiplied by the percentage increase over £2.50 of Egdon's highest mid-market closing price between 1 August 2007 and the calculation date for the bonus as adjusted to reflect the Demerger as set out in paragraph 8.3 below. The maximum amount payable to a Director under these arrangements is an amount equal to twice his salary.
- 8.2 Prior to Admission the following service contracts will be entered into:
- 8.2.1 A new service agreement with Andrew Hindle to serve, conditional upon the Demerger becoming effective as an executive Director of New Portland on identical financial terms and with an identical notice period to his existing service agreement with Portland Gas. Upon the Demerger becoming effective, his existing service agreement with Portland Gas will terminate.
 - 8.2.2 A new service agreement with Walter Roberts to serve, conditional upon the Demerger becoming effective as an executive Director of New Portland on identical financial terms and with an identical notice period to his existing service agreement with Portland Gas. Upon the Demerger becoming effective, his existing service agreement with Portland Gas will terminate.
 - 8.2.3 A new service agreement with Craig Gouws to serve, conditional upon the Demerger becoming effective as an executive Director of New Portland on identical financial terms and with an identical notice period to his existing service agreement with Portland Gas. Upon the Demerger becoming effective, his existing service agreement with Portland Gas will terminate.
 - 8.2.4 Kenneth Ratcliff, Mark Abbott and Maurice Hazzard will enter into new letters of engagement to serve, conditional upon the Demerger becoming effective, as non-executive Directors of New Portland on identical terms to their letters of engagement with Portland Gas pursuant to which they will be entitled to annual fees of £37,500, £15,000, and £15,000 respectively. Upon the Demerger becoming effective, the existing letters of appointment with Portland Gas will terminate.
- 8.3 The Directors will still be entitled to the bonus payment referred to in paragraph 8.1.8 above but the calculation of the increase in the mid-market closing price above £2.50 will be adjusted to reflect the Demerger, by taking the percentage increase above £2.50 of the aggregate of the highest mid-market closing price of New Egdon and New Portland during the relevant period. In addition, the calculation of the bonus for each of Craig Gouws and Maurice Hazzard will be based on a percentage of their annual salary or fee, as opposed to their total salary or fee, and instead of calculating the increase in the share

price above £2.50 (as adjusted to take account of the Demerger) the increase will be calculated above the mid-market closing price on the date that their employment or appointment commences (if this is greater than £2.50).

- 8.4 The Directors are not entitled to receive any benefits upon termination of their service agreement, other than the payment of their salary and benefits accrued to the date of such termination

9 Material contracts

The following contracts, not being contracts in the ordinary course of business, have been entered into by the Company since its incorporation or by any member of the New Portland Group in the two years prior to the date of this document and are, or may be, material:

9.1 Demerger Agreement

On 7 November 2007, Egdon, New Egdon and New Portland entered into a demerger agreement (the "Demerger Agreement"). Under this agreement, which is conditional upon the Scheme of Arrangement becoming effective, New Egdon has agreed to transfer the whole of the issued share capital of Portland Gas to Portland and, in consideration of such transfer, New Portland has agreed to allot and issue New Portland Shares to the New Egdon shareholders pursuant to the New Egdon Reduction of Capital such that each Egdon Shareholder at the Demerger Record Time will be entitled to receive one New Portland Share for each New Egdon Share then held.

Under the Demerger Agreement, New Portland and New Egdon have agreed to indemnify each other against certain liabilities to the extent arising directly or indirectly out of their respective businesses, and against certain untrue, inaccurate, incomplete or misleading information provided by New Portland or New Egdon, or their respective groups, for inclusion in public documents.

No party to the Demerger Agreement has given any representation or warranty to the others.

Under the Demerger Agreement, the parties have agreed to procure the transfer to New Portland (or one of its subsidiaries) of any assets or liabilities relating exclusively to the Gas Storage Business and the transfer to New Egdon (or one of its subsidiaries) of any assets or liabilities relating exclusively to the Oil and Gas Business which have not been transferred to New Portland or New Egdon (or one of their respective subsidiaries), as appropriate, by the date the Demerger becomes effective.

New Portland and New Egdon have agreed, with effect from the Demerger becoming effective, to use reasonable endeavours to obtain the release of the other (or any of its subsidiaries) from certain guarantees, indemnities and other assurances given by the other party (or any such subsidiary) for the purposes of their respective businesses.

9.2 New Portland Introduction Agreement

On 7 November 2007, New Portland, Egdon, the Directors and Seymour Pierce and the Directors entered into an Introduction Agreement. Under this agreement, New Portland and Portland has confirmed that it has instructed Seymour Pierce to apply to the London Stock Exchange for Admission becoming effective on 16 January 2008 or such later date as the Company and Seymour Pierce may agree (being not later than 30 April 2008), and has agreed to supply all information reasonably required by Seymour Pierce to enable it to discharge their obligations under this agreement and to comply with their legal obligations and obligations to the London Stock Exchange. New Portland has in addition agreed to use all reasonable endeavours to ensure that Admission becomes effective on the date set out in the agreement and that the New Portland Shares are eligible for CREST settlement. Seymour Pierce agreed to provide assistance to the Company to obtain Admission and cancellation of Egdon Shares.

Under this agreement, New Portland has agreed to pay a fee of £125,000 to Seymour Pierce. Under this agreement New Portland, Egdon and the executive directors of the Company have together with all reasonable expenses and costs, any applicable VAT for its services and Seymour Pierce's legal expenses in connection with the Admission, Scheme of Arrangement given certain customary warranties to Seymour Pierce in relation to the accuracy of information contained in this document, the business of the New Portland Group and admission of the New Portland Shares to trading on AIM, and has in addition agreed to indemnify Seymour Pierce on customary terms against certain losses arising from (*inter alia*) the

Admission of New Portland Shares, breach of any warranties or failure to comply with any applicable laws. The Company and Egdon have agreed to indemnify Seymour Pierce against certain losses and expenses in the event that Admission does not take place.

9.3 ***Nominated Adviser Agreement***

On 7 November 2007, the Company, the Directors and Seymour Pierce entered into a Nominated Agreement, pursuant to which the Company appointed Seymour Pierce to act as its nominated adviser for the purposes of the AIM Rules for Companies. The Company shall pay Seymour Pierce a fee of £20,000 per annum, together with all reasonable expenses and any applicable VAT for its services as nominated adviser. The agreement contains certain undertakings given by the Company and the Directors and indemnities given by the Company in respect of, amongst other things, compliance with all applicable laws and regulations. The appointment pursuant to the agreement continues, subject to certain events of default, for an initial term of 12 months but maybe terminated prior to that time by either party giving three months' written notice. The Company will remain liable for the full annual fee should it choose to terminate the nominated adviser agreement prior to the expiry of the initial term of 12 months.

9.4 ***Broker Agreement***

On 7 November 2007, the Company, Seymour Pierce and the Directors entered into a Broker Agreement under which the Company appointed Seymour Pierce to act as its broker for the purposes of the AIM Rules for Companies. The Company shall pay Seymour Pierce a fee of £20,000 per annum, together with all reasonable expenses and any applicable VAT for its services as broker. The agreement contains certain undertakings given by the Company and the Directors and indemnities given by the Company in respect of, amongst other things, compliance with all applicable laws and regulations. The appointment pursuant to the agreement continues, subject to certain events of default, for an initial term of 12 months but maybe terminated prior to that time by either party giving three months' written notice. The Company will remain liable for the full annual fee should it choose to terminate the broker agreement prior to the expiry of the initial term of 12 months.

9.5 ***Lock-In Agreements***

Pursuant to and in accordance with Rule 7 of the AIM Rules for Companies, the Directors who hold shares have severally undertaken to Seymour Pierce not to sell, transfer or otherwise dispose of, or agree to sell, transfer or otherwise dispose of, any New Portland Shares or any interest in any New Portland Shares or rights arising from such shares or attached to any such shares at any time from the date of Admission to the date falling 12 months from Admission, save in certain limited circumstances permitted by Rule 7.

10 Share Options

There are not currently any arrangements in place for involving the employees in the capital of the Company. However, the Directors intend to establish an Enterprise Management Incentive Scheme ("EMI Scheme"). An EMI Scheme is considered suitable by the Directors due to the simplicity of administering and managing such scheme and the significant taxation benefits that can be derived. The value of options granted under the EMI Scheme will not exceed the following EMI thresholds: (i) a market value of £100,000 per employee; and (ii) £300,000 in aggregate. Conditions will be attached to the exercise of options under the EMI Scheme and a cash payment alternative will not be offered. The rationale behind the proposed adoption of the EMI Scheme is to reward, retain and attract suitably qualified employees to the New Portland Group.

11 Working capital

In the opinion of the Directors, having made due and careful enquiry, the working capital available to New Portland and the New Portland Group will be sufficient for its present requirements, that is, for at least 12 months from the date of Admission.

12 Legal and arbitration proceedings

Neither the Company nor any other member of the New Portland Group is or has been involved in, or (so far as the Directors are aware) has pending or threatened by or against it, any legal or arbitration proceedings which may have, or have had in the 12 months immediately preceding the date of this document, a significant effect on the financial position of the New Portland Group.

13 UK taxation

The following paragraphs are intended as a general guide only and do not constitute tax advice. They are based on current law and current practice of HM Revenue & Customs. Holders of New Portland Shares who are in any doubt as to their taxation position, or who may be subject to taxation in a jurisdiction other than the UK, should consult an appropriate professional adviser.

The following summary only applies to persons who are resident or ordinarily resident in the UK for UK tax purposes and who hold their New Portland Shares beneficially as an investment (otherwise than under a personal equity plan or an individual savings account). It may not apply to certain categories of shareholders such as dealers in securities.

13.1 *UK taxation of dividends*

No tax is withheld from dividends paid by New Portland.

Individual shareholders resident in the UK for taxation purposes are generally liable to income tax on the aggregate amount of any dividend received and a tax credit equal to one-ninth of the dividend. For example, on a dividend of £90 (the “net dividend”), the tax credit would be £10, and an individual would be liable to income tax on £100 (the “gross dividend”). No further income tax is payable in respect of the dividend by UK resident individuals who are not liable to income tax at the higher rate. UK resident individuals whose dividend income is subject to tax at the higher rate (currently, 40 per cent.) have to pay additional tax on a dividend to the extent that tax at the higher rate applicable to dividends (currently, 32.5 per cent.) on the gross dividend exceeds the tax credit. For example, on a net dividend of £90, such a taxpayer would have to pay additional tax of £22.50 (which amounts to 25 per cent. of the net dividend).

No repayment of the tax credit in respect of dividends can be claimed by a UK resident shareholder (whether an individual, a company, a charity, a pension fund or any other person).

UK resident corporate shareholders (other than dealers and certain insurance companies) are not liable to corporation tax or income tax in respect of dividends.

Shareholders not resident in the UK are normally neither subject to any UK tax liability nor entitled to the benefit of a tax credit in respect of any dividend received. A UK tax liability will apply where, exceptionally, a non-resident individual’s investment in New Portland is managed by a UK investment manager acting on non-arm’s length terms. Special rules apply to non-UK resident discretionary trusts in receipt of UK dividends.

Non-UK resident shareholders may also be subject to tax on dividend income under any law to which they are subject outside the UK.

13.2 *UK taxation on capital gains*

For the purposes of UK taxation on capital gains:

- (a) a holder of Egdon Shares will not be treated as making a disposal of Egdon Shares by reason of the receipt of New Portland Shares;
- (b) New Portland Shares acquired pursuant to the Demerger will be treated as the shareholder’s original Egdon Shares, acquired on the same date as and for the same consideration as such Egdon Shares were originally acquired;
- (c) on a subsequent disposal or part disposal of New Portland Shares, a shareholder’s original base cost in his or her Egdon Shares will be apportioned between his or her New Egdon Shares and his or her New Portland Shares by reference to the market value of the shares retained and the shares disposed of at the date on which such disposal is made; and
- (d) depending on the particular circumstances of that shareholder and any available exemptions and reliefs, such a subsequent disposal or part disposal may give rise to a chargeable gain or allowable loss.

Any gain accruing on a disposal of New Portland Shares will not qualify for exemption under the Enterprise Investment Scheme. On such a disposal, or part disposal, of New Portland Shares, part of the shareholder’s tax base cost in his or her New Egdon Shares (being the market value of those New Egdon

Shares at the date of the Reorganisation) will be apportioned to his or her New Portland Shares. The apportionment of the tax base cost in the shareholder's New Egdon Shares will be by reference to the market value of the shares retained and the shares disposed of, at the date on which such disposal is made.

13.3 **Venture Capital Trusts ("VCT")**

Egdon Shares are currently a qualifying holding for the purposes of VCT relief. HM Revenue & Customs has confirmed that the New Portland Shares will satisfy the requirements to be a qualifying holding for VCT purposes to the same extent as the Egdon Shares currently satisfy those requirements. Accordingly, the New Portland Shares should qualify to be held in a VCT to the same extent as the Egdon Shares which they replace.

13.4 **Stamp duty and stamp duty reserve tax**

The transfer on sale of, or an agreement to transfer, New Portland Shares will be liable to stamp duty or stamp duty reserve tax, normally in each case at the rate of 0.5 per cent. of the consideration paid. Higher rates may apply in certain circumstances, such as where New Portland Shares are transferred (i) to, or to a nominee or agent for, a person whose business is or includes the provision of clearance services, or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts.

Stamp duty, or stamp duty reserve tax, is normally the responsibility of the purchaser of the New Portland Shares.

14 **Other information**

- 14.1 The expenses of the transactions described in this document are estimated at approximately £365,000 and are to be paid by New Portland.
- 14.2 The accounting reference date of the Company is 31st July.
- 14.3 Except as stated in this document, there are no patents or other intellectual property rights, licenses or industrial, commercial or financial contracts or new manufacturing processes which are of fundamental importance to the Company's business.
- 14.4 Except as stated in this document, the Company has no principal investments for each of the financial years covered by the historic financial information and there are no principal investments in progress and there are no principal fixture investments on which the bored has made a firm commitment.
- 14.5 Except as stated in this document, no exceptional factors have influenced the Company's activities.
- 14.6 Nexia Smith & Williamson have given and have not withdrawn its written consent to the inclusion in this document of its report set out in Part III and its letters set out therein and the references thereto and to its name in the term and context in which they appear.
- 14.7 Seymour Pierce has given and not withdrawn its written consent to the inclusion in this document of its name and the references to its name in the form and context in which they appear.
- 14.8 Seymour Pierce is registered in England and Wales under registered number 02104188 and its registered office is at 20 Old Bailey, London EC4M 7EN.
- 14.9 Save as disclosed in this document, there has been no significant change in the financial or trading position of the Gas Storage Business since 31 July 2007.
- 14.10 The financial information set out in this document relating to the New Portland Group does not constitute statutory accounts within the meaning of section 240 of the CA 1985. The historical financial information in the Report and Accounts for the years ended 31 July 2007, 2006 and 2005 in respect of Egdon has been audited. The information contained in Part III, B of this document has not been audited.
- 14.11 Nexia Smith & Williamson Audit Limited, a member of the Institute of Chartered Accountants in England and Wales, whose registered office is 1 Bishops Wharf, Walnut Tree Close, Guildford, Surrey GU1 4RA have been the auditors of the Company for the period covered by the historical financial information.

- 14.12 No auditors have resigned, been removed or not been reappointed during the period covered by the historical financial information in Part III of this document.
- 14.13 Where information contained in this document has been sourced from a third party the Company confirms that such information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 14.14 As far as the Directors are aware there are no environmental issues that may affect the Company's utilisation of its tangible fixed assets.
- 14.15 The Company is not aware of the existence of any public takeover bids or any circumstances which may give rise to any public takeover bid.
- 14.16 Save as disclosed in this document no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly from the New Portland Group within the 12 months preceding the date of this document; or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the New Portland Group on or after Admission any of the following:
- 14.16.1 fees totalling £10,000 or more;
 - 14.16.2 securities of the Company where these have a value of £10,000 or more calculated by reference to the expected open offer price; or
 - 14.16.3 any other benefit with the value of £10,000 or more at the date of this document.
- 14.17 There are no arrangements known to the Company restricting the free transferability of the New Portland Shares.
- 14.18 There are no arrangements known to the Company the operation of which may at a subsequent date result in a change of control of the Company.
- 14.19 *Squeeze-Out/Sell-Out Rules*

Under the CA 2006, an offeror which makes a takeover offer for the Company and has acquired or contracted to acquire 90 per cent. (of voting rights and value) of the New Portland Shares to which the offer relates, can compulsorily acquire the remaining 10 per cent.. It would do so by sending a notice within the three months following the last day on which the offer can be accepted to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are compulsorily acquired under the CA 2006 must, in general, be the same as the consideration that was available under the takeover offer.

The CA 2006 also gives minority shareholders a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the New Portland Shares and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. (of voting rights and value) of the New Portland Shares to which the offer related, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period, if a shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

14.20 ***Availability of Admission Document***

Copies of this document will be available free of charge during normal business hours on any week day (Saturdays, Sundays and public holidays excepted) until the date following one month after the date of Admission at the registered office of the Company, at the offices of Seymour Pierce, 20 Old Bailey, London EC4M 7EN and at the offices of Norton Rose, LLP, 3 More London Riverside, London SE1 2AQ.

Dated 9 November 2007