

# **Inspirit Energy Holdings Plc**

## Annual Report and Financial Statements

for the year ended 30 June 2014

## COMPANY INFORMATION

DIRECTORS :	D Lenigas (Non-executive Chairman) (appointed 11/09/2013) J Gunn J Nazhat N Jagatia N Luke (appointed 26/07/2013)
COMPANY SECRETARY :	J Nazhat
REGISTERED OFFICE :	2 <sup>nd</sup> Floor 2 London Wall Buildings London EC2M 5PP
COMPANY REGISTRATION NUMBER :	05075088
REGISTRAR AND TRANSFER OFFICE :	Share Registrars Limited Suite E, First Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL
SOLICITORS :	Nabarro LLP Lacon House 84 Theobald's Road London WC1X 8RW
INDEPENDENT AUDITOR :	PKF Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD
NOMINATED ADVISOR AND BROKER:	Westhouse Securities Limited Heron Tower 110 Bishopsgate London EC2N 4AY

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## CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 30 June 2014

### INTRODUCTION

Since Inspirit Energy Holdings Plc's interim results, important steps in the commercialisation of the Company micro combined heat and power (mCHP) boiler have been achieved and the Group shows great progress in delivering its business plan.

### COMMERCIALISATION AND PROGRESS

The Group has entered the stage of finalising commercial design and committing to tooling with a number of its engineering partners and suppliers. The significant investment made demonstrates the Group's progress towards achieving full certification approval and commercialisation of the Group's highly efficient mCHP (micro Combined Heat and Power) micro co-generation boilers.

A demonstration facility in Sheffield has been installed to establish the suitability of the mCHP boiler for customers and allow technical staff to provide familiarisation training to installers.

A significant testing and field trial agreement entered into with Utilitywise Plc will allow the Group to test the appliance in a range of demand cycles including full and partial utilisation and in several high-profile installation sites in the UK.

The mCHP appliance has been designed with the help of the company's engineering and manufacturing partners:

- **Adigo** - advising on the remodelling of the original heater head and regenerator components of the Stirling Engine design for the final appliance;
- **GE Precision** - developing and manufacturing the internals of the Stirling Engine with FEA analysis of the Crankcase, Piston and Rhombic Drive Assembly that converts heat energy into the motion required to generate the electrical output;
- **Sentec** - design of the control system including the user interface, diagnostics and management of the supply back into the Grid;
- **Enertek** - design of the gas combustion system, heat recovery system; and
- **Malvern** - build trial units and will help to bring the product to market when fully commercialised.

On 26 June 2014, the Company raised £1,000,000 to fund the commercialisation phase of the Inspirit mCHP boiler.

On 11 September 2014, Dr John Bannister joined the management team as a full time consultant to the Company and special advisor to the Board.

The Board would like to take this opportunity for thanking all of the Company's staff and consultants for their hard work during the year and our shareholders for their support.

The progress over the last year has been very positive and I hope we continue to make great progress in achieving our goal of technological commercialisation.

D Lenigas  
Non-executive Chairman

5 December 2014

## STRATEGIC REPORT

FOR THE YEAR ENDED 30 June 2014

The Directors present their Strategic Report on Inspirit Energy Holdings plc (“the Group”) for the year ended 30 June 2014.

The Strategic Report is a new statutory requirement under section 414A of the Companies Act 2006 (Strategic Report and Directors’ Report) Regulations 2013 and is intended to provide fair, balanced and understandable information that enables the Directors to be satisfied that they have complied with section 172 of the Companies Act 2006, which sets out the Directors’ duty to promote the success of the Group and Company.

### REVIEW OF THE BUSINESS

Inspirit Energy Holdings Plc, acquired Inspirit Energy Limited and began trading on the London Stock Exchange, AIM markets on 26 July 2013. The Company is now exclusively focused on commercialising the Group’s unique and highly efficient micro co-generation boiler.

The Company’s objective is to generate returns to shareholders via investment in renewable energy through development of environmental or renewable energy products and services.

Inspirit Energy Limited is currently pursuing the development and commercialisation of a world-leading micro Combined Heat and Power (mCHP) boiler for use in commercial and residential markets. The mCHP boiler is powered by natural gas and designed to produce hot water (for Domestic Hot Water or Central Heating) and a simultaneous electrical output that can be used locally or fed back into the National Grid.

Inspirit Energy’s new washing machine-sized mCHP micro co-generation boiler is one of the industry’s most powerful and energy efficient mCHP appliances for its size with simultaneous generation of up to 15 kilowatts of thermal output and up to 3 kilowatts of electrical output. The mCHP boiler has been designed to be low maintenance and can be installed by a certified gas-safe tradesman. The appliance’s patented engine will take the waste heat from the boiler and convert it efficiently into electricity; first supplying the property where it is installed and feeding surplus electricity into the National Grid.

The developments made in the mCHP micro co-generation boiler shows the great progress that the Company has made during the year and the platform for success in the future.

Inspirit intends to explore opportunities to market and /or licence the underlying technology.

### DEVELOPMENTS DURING THE YEAR

On 13 September 2013, the Company entered into a £472,000 placing and an Equity Swap Agreement with YA Global Master SPV, Ltd. at 2.8 pence per share.

On 26 September 2013, the Company announced that UK HM Revenue & Customs had accepted the Company’s application to join both the Enterprise Investment Scheme (“EIS”) and the Venture Capital Trust (“VCT”) Scheme, which are designed to offer a range of tax reliefs for investors.

On 14 October 2013, the Company announced an agreement with Sentec Ltd, for the final stage development of its mCHP controls package. This will provide the appliance control and an energy management system that will feed back into the National Grid.

On 9 January 2014, the Company announced a contract with Enertek International Ltd to assist with the final mass manufacturing specifications and designs for the mCHP boiler’s key heating components. Enertek will assist the Company in obtaining the necessary certifications required to sell this unique appliance initially in the UK and European market places.

On 27 January 2014, the Company signed a manufacturing agreement with Malvern Boilers Ltd, to produce the initial volumes of its mCHP boilers.

On 24 February 2014, the Company signed an agreement with Caring Homes Group, to install the mCHP boiler into one of their care homes for the purpose of key customer testing and verification to demonstrate economic viability of the appliance.

On 26 June 2014, the Company raised £1,000,000 through the issue of 71,428,571 new ordinary shares of 0.1p each at a price of 1.4p per placing share to fund the next important commercialisation phase of mCHP boiler.

## STRATEGIC REPORT

FOR THE YEAR ENDED 30 June 2014

## BOARD CHANGES

On 26 July 2013, Neil Luke was appointed as an Executive Director and Chief Operating Officer of the Company.

On 11 September 2013, David Lenigas was appointed as Non-Executive Chairman of the Company.

## RESULTS AND DIVIDENDS

The Group made a loss after taxation of £1,293,000 (2013: loss of £78,000). The loss included an exceptional write-down of £663,000 goodwill on consolidation relating to Inspirit Energy Holdings Plc. The Directors do not propose a dividend for the year to 30 June 2014 (2013: £nil).

## KEY PERFORMANCE INDICATORS

The key performance indicators are set out below:

PLC STATISTICS	30 June 2014	30 June 2013	Change %
Net asset value	£2,098,000	£59,000	+3456%
Net asset value - fully diluted per share	0.32p	0.08p	+300%
Closing share price	0.0112p	0.0125p	-50%
Market capitalisation	£7,342,276	£914,244	+703%

## KEY RISKS AND UNCERTAINTIES

Early stage product development carries a high level of risk and uncertainty, although the rewards can be outstanding. At this stage there is a common risk associated with all pioneering technological advanced companies in their requirement to continually invest in research and development. The Group has already made significant investments in addressing opportunities in the renewable energy sector.

The Group has raised funds during the period as discussed in the 'Developments during the year' above. The Directors feel that while this is sufficient for operating forecasts, further funding requirements are necessary to commercialise the micro co-generation boiler.

## FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The principal financial risk faced by the Company is liquidity risk. The Company's financial instruments included borrowings and cash which it used to finance its operations. At the year end, borrowings did not include borrowings supplied from the bank. More information is given in Note 3 to the Financial Statements. The Company has no significant concentrations of credit risk.

## ASSESSMENT OF BUSINESS RISK

The Board regularly reviews operating and strategic risks. The Group's operating procedures include a system for reporting financial and non-financial information to the Board including:

- reports from management with a review of the business at each Board meeting, focusing on any new decisions/risks arising;
- reports on the performance of investments;
- reports on selection criteria of new investments;
- discussion with senior personnel; and
- consideration of reports prepared by third parties.

Details of other financial risks and their management are given in Note 3 to the financial statements.

## STRATEGIC REPORT

FOR THE YEAR ENDED 30 June 2014

### GOING CONCERN

The Group meets its day-to-day working capital requirements through its ability to raise funds when required. The current economic conditions continue to create uncertainty, particularly over (a) the level of demand for the Group's products; and (b) the availability of funding available for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated Financial Statements.

### FUTURE DEVELOPMENTS

The Company intends to explore opportunities to manufacture or license out the underlying technology and the Directors believe that in some instances, the patents owned by Inspirit may be also used in the development of products other than a mCHP appliance. A prototype of the appliance has been independently tested and shown to be capable of simultaneous generation of up to 15kW thermal and up to 3kW electrical output. Once development of the appliance has been completed and commercialised, the Directors expect that the appliance will initially be marketed in the UK and Europe and eventually worldwide. Additional revenue streams may be possible through product licensing, sales of warranties and further development of the product.

On 1 July 2014, the Company concluded a more detailed manufacturing partnership agreement with Malvern Boilers Ltd. The agreement will see the company and Malvern working closer together to achieve the joint goals of producing the initial trial boilers for evaluation sites and placing Malvern in the controlling role of managing the production introduction and supply chain.

On 18 September 2014, the Company agreed to issue 3,398,056 new ordinary shares of 0.1p each in the Company as settlement for professional fees.

On 18 September 2014 the Company announced that Calor Gas Limited agreed to the installation of a mCHP boiler at one of its customer sites.

On 27 October 2014 the Company announced it had reached the stage of finalising its commercial design and committing to tooling with a number of its engineering partners and suppliers.

### ON BEHALF OF THE BOARD

J Gunn  
Director

5 December 2014

**REPORT OF THE DIRECTORS**

FOR THE YEAR ENDED 30 June 2014

The Directors present their annual report on the affairs of the Group, together with the audited financial statements for the year ended 30 June 2014.

**PRINCIPAL ACTIVITIES**

The principal activity of the Company is that of development and commercialisation of the mCHP boiler.

Details of the Group's principal activities can be found in the Strategic Report.

**DIRECTORS**

The Directors who held office in the period up to the date of approval of the Financial Statements and their beneficial interests in the Group's issued share capital at the beginning and end of the accounting year were:

	Number of ordinary shares		Number of share options and warrants	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
D Lenigas <sup>1</sup>	6,000,000	-	-	-
J Gunn	369,743,438	9,240,160	-	375,000
J Nazhat	-	-	-	-
N Jagatia	-	-	-	-
N Luke <sup>2</sup>	-	-	-	-

<sup>1</sup>Appointed 11 September 2013

<sup>2</sup>Appointed 26 July 2013

**INDEMNITY OF OFFICERS**

The Company maintains appropriate insurance cover against legal action brought against its Directors and officers.

**SUBSTANTIAL INTERESTS**

The Company is aware that at 5 November 2014, the following shareholdings in excess of 3% of the issued share capital of the Company:

	Number of ordinary shares	Percentage of issued share capital
John Gunn	369,743,438	56.1%
Rothschild Nominees Limited	29,950,817	4.5%
Jim Nominees Limited	23,164,842	3.5%

**POLICY AND PRACTICE ON PAYMENT OF CREDITORS**

The Company's policy is to agree terms of payment with suppliers. These normally provide for settlement within 30 days of the date of the invoice, except where other arrangements have been negotiated. It is the policy of the Company to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract.

## REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 June 2014

### CORPORATE GOVERNANCE

The Board has not adopted the UK Corporate Governance Code; this is only a requirement for premium listed companies and the Board does not consider it appropriate for a company of the size and nature of Inspirit Energy Holdings plc. The Board has, however, adopted the requirements of the Corporate Governance Guidelines for Smaller Companies published by the Quoted Companies Alliance, although, until an independent non-executive director is appointed, Neil Luke will chair each of the committees.

### BOARD OF DIRECTORS

The Board is responsible for strategy and performance, approval of major capital projects and the framework of internal controls. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring the Board procedures, are followed and that applicable rules and regulations are complied with.

### AUDIT COMMITTEE

The Audit Committee is currently chaired by Neil Luke and includes Jubeenh Nazhat and Nilesh Jagatia. The committee provides a forum for reporting by the Group's external auditors. The committee is also responsible for reviewing a wide range of matters, including half-year and annual results before their submission to the Board, and for monitoring the controls that are in force to ensure the integrity of information reported to shareholders. The Audit Committee will advise the Board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and will discuss the nature, scope and results of the audit with the external auditors. The committee will keep under review the cost effectiveness and the independence and objectivity of the external auditors.

The Audit Committee is responsible for ensuring the "right tone at the top" and that the ethical and compliance commitments of management and employees are understood throughout the Group.

### REMUNERATION COMMITTEE

The Remuneration Committee is chaired by Neil Luke and includes Jubeenh Nazhat and Nilesh Jagatia. The committee is responsible for making recommendations to the Board, within agreed terms of reference, on the Group's framework of executive remuneration and its cost. The Remuneration Committee determines the contract terms, remuneration and other benefits for the executive directors, including performance related bonus schemes and compensation payments. The Board itself determines the remuneration of the non-executive directors.

### COMMUNICATIONS WITH SHAREHOLDERS

Communications with shareholders are given a high priority. In addition to the publication of an annual report and an interim report, there is regular dialogue with shareholders and analysts. The Annual General Meeting is viewed as a forum for communicating with shareholders, particularly private investors. Shareholders may question the Executive Chairman and other members of the Board at the Annual General Meeting.

### INTERNAL CONTROL

The Directors acknowledge they are responsible for the Group's system of internal control and for reviewing the effectiveness of these systems. The risk management process and systems of internal control are designed to manage rather than eliminate the risk of the Group failing to achieve its strategic objectives. It should be recognised that such systems can only provide reasonable and not absolute assurance against material misstatement or loss. The Group has well established procedures which are considered adequate given the size of the business.

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

## REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 June 2014

- select suitable accounting policies and then apply them consistently
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The Company is compliant with AIM Rule 26 regarding the Company's website.

### DISCLOSURE OF INFORMATION TO AUDITOR

In the case of each person who was a Director at the time this report was approved:

- so far as that director is aware there is no relevant audit information of which the Company's auditor is unaware: and
- that director has taken all steps that the director ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### INDEPENDENT AUDITOR

The auditor, PKF Littlejohn LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

PKF Littlejohn LLP has signified its willingness to continue in office as auditor.

### ON BEHALF OF THE BOARD

N Jagatia

Director

5 December 2014

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INSPIRIT ENERGY HOLDINGS PLC

FOR THE YEAR ENDED 30 June 2014

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INSPIRIT ENERGY HOLDING PLC

We have audited the Financial Statements of Inspirit Energy Holdings Plc for the year ended 30 June 2014 which comprise the Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Company Statement of Cash Flow, the Group and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

### SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2014 and of the Group's loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

### EMPHASIS OF MATTER – GOING CONCERN

In forming our opinion on the Financial Statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the Financial Statements concerning the Group's and Company's ability to continue as going concerns. The Group and Company incurred a net loss of £1,293,000 and £646,000, respectively, during the year ended 30 June 2014. These conditions, along with the other matters explained in note 2 to the Financial Statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's and Company's ability to continue as going concerns. The Financial Statements do not include the adjustments that would result if the Group and Company were unable to continue as going concerns.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF INSPIRIT ENERGY HOLDINGS PLC**

FOR THE YEAR ENDED 30 June 2014

**OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Mark Ling (Senior statutory auditor)**  
**For and on behalf of PKF Littlejohn LLP**  
**Statutory auditor**

1 Westferry Circus  
Canary Wharf  
London E14 4HD

5 December 2014

## GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 June 2014

	Note	2014 £'000	2013 £'000
CONTINUING OPERATIONS:			
Revenue		-	-
Administrative expenses	8	(506)	(42)
Impairment of goodwill	13	(663)	-
Other losses - net	9	(197)	-
OPERATING LOSS		(1,366)	(42)
Finance costs	10	(11)	(53)
LOSS BEFORE INCOME TAX		(1,377)	(95)
Income tax credit	11	84	17
LOSS FOR THE YEAR (ATTRIBUTABLE TO OWNERS OF THE PARENT)		(1,293)	(78)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR (ATTRIBUTABLE TO OWNERS OF THE PARENT)		(1,293)	(78)
EARNINGS PER SHARE			
- Basic and fully diluted earnings per share (attributable to owners of the parent)	12	(0.24p)	(0.02p)

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Parent Company Statement of Comprehensive Income.

The loss for the Parent Company for the year was £646,000 (2013: £448,000).

## GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 June 2014

Attributable to the owners of the parent

	Share capital £'000	Share premium £'000	Other reserves £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Retained losses £'000	Total Equity £'000
BALANCE AT 1 July 2012	15	737	23	-	-	(451)	324
Loss for the year	-	-	-	-	-	(78)	(78)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	-	-	(78)	(78)
TRANSACTIONS WITH OWNERS	-	-	-	-	-	-	-
BALANCE AT 30 June 2013	15	737	23	-	-	(529)	246
BALANCE AT 1 July 2013	15	737	23	-	-	(529)	246
Loss for the year	-	-	-	-	-	(1,293)	(1,293)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	-	-	(1,293)	(1,293)
Shares issued	154	2,153	-	-	-	-	2,307
Share issue costs	-	(53)	-	-	-	-	(53)
Share based payments	60	735	-	-	-	-	795
Share warrants exercised	7	59	-	-	-	-	66
Cancellation of share warrants	-	-	(23)	-	-	23	-
Conversion of convertible loan	10	40	-	-	-	-	50
Reverse acquisition	806	3,275	110	3,150	(7,361)	-	(20)
TRANSACTIONS WITH OWNERS	1,037	6,209	87	3,150	(7,361)	23	3,145
BALANCE AT 30 June 2014	1,052	6,946	110	3,150	(7,361)	(1,799)	2,098

The accompanying accounting policies and notes are an integral part of these financial statements.

## COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 June 2014

	Attributable to equity shareholders				
	Share capital £'000	Share premium £'000	Other reserves £'000	Retained losses £'000	Total equity £'000
BALANCE AT 1 July 2012	460	3,888	105	(4,076)	377
Loss for the year	-	-	-	(448)	(448)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	(448)	(448)
Shares issued	8	92	-	-	100
Share based payment	1	18	19	-	38
Conversion of convertible loan	2	14	(14)	-	2
TRANSACTIONS WITH OWNERS	11	124	5	-	140
BALANCE AT 30 June 2013 (as previously reported)	471	4,012	110	(4,524)	69
Prior period adjustment	-	-	-	(10)	(10)
BALANCE AT 30 June 2013 (restated)	471	4,012	110	(4,534)	59
BALANCE AT 1 July 2013	471	4,012	110	(4,534)	59
Loss for the year	-	-	-	(646)	(646)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	(646)	(646)
Reverse acquisition	350	3,150	-	-	3,500
Shares issued	154	2,153	-	-	2,307
Share issue costs	-	(53)	-	-	(53)
Share based payments	60	735	-	-	795
Share warrants exercised	7	59	-	-	66
Conversion of convertible loan	10	40	-	-	50
TRANSACTIONS WITH OWNERS	581	6,084	-	-	6,665
BALANCE AT 30 June 2014	1,052	10,096	110	(5,180)	6,078

The accompanying accounting policies and notes are an integral part of these financial statements.

## STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 June 2014

Company Number: 05075088		GROUP		COMPANY	
				Restated	
	Note	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>NON-CURRENT ASSETS</b>					
Intangible assets	13	1,060	769	-	-
Property, plant and equipment	14	12	6	-	-
Investments	15	-	-	-	740
Investment in subsidiaries	16	-	-	4,643	-
Trade and other receivables	18	-	-	-	115
		1,072	775	4,643	855
<b>CURRENT ASSETS</b>					
Inventories	17	5	5	-	-
Trade and other receivables	18	1,204	31	1,539	35
Derivative financial instruments	19	-	-	-	-
Cash and cash equivalents	20	67	1	59	-
		1,276	37	1,598	35
<b>TOTAL ASSETS</b>		<b>2,348</b>	<b>812</b>	<b>6,241</b>	<b>890</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>					
Share capital	21	1,052	15	1,052	471
Share premium	21	6,946	737	10,096	4,012
Other reserves	23	110	23	110	110
Merger reserve	23	3,150	-	-	-
Reverse acquisition reserve	23	(7,361)	-	-	-
Retained losses		(1,799)	(529)	(5,180)	(4,534)
<b>TOTAL EQUITY</b>		<b>2,098</b>	<b>246</b>	<b>6,078</b>	<b>59</b>
<b>NON-CURRENT LIABILITIES</b>					
Trade and other payables	24	-	-	-	411
Borrowings	25	-	-	-	52
		-	-	-	463
<b>CURRENT LIABILITIES</b>					
Trade and other payables	24	250	566	163	368
		250	566	163	831
<b>TOTAL LIABILITIES</b>		<b>250</b>	<b>566</b>	<b>163</b>	<b>831</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,348</b>	<b>812</b>	<b>6,241</b>	<b>890</b>

These Financial Statements were approved by the Board of Directors on 5 December 2014 and were signed on its behalf by:

N Jagatia  
Director

The accompanying accounting policies and notes are an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 June 2014

	Note	GROUP		COMPANY	
		2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Loss before tax		(1,377)	(95)	(646)	(448)
Depreciation		1	1	-	-
Finance income		-	-	-	(4)
Finance expense		11	53	6	31
Share based payment expense		795	-	795	-
Share warrants exercised		66	-	66	-
Impairment of goodwill		663	-	-	-
Decrease/(increase) in trade and other receivables		80	(58)	(364)	(107)
(Increase)/decrease in trade and other payables		(652)	124	(260)	428
<b>CASH (USED BY)/GENERATED FROM OPERATING ACTIVITIES</b>		<b>(413)</b>	<b>25</b>	<b>(403)</b>	<b>(100)</b>
Interest paid		(11)	(48)	(6)	-
Income tax credit received		17	100	-	-
<b>NET CASH (USED BY)/GENERATED FROM OPERATING ACTIVITIES</b>		<b>(407)</b>	<b>77</b>	<b>(409)</b>	<b>(100)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments to acquire intangible assets		(291)	(126)	-	-
Payments to acquire property, plant and equipment		(7)	-	-	-
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(298)</b>	<b>(126)</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Net proceeds from issue of share capital		771	-	871	100
Loan to group undertaking		-	-	(403)	-
Interest received		-	-	-	-
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>771</b>	<b>-</b>	<b>468</b>	<b>100</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>66</b>	<b>(49)</b>	<b>59</b>	<b>-</b>
Cash and cash equivalents at the beginning of the year		1	50	-	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	20	<b>67</b>	<b>1</b>	<b>59</b>	<b>-</b>

The accompanying accounting policies and notes are an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

**1 GENERAL INFORMATION**

The principal activity of Inspirit Energy Holdings Plc during the period was that of developing and commercialising the mCHP boiler.

On 25 July 2013 the Company completed the acquisition of Inspirit Energy Limited, and now owns all of that company's issued share capital. These financial statements show the consolidated results of the Group for the year ended 30 June 2014; the comparative results (30 June 2013) are presented for the Company only.

Inspirit Energy Holdings Plc is a company incorporated and domiciled in England and Wales and quoted on the Alternative Investment Market of the London Stock Exchange. The address of its registered office is 2<sup>nd</sup> Floor, 2 London Wall Buildings, London, EC2M 5PP, United Kingdom. On 25 July 2013 the Company changed its name from KleenAir Systems International Plc to Inspirit Energy Holdings Plc.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

**BASIS OF PREPARATION**

The consolidated Financial Statements of Inspirit Energy Holdings Plc have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and the parts of Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated Financial Statements have been prepared under the historical cost convention, as modified by financial assets (including derivative instruments) at fair value through the profit or loss.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated Financial Statements are disclosed in Note 4.

**GOING CONCERN**

The Group's activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 4 to 6. It also includes the Group's objectives, policies and processes for managing its business risk objectives, which includes its exposure to technology, customer and other operational risks.

The Directors have prepared cash flow forecasts for the Group and Company which reflect the Group's and Company's forecast cash inflows and costs.

On 26 June 2014 the Company raised £1m in equity. The cash flow forecasts for the Group and Company show that further equity and/or borrowings will be required to complete the development and testing of the Group's mCHP boiler and bring it into production. Although the Directors are confident that further equity can be raised at a valuation acceptable to the Company there is no guarantee this will be the case. In the event that further equity cannot be raised or insufficient equity is raised the Company has the benefit of a standby loan agreement with John Gunn and David Lenigas who have undertaken to provide loans of up to £600,000 over the next 12 months, as the Company may reasonably require.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## GOING CONCERN (continued)

It is envisaged by the Directors that existing cash resources together with these forecast cash inflows will provide adequate funds for Inspirit Energy Holdings Plc and its subsidiary undertakings for the foreseeable future. The Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

## PRIOR PERIOD ADJUSTMENT

The Company omitted a transaction in the year ended 30 June 2013 that has resulted in a prior period restatement in the opening profit and loss account for 30 June 2014, resulting in an increase to retained losses brought forward and an increase to liabilities.

The impact of the prior period error has been retrospectively applied in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Consultancy expenses that were paid for by Inspirit Energy Limited for and on behalf of the Company were not recognised as an additional liability as at 30 June 2013. As a result of the prior period error, the following adjustments were made to the financial statements:

<b>As of 1 July 2013</b>	2013 £
Net increase in retained losses brought forward	(10,000)
Net increase in liabilities	10,000

## BASIS OF CONSOLIDATION

Inspirit Energy Holdings Plc, the legal parent, is domiciled and incorporated in the United Kingdom.

The Group Financial Statements consolidate the Financial Statements of Inspirit Energy Holdings Plc and Inspirit Energy Limited made up to 30 June 2014.

Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the company controls another entity.

The Company acquired Inspirit Energy Limited on 25 July 2013 through a share exchange. As the shareholders of Inspirit Energy Limited have control of the legal parent, Inspirit Energy Holdings Plc, the transaction has been accounted for as a reverse acquisition in accordance with IFRS 3 "Business Combinations". Consequently, although the Financial Statements are prepared in the name of the legal parent, they are in substance a continuation of those of the legal subsidiary. The following accounting treatment has been applied in respect of the reverse acquisition:

- the assets and liabilities of the legal subsidiaries within Inspirit Energy Limited are recognised and measured in the consolidated financial statements at their pre-combination carrying amounts, without restatement to fair value;
- the equity structure appearing in the consolidated financial statements reflects the equity structure of the legal parent, Inspirit Energy Holdings Plc, including the equity instruments issued to effect the business combination;
- comparative numbers presented in the consolidated financial statements are those reported in the financial statements of the legal subsidiaries consolidated within Inspirit Energy Limited.

The cost of acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition related costs are expensed as incurred. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

## a) New and amended standards adopted by the Group:

The following standards and amendments to existing standards and interpretations are mandatory for the annual period beginning after 1 July 2013 and have been applied in preparing these financial statements:

Amendment to IAS 1, 'Presentation of Financial Statement' regarding other comprehensive income became effective during the period. Items in the consolidated statement of comprehensive income that may be reclassified to profit or loss in subsequently periods are now presented separately from items that will not be reclassified to profit or loss in subsequent periods.

IFRS 13, "Fair value measurement" became effective during the period. The standard requires specific disclosures on fair values, some of which replace existing disclosure requirements in IFRS 7, "Financial instruments: Disclosures". The fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate to their book values due to the short maturity periods of these financial instruments. Available for sale financial assets consist of equity investments whose fair value is determined by reference to inputs other than quoted market prices (level 2 in the fair value measurement hierarchy).

## b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 July 2013, but not currently relevant to the Group:

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these Financial Statements. None of these are expected to have a significant effect on the financial statements of the Group.

IAS 19, 'Employee benefits' eliminate the option to defer the recognition of gains and losses, known as the "corridor method"; streamline the presentation of changes in assets and liabilities arising from defined benefit plans.

IFRS 7, 'Financial Instruments: Disclosures' was amended for asset and liability offsetting. This amendment requires disclosure of information that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

Amendment to IFRS 1, 'First-time Adoption of International Financial Reporting Standards' on government loans, addresses how first-time adopters would account for a government loan with a below-market rate of interest when transitioning to IFRS.

IFRIC 20, 'Stripping Costs in the Production Phase of a Surface Mine', clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods.

'Annual Improvements 2009 - 2011 Cycle' sets out amendments to various IFRSs as follows:

- An amendment to IFRS 1, 'First-time Adoption' clarifies whether an entity may apply IFRS 1:
  - (a) if the entity meets the criteria for applying IFRS 1 and has applied IFRS 1 in a previous reporting period; or
  - (b) if the entity meets the criteria for applying IFRS 1 and has applied IFRSs in a previous reporting period when IFRS 1 did not exist.
- The amendment to IFRS 1 also addresses the transitional provisions for borrowing costs relating to qualifying assets for which the commencement date for capitalization was before the date of transition to IFRSs.
- An amendment to IAS 1, 'Presentation of Financial Statements' clarifies the requirements for providing comparative information when an entity provides Financial Statements beyond the minimum comparative information requirements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP (continued)

- An amendment to IAS 16, 'Property, Plant and Equipment' addresses a perceived inconsistency in the classification requirements for servicing equipment.
  - An amendment to IAS 32, 'Financial Instruments: Presentation' addresses perceived inconsistencies between IAS 12, 'Income Taxes' and IAS 32 with regard to recognizing the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction.
  - An amendment to IAS 34, 'Interim Financial Reporting' clarifies the requirements on segment information for total assets and liabilities for each reportable segment.
- c) New and amended standards and interpretations issued but not yet effective for the financial year beginning 1 July 2013 and not early adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are disclosed below. The Group intend to adopt these standards, if applicable, when they become effective.

Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets": Clarification of Acceptable Methods of Depreciation and Amortisation. The amendments clarify that a depreciation method which is based on revenue that is generated by an activity which includes the use of an asset is not appropriate for property, plant and equipment. The amendments also introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances. The Group has yet to assess the amendments full impact but intends to adopt no later than accounting period beginning on or after 1 January 2016, subject to EU endorsement.

Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture": Bearer Plants. The amendments include 'bearer plants' within the scope of IAS 16 instead of IAS 41, allowing such assets to be accounted for as property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16. The amendments also introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. The amendments also clarify that produce growing on bearer plants remains within the scope of IAS 41. The Group has yet to assess the amendments full impact but intends to adopt no later than accounting periods beginning on or after 1 January 2016, subject to EU endorsement.

Amendment to IAS 19, 'Defined Benefit Plans: Employee Contributions', provides guidance added to IAS 19 Employee Benefits on accounting for contributions from employees or third parties set out in the formal terms of a defined benefit plan. The Directors do not believe that this will have an impact on the Group however will be adopted no later than accounting period beginning on or after 1 July 2014, subject to endorsement by the EU.

IAS 27, 'Separate Financial Statements', replaces the current version of IAS 27, 'Consolidated and Separate Financial Statements' as a result of the issue of IFRS 10. The revised standard includes the requirements relating to separate financial statements. The revised standard becomes effective for accounting periods beginning on or after 1 January 2014.

Amendments to IAS 27 "Separate Financial Statements": Equity Method in Separate Financial Statements. The amendments to IAS 27 permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in the separate financial statements. The Group has yet to assess the amendments full impact but intends to adopt no later than accounting periods beginning on or after 1 January 2016, subject to EU endorsement.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP (continued)

IAS 28, 'Investments in Associates and Joint Ventures', replaces the current version of IAS 28, 'Investments in Associates', as a result of the issue of IFRS 11. The revised standard includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 1. The Group is yet to assess full impact of the revised standard and intends to adopt IAS 28 (revised) no later than the accounting period beginning on or after 1 January 2014.

Amendment to IAS 32, 'Financial Instruments Presentation', adds application guidance to address inconsistencies identified in applying some of the criteria when offsetting financial assets and financial liabilities. This includes clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. The Group is yet to assess the full impact of the amendment to IAS 32 and intends to adopt the amended standard no later than the accounting period beginning on or after 1 January 2014.

Amendment to IAS 36, 'Impairment of Assets', to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The Group is yet to assess full impact of the revised standard and intends to adopt the amendment to IAS 36 no later than the accounting period beginning on or after 1 January 2014.

Amendment to IAS 39, 'Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting', make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. The Group is yet to assess full impact and intends to adopt the amendment to IAS 39 no later than the accounting period beginning on or after 1 January 2014.

IFRS 9 (2014) "Financial Instruments" supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013). The finalised version of IFRS 9 contains accounting requirements for financial instruments, replacing IAS 39 "Financial Instruments: Recognition and Measurement". The content of IFRS 9 (2014) includes:

- Classification and measurement - financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The standard introduces a fair value through other comprehensive income category for certain debt instruments. Financial liabilities are classified in a similar manner to that under IAS 39 however there are differences in the requirements applying to the measurement of an entity's own risk.
- Impairment - The standard introduces an expected credit loss model for the measurement of the impairment of financial assets. so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- Hedge accounting - The standard introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition - the requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2018, subject to EU endorsement.

IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2014.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP (continued)

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) in order to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in an subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. The Group has yet to assess the amendments full impact but intends to adopt no later than accounting periods beginning on or after 1 January 2016, subject to EU endorsement.

IFRS 11, 'Joint Arrangements' provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangement; joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venture has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group is yet to assess IFRS 11's full impact and intends to adopt IFRS 11 no later than the accounting period beginning on or after 1 January 2014.

Amendments to IFRS 11 "Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations" require an acquirer of an interest in a joint operation in which the activity constitutes a business as defined in IFRS 3. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation. The Group has yet to assess the full impact of this amendment and intends to adopt no later than accounting period beginning on or after 1 January 2016, subject to EU endorsement.

IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in entities, including joint arrangements, associates, special purpose vehicles and other off Statement of Financial Position vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2014.

Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities" clarify the IASB's intention when first issuing the transition guidance in IFRS 10, provide similar relief in IFRS 11 and IFRS 12 from the presentation or adjustment of comparative information for periods prior to the immediately preceding period, and provide additional transition relief by eliminating the requirement to present comparatives for the disclosures relating to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied. The Group plans to adopt these amendments no later than the annual period beginning on or after 1 January 2014.

Amendments to IFRS 10, 'Consolidated Financial Statements', IFRS 12, 'Disclosure of Interests in Other Entities' and IAS 27, 'Separate Financial Statements', provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement. The Group is yet to assess the full impact of these amendments and intends to adopt the amended standards no later than the accounting period beginning on or after 1 January 2014.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP (continued)

IFRS 14 “Regulatory Deferral Accounts” permits an entity which is a first time adopter of International Financial Reporting Standards to continue to account, with some limited changes for ‘regulatory deferral account balances’ in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. The Group is yet to assess the full impact of this amendment and intends to adopt no later than the accounting period beginning on or after 1 January 2016, subject to EU endorsement.

IFRS 15 “Revenue from Contracts with Customers” provides a single, principles based five-step model to be applied to all contracts with customers. The standard includes guidance on the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. IFRS 15 also introduces new disclosures about revenue. The Group is yet to assess the full impact of this amendment and intends to adopt no later than the accounting period beginning on or after 1 January 2017, subject to EU endorsement.

IFRIC 21, ‘Levies’, provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Group is yet to assess the full impact and intends to adopt the standard no later than the accounting period beginning on or after 1 January 2014.

“Annual Improvements 2010 - 2012 Cycle” sets out amendments to various IFRSs and provides a vehicle for making non-urgent but necessary amendments to IFRSs:

- IFRS 2 “Share-based Payment”: amendment to the definition of a vesting condition.
- IFRS 3 “Business Combinations”: amendments to the accounting for contingent consideration in a business combination.
- IFRS 8 “Operating Segments”: amendments to the aggregation of operating segments and the reconciliation of the total of the reportable segments’ assets to the entity’s assets.
- IFRS 13 “Fair Value Measurement”: amendments to short-term receivables and payables.
- IAS 16 “Property, Plant and Equipment”: amendments to the revaluation method in relation to the proportionate restatement of accumulated depreciation.
- IAS 24 “Related Party Disclosures”: amendments regarding key management personnel.
- IAS 38 “Intangible Assets”: amendments to the revaluation method in relation to the proportionate restatement of accumulated depreciation.

The Group intends to adopt the amended standards no later than the annual period beginning on or after 1 July 2014, subject to EU endorsement.

“Annual Improvements 2011 - 2013 Cycle” sets out amendments to various IFRSs and provides a vehicle for making non-urgent but necessary amendments to IFRSs:

- IFRS 1 “First-time Adoption of International Financial Reporting Standards”: amendment to the meaning of ‘effective IFRSs’.
- IFRS 3 “Business Combinations”: amendments to the scope exceptions for joint ventures.
- IFRS 13 “Fair Value Measurement”: amendments to the scope of paragraph 52 (portfolio exception).
- IAS 40 “Investment Property”: amendments clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

The Group intends to adopt the amended standards no later than the accounting period beginning on or after 1 July 2014, subject to EU endorsement.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP (continued)

Annual Improvements 2011 - 2013 Cycle” sets out additional amendments to the following IFRSs:

- IFRS 5 – Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued
- IFRS 7 – Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements
- IAS 9 – Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid
- IAS 34 – Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference

The Group intends to adopt the amended standards no later than the annual periods beginning on or after 1 July 2016, subject to EU endorsement.

## SEGMENTAL REPORTING

The accounting policy for identifying segments is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker, which is identified as the Board of Directors.

In identifying its operating segments, management generally follows the Group's service lines which represent the main products and services provided by the Group. The Directors believe that the Group's continuing investment operations comprise one segment.

## FOREIGN CURRENCY TRANSLATION

## a) FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency").

The consolidated Financial Statements are presented in Pounds Sterling (£), which is the Company's functional and the Group's presentation currency.

## b) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised the Statement of Comprehensive Income.

Foreign exchange gains and losses relating to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within "Finance Income" or "Finance Costs". All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within "Other (Losses)/Gains - Net".

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation is calculated to allocate the cost of each class of asset to their residual values over their estimated useful lives, as follows:

- Plant and Equipment - 15% reducing balance
- Fixtures and Fittings - 20% reducing balance
- Motor Vehicles - 5 years, straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and are recognised within "Other (Losses)/Gains - Net" in the Statement of Comprehensive Income.

## INTANGIBLE ASSETS

## a) GOODWILL

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Company's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually, or more frequently, if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

## b) DEVELOPMENT COSTS

Development costs relate to expenditure on the development of certain new products and service projects where the outcome of those projects is assessed as being reasonably certain as regards viability and technical feasibility. Such expenditure is capitalised and amortised over the expected sales life of the product, being generally a period not longer than five years commencing in the year the sales of the product were first made.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## INTANGIBLE ASSETS (continued)

Development costs incurred on specific projects are capitalised when all the following conditions are satisfied:

- completion of the intangible asset is technically feasible so that it will be available for use or sale
- the Group intends to complete the intangible asset and use or sell it
- the Group has the ability to use or sell the intangible asset
- the intangible asset will generate probable future economic benefits
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditure that does not meet these criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

## IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## FINANCIAL ASSETS

## a) CLASSIFICATION

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

## FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

## LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Statement of Financial Position date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## FINANCIAL ASSET (continued)

## b) RECOGNITION AND MEASUREMENT

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Group commits to purchasing or selling the asset. Financial assets carried at fair value through profit or loss is initially recognised at fair value, and transaction costs are expensed in the Statement of Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred, and the Group has transferred substantially all of the risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the Statement of Comprehensive Income within "Other (Losses)/Gains - Net" in the period in which they arise.

## IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset, or a group of financial assets, is impaired. A financial asset, or a group of financial assets, is impaired, and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset, or group of financial assets, that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal repayments;
- the disappearance of an active market for that financial asset because of financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio; or
- for assets classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost.

## a) ASSETS CARRIED AT AMORTISED COST

The amount of impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced, and the loss is recognised in the Statement of Comprehensive Income. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Statement of Comprehensive Income.

## INVENTORIES

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and are subsequently remeasured at their fair value.

## TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not they are presented as non-current assets.

Trade receivables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

## CASH AND CASH EQUIVALENTS

In the consolidated Statement of Cash Flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

## SHARE CAPITAL

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Option reserve" represents the cumulative cost of share based payments.
- "Retained losses" represents retained losses.

## FINANCIAL LIABILITIES

The Group's financial liabilities comprise trade payables. Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instruments.

## TRADE PAYABLES

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

## BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings, using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

## BORROWINGS COSTS

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in equity. In this case the tax is also recognised directly in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## SHARE BASED PAYMENTS

The Group operates equity-settled, share-based schemes, under which it receives services from employees or third party suppliers as consideration for equity instruments (options and warrants) of the Group. The Group may also issue warrants to share subscribers as part of a share placing. The fair value of the equity-settled share based payments is recognised as an expense in the Statement of Comprehensive Income or charged to equity depending on the nature of the service provided or instrument issued. The total amount to be expensed or charged is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability or sales growth targets, or remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

In the case of warrants the amount charged to equity is determined by reference to the fair value of the services received if available. If the fair value of the services received is not determinable, the warrants are valued by reference to the fair value of the warrants granted as described previously.

Non-market vesting conditions are included in assumptions about the number of options or warrants that are expected to vest. The total expense or charge is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Statement of Comprehensive Income or equity as appropriate, with a corresponding adjustment to a separate reserve in equity.

When the options are exercised, the Group issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium.

## OPERATING LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 3 FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is coordinated by the Board of Directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets.

The main risks the Group is exposed to through its financial instruments are market risk (including market price risk), credit risk and liquidity risk.

## MARKET PRICE RISK

The Group's exposure to market price risk mainly arises from potential movements in the fair value of its derivative financial instrument. The Group manages this price risk within its long-term strategy to grow the business and maximise shareholder return. See below "fair value estimations" that summarises the impact of an increase/decrease in the Company's share price.

## CREDIT RISK

The Group's financial instruments that are subject to credit risk are cash and cash equivalents and loans and receivables. The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable financial institutions. The credit risk for loans and receivables is mainly in respect of short term loans, made on market terms, which are monitored regularly by the Board.

The Group's maximum exposure to credit risk is £1,271,000 (2013: £32,000) comprising cash and cash equivalents and loans and receivables.

## LIQUIDITY RISK

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through maintaining a positive cash balance and controlling expenses and commitments. The Directors are confident that adequate resources exist to finance current operations.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

<b>Group</b>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying value
	£'000	£'000	£'000	£'000	£'000	£'000
At 30 June 2014						
Trade and other payables	250	-	-	-	250	250
	250	-	-	-	250	250
At 30 June 2013						
Trade and other payables	566	-	-	-	566	566
	566	-	-	-	566	566

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 3 FINANCIAL RISK MANAGEMENT (continued)

## CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for shareholders;
- to support the Group's growth; and
- to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Management regards total equity as capital and reserves, for capital management purposes.

## FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets that are measured at fair value. The Group does not have any liabilities measured at fair value.

	2014			2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000	£'000	£'000
<b>ASSETS</b>						
Financial assets at fair value through profit or loss:						
Derivative financial instruments	-	*	-	-	-	-
Total assets	-	-	-	-	-	-

\*includes a fair value adjustment to £nil.

## FINANCIAL INSTRUMENTS IN LEVEL 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available, and rely as little possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments; and
- the fair value of derivative financial instrument is calculated based on the Company's quoted market price and a prescribed formula in accordance with the respective equity swap agreement.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Financial Statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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.

## CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

## IMPAIRMENT OF GOODWILL

Goodwill has a carrying value of £nil (2013: £nil). The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

Management has concluded that an impairment charge to the carrying value of goodwill of £663,000 was necessary during the year. See Note 13 to the Financial Statements.

## IMPAIRMENT OF DEVELOPMENT COSTS AND INVESTMENTS

The Group tests annually whether development costs and investments in the subsidiaries, which have a carrying value of £1,060,000 and £4,643,000, respectively (2013: £769,000 and £740,000, respectively), have suffered any impairment, in accordance with the accounting policy stated in Note 2.

Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is determined based on value in use calculations prepared on the basis of management's assumptions and estimates. There have been none in the year.

In respect of development costs, the recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The value-in-use calculations require the entity to estimate future cash flows expected to arise from the cash generating unit and apply a suitable discount rate in order to calculate present value. The recoverable amount of the development costs have been determined based on value in use calculations. These calculations require the use of estimates (Note 13). The Directors have concluded that no impairment charge is necessary.

## FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The fair value of the equity swaps is calculated using the prescribed formula in the equity swap agreement and the Group's prevailing market price at the year end.

The Equity swaps have been fully impaired at the year end. If the Group's prevailing market price at the year end was 10% higher or lower, the carrying value of the equity swap would still be £nil.

## SHARE BASED PAYMENTS

The Group has made awards of options and warrants over its unissued share capital to certain Directors and employees as part of their remuneration package. Certain warrants have also been issued to shareholders as part of their subscription for shares and to suppliers for various services received.

The fair value of options is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. In accordance with IFRS 2 'Share Based Payments', the Company has recognised the fair value of options, calculated using the Black-Scholes option pricing model. The Directors have made assumptions particularly regarding the volatility of the share price at the grant date in order to reach a fair value. Further information is disclosed in Note 22.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 5 SEGMENTAL INFORMATION

The Group's primary reporting format is business segments and its secondary format is geographical segments. The Group only operates in a single business and geographical segment. Accordingly no segmental information for business segment or geographical segment is required.

## 6 DIRECTORS' EMOLUMENTS

	2014	2013
	£	£
Aggregate emoluments	177	-
Social security costs	13	-
	190	-

  

Name of director	Salary and fees	Benefits	Total 2014	Total 2013
	£	£	£	£
J Gunn	66	-	66	-
J Nazhat	37	-	37	-
N Jagatia	14	-	14	-
N Luke	60	-	60	-
D Lenigas	-	-	-	-
	177	-	177	-

The Group does not operate a pension scheme and no contributions were paid during the year.

## 7 EMPLOYEE INFORMATION

	2014	2013
	£	£
Wages and salaries	140	-
Social security costs	13	-
	153	-

  

Average number of persons employed:	2014	2013
	Number	Number
Office and management	5	-

## COMPENSATION OF KEY MANAGEMENT PERSONNEL

There are no key management personnel other than the Directors of the Company (Note 6).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 8 EXPENSES BY NATURE

	2014 £'000	2013 £'000
Salaries and wages (Note 7)	153	-
Audit and other fees	15	-
Professional and consultancy fees	213	8
Recruitment	15	-
Operating lease rent	52	14
Rates	10	8
Motor and travelling	8	2
Depreciation	1	1
Other expenses	39	9
	506	42

## AUDITOR'S REMUNERATION

During the year the Group obtained the following services from the Company's auditor:

	2014 £'000	2013 £'000
Fees payable to the Company's auditor for the audit of the parent company and the Group financial statements	13	-
Fees payable to the Company's auditor and its associates for other services:		
Taxation compliance services	1	-
Other assurance services	1	-

## 9 OTHER LOSSES - NET

	2014 £'000	2013 £'000
Financial assets at fair value through profit or loss (Note 19)	237	-
Other income	(40)	-
	197	-

## 10 FINANCE COSTS

	2014 £'000	2013 £'000
Interest expense:		
Other loans	11	53
	11	53

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 11 INCOME TAX CREDIT

GROUP	2014 £'000	2013 £'000
Current tax credit on loss for the year	(84)	(17)
	(84)	(17)

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average rate applicable to losses of the consolidated entities as follows:

	2014 £'000	2013 £'000
Loss before tax from continuing operations	(1,377)	(95)
Loss before tax multiplied by rate of corporation tax in the UK of 20% (2013: 20%)	(275)	(19)
Tax effects of:		
Expenses not deductible for tax purposes	207	1
Unrelieved tax losses carried forward	68	18
Research and development tax credit	(84)	(17)
Total tax	(84)	(17)

The Group has excess management expenses of approximately £3,037,000 (2013: £1,379,000), capital losses of £150,000 (2013: £150,000) and non-trade financial losses of approximately £119,000 (2013: £119,000) to carry forward against future suitable taxable profits. No deferred tax asset has been provided on any of these losses due to uncertainty over the timing of their recovery.

## 12 EARNINGS PER SHARE

Loss per ordinary share has been calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of shares in issue during the year. The calculations by both basic and diluted loss per share for the year are based upon the loss for the year of £1,293,000 (2013: £78,000). The weighted number of equity shares in issue during the year was 546,838,937 (2013: 350,000,000).

In accordance with IAS 33, basic and diluted earnings per share are identical as the effect of the exercise of share options and warrants would be to decrease the loss per share and therefore deemed anti-dilutive. Details of share options and warrants that could potentially dilute earnings per share in future periods are set out in Notes 2.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 13 INTANGIBLE ASSETS

## GROUP

COST	Goodwill £'000	Development Costs £'000	Total £'000
At 1 July 2012	-	644	644
Additions	-	125	125
At 30 June 2013	-	769	769
Additions	-	291	291
Reverse acquisition	663	-	663
At 30 June 2014	663	1,060	1,723

ACCUMULATED AMORTISATION AND  
IMPAIRMENT

At 1 July 2012 and 30 June 2013	-	-	-
Impairment charge	663	-	663
At 30 June 2014	663	-	663

## NET BOOK VALUE

At 30 June 2013	-	769	769
At 30 June 2014	-	1,060	1,060

The Goodwill relating to the Parent Company is attributable to the benefits derived from the listing of the Parent Company and reflects the cost of the reverse acquisition and admission to AIM (Note 26). The Directors have reviewed the carrying value of Goodwill at 30 June 2014 and consider that a complete impairment provision is required in the year.

No amortisation has been recognised on development costs to date as the assets are still in the development stage and the related products are not yet ready for sale.

The recoverable amount of the above cash-generating unit has been determined based on value-in-use calculations. No goodwill is allocated to the Group's cash generating unit as this related to the Parent Company as explained above. The value-in-use calculations use cash flow projections based on financial budgets approved by Management covering a seven year period. These incorporate potential revenues which are based on project tenders and projected revenue. Given the nature of the work and the visibility of revenue in the future, it is considered appropriate not to extend the cash flow workings beyond this period.

The recoverable amount based on value-in-use exceeded the carrying value above. The impairment review did not identify any impairment for recognition in the current or prior year.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 14 PROPERTY, PLANT AND EQUIPMENT

GROUP	Plant and Equipment £'000	Fixtures and fittings £'000	Motor Vehicles £'000	Total £'000
<b>COST</b>				
As 1 July 2012	7	4	1	12
Additions	-	-	-	-
As 30 June 2013	7	4	1	12
Additions	-	7	-	7
As at 30 June 2014	7	11	1	19
<b>DEPRECIATION</b>				
As at 1 July 2012	2	3	-	5
Charge for year	1	-	-	1
As at 30 June 2013	3	3	-	6
Charge for year	-	1	-	1
As at 30 June 2014	3	4	-	7
<b>NET BOOK VALUE</b>				
As at 30 June 2013	4	1	1	6
As at 30 June 2014	4	7	1	12

## 15 INVESTMENTS

COMPANY	2014 £'000	2013 £'000
At 1 July	740	740
Transfer to Investment in Subsidiary	(740)	-
	-	740

## 16 INVESTMENT IN SUBSIDIARIES

COMPANY	2014 £'000	2013 £'000
<b>SHARES IN GROUP UNDERTAKINGS:</b>		
At 1 July 2013	-	-
Transfer from investments	740	-
Reverse acquisition	3,500	-
	4,240	-
Loans due from group undertakings	403	-
	4,643	-

Investments in Group undertakings are recorded at cost, which is the fair value of the consideration paid.

Details of Subsidiary Undertakings are as follows:

Name of subsidiary	Country of incorporation	Parent company	Registered capital	Proportion of share capital held	Nature of business
Inspirit Energy Limited	England and Wales	Inspirit Energy Holdings Plc	Ordinary shares £15,230	100%	Product development
Somemore Limited	England and Wales	Inspirit Energy Limited	Ordinary shares £1	100%	Dormant

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 17 INVENTORIES

	GROUP		COMPANY	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Work in progress	5	5	-	-

## 18 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Amounts due from group undertakings	-	-	462	-
Corporation tax	84	17	-	-
VAT recoverable	41	4	3	27
Other receivables - current	42	-	41	-
Other receivables - non-current	-	-	-	115
Unpaid share capital	1,025	-	1,025	-
Prepayments and accrued income	12	10	8	8
	1,204	31	1,539	150
Less: non-current portion	-	-	-	115
Current portion	1,204	31	1,539	35

Other receivables amounting to £18,000 (2013: £Nil) include amounts due from related parties made on normal market terms. The Directors consider that the carrying amount of short term loans and other receivables is approximately equal to their fair value.

Unpaid share capital of £1,025,000 has been received since the year end.

## 19 DERIVATIVE FINANCIAL INSTRUMENTS

	GROUP		COMPANY	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Equity swaps	-	-	-	-

Included within derivative financial instruments are amounts receivable pursuant to an equity swap agreement to be settled across 12 monthly instalments based on a formal agreement related to the difference between the prevailing market price of the Company's ordinary shares in any month and a benchmark share price of 3.08 pence. Hence the net funds to be received by the Company are dependent on the future performance price of the Company's ordinary shares.

The Directors' concluded that the fair value of the derivative financial instruments at 30 June 2014 is £nil (2012: £nil).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 20 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Cash and cash equivalents	67	1	59	-

The Directors consider the carrying amount of cash and cash equivalents approximates to their fair value.

All of the Company's cash and cash equivalents are held with institutions with an AA credit rating.

## 21 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Number of 'B' ordinary shares	Number of deferred shares	Ordinary shares £	'B' Ordinary shares £	Deferred shares £	Share premium £	Total £
At 1 July 2012	62,603,190	1,221,200	400,932	62,603	1,221	393,923	3,887,762	4,348,509
Issue of new shares	8,333,333	-	-	8,333	-	-	91,667	100,000
Share based payment	612,982	-	-	613	-	-	17,776	18,389
Conversion of convertible notes	1,590,000	-	-	1,590	-	-	14,310	15,900
At 30 June 2013	73,139,505	1,221,200	400,932	73,139	1,221	396,923	4,011,515	4,482,798
Issue of new shares on acquisition	350,000,000	-	-	350,000	-	-	3,150,000	3,500,000
Issue of new shares	154,110,886	-	-	154,111	-	-	2,152,889	2,307,000
Share based payments	60,088,753	-	-	60,089	-	-	735,061	795,150
Share warrants exercised	7,000,000	-	-	7,000	-	-	58,800	65,800
Conversion of convertible loans	10,000,000	-	-	10,000	-	-	40,000	50,000
Share conversion from "B" to "A" shares	1,221,200	(1,221,200)	-	1,221	(1,221)	-	-	-
Share issue costs	-	-	-	-	-	-	(52,500)	(52,500)
At 30 June 2014	655,560,344	-	400,932	655,560	-	396,923	10,095,765	11,148,248

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 21 SHARE CAPITAL AND SHARE PREMIUM (continued)

The "B" ordinary shares and deferred shares have no voting rights.

On 28 June 2013, the Company announced the proposed acquisition of the remaining share capital of Inspirit Energy Limited for an aggregate deemed consideration of £3.5 million, to be satisfied by the issue of 350,000,000 new ordinary shares in the Company. The acquisition constituted a reverse takeover under the AIM Rules.

At the same time as the acquisition of the remaining share capital of Inspirit Energy Limited, the Company raised £410,000 (gross) through a subscription for 41.0 million new ordinary shares at a price of 1 pence per share. As part of the subscription, the subscribers were issued with one warrant for every two subscription shares, comprising a total of 20.5 million warrants. The warrants are exercisable into ordinary shares at a price of 1 pence per ordinary share at any time within 12 months from the date of re-admission to AIM. In addition, the whole of the £50,000 convertible loan provided by Hebolux S.A. converted into 10,000,000 new ordinary shares at the date of re-admission.

On 9 August 2013, the Company issued 1,250,000 new ordinary shares to Ascend Capital Plc for the provision of corporate finance services.

On 29 August 2013, the Company raised £175,000 (gross) through the issue of 13,461,537 of new ordinary shares at a price of 1.3 pence per share.

On 4 September 2013, the Company converted existing debt held by Global Investment Strategy (UK) Ltd and John Gunn. The total debt and accrued interest of £706,680.25 was satisfied by the allotment of 54,360,019 ordinary shares of 0.1p each in at a conversion price of 1.3p each.

On 13 September 2013, the Company entered into a £472,000 Placing and an Equity Swap Agreement with YA Global Master SPV, Ltd. ("YAGM") at 2.8 pence per share. YAGM subscribed for a total of 16,857,142 new ordinary shares at a price of 2.8 pence per share for a gross consideration of £472,000. Of this amount, £236,000 will be paid back to YAGM under the Equity Swap Agreement from which the Company is expected to receive a base amount of £19,666.67 per month for a 12 month period, depending on the future price performance of the Company's shares.

On 17 September 2013, the Company issued 1,978,733 new ordinary shares in settlement of professional fees.

On 6 November 2013, the Company has received a conversion notice from a warrant holder to exercise warrants over 1,000,000 ordinary shares at an exercise price of 1 pence per share.

On 25 February 2014, The Company raised £250,000 through the issue of 11,363,636 new ordinary shares of 0.10p each in the Company at a price of 2.2p per share via direct subscriptions.

On 22 May 2014, the Company has received a conversion notice from a warrant holder to exercise warrants over 6,000,000 ordinary shares at an exercise price of 1 pence per share.

On 26 June 2014, the Company has raised £1,000,000 through the issue of 71,428,571 new ordinary shares of 0.1p each in the Company at a price of 1.4p per placing share via direct subscriptions.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 22 SHARE BASED PAYMENTS

Share options and warrants are granted to selected Directors and third party service providers.

Share options and warrants outstanding at the end of the year have the following expiry dates and exercisable prices:

	Weighted Average Exercise Price 2014	Options and warrants	Weighted Average Exercise Price 2013	Options and warrants
At 1 July	0.2984	3,412,620	0.3611	2,766,000
Granted	0.0100	20,500,000	0.0300	646,620
Exercised	0.0100	(7,000,000)	-	-
Terminated	0.2114	(1,266,000)	-	-
At 30 June	0.0566	15,646,620	0.2984	3,412,620

Grant date	Expiry date	Exercise price in £ per share	Number of options and warrants 2014	Number of options and warrants 2013
18 April 2011	17 April 2021	0.3500	-	750,000
18 April 2011	17 April 2021	0.0100	-	516,000
26 April 2011	25 April 2021	0.0488	1,500,000	1,500,000
13 Sept 2012	12 Sept 2015	0.0300	646,620	646,620
26 July 2013	25 July 2014	0.0100	13,500,000	-
		0.0566	15,646,620	3,412,620

The share options and warrants originally granted in 2011 within Inspirit Energy Limited have now been terminated.

The total weighted average contractual life of the outstanding options and warrants at 30 June 2014 was 0.72 years (2013: 6.53 years).

The fair value of the share options and warrants were determined using the Black Scholes valuation model. The parameters used are detailed below:

Option granted on:	26 April 2011	13 September	26 July 2013
Shares and warrants under option	1,500,000	646,620	20,500,000
Option life (years)	10	3	1
Share price (pence per share) at grant	4.50	3.00	1.15
Risk free rate	3.71%	3.71%	2.50%
Expected volatility	10%	10%	0%
Expected dividend yield	Nil	Nil	Nil
Marketability discount	5%	5%	0%
Fair value per option granted (pence per share)	1.254	0.330	0.270
Exercise price (pence per share)	4.875	3.000	1.000

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 22 SHARE BASED PAYMENTS (continued)

For the 2011 and 2012 options and warrants, the expected volatility is based on historical volatility for the 6 months prior to the grant date. For those granted on 26 July 2013, there was no historic volatility as the Company re-listed on AIM. The risk free rate of return is based on zero yield government bonds for a term consistent with the option life.

Based on materiality, the total fair value of the options and warrants granted in the year has not resulted in a change to the Statement of Comprehensive Income for the year 30 June 2014 (2013: £nil).

## 23 OTHER RESERVES

	Share option reserve £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Total £'000
1 July 2013	23	-	-	23
Share based payments	-	-	-	-
30 June 2013	23	-	-	23
Cancellation of share warrants	(23)	-	-	(23)
Reverse acquisition	110	3,150	(7,361)	(4,101)
30 June 2014	110	3,150	(7,361)	(4,101)

## 24 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade payables	65	16	53	160
Other payables	62	-	8	-
Amount due to related parties	9	520	9	411
Social security and other taxes	32	24	12	9
Accrued expenses	82	6	81	199
	250	566	163	779
Less: non-current portion	-	-	-	(411)
Current portion	250	566	163	368

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

The Company entered into an unsecured loan facility on 28 June 2013 with Global Investments Strategy UK Limited ("GIS") for an aggregate maximum amount of £350,000. Amounts may be drawn down at the discretion of the Company. Interest is payable on any drawdown at 5 per cent above the base rate of HSBC Bank plc. Any amount drawn down under the loan facility shall be repayable 18 months from the date of the loan facility. No amounts had been drawn down under this facility as at 30 June 2014.

On 4 September 2013, the Company approved the settlement of all existing debt held with GIS and Mr J Gunn (Executive Director) through the issue of new shares. Total debt and accrued interest of £706,680 (including the liabilities of subsidiary Inspirit Energy Limited) was satisfied by the allotment of 54,360,019 new ordinary shares in the Company at a conversion price of 1.3 pence each.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 25 BORROWINGS

	GROUP		COMPANY	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>Non-current</b>				
Convertible loans	-	-	-	52
30 June 2013	-	-	-	52

On 9 July 2012 the Company issued 50,000, 0% convertible loans at par value of £50,000 with Hebolux S.A. No loans were converted into shares during the year ended 30 June 2013. The convertible loans would have matured on 9 July 2015 and had a conversion price of £0.015 per ordinary share plus 50 per cent of the subscription price if the Company relists.

The values of the liability and equity conversion component were determined at the date the loan notes were issued. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible loan. The residual amount, representing the value of the equity conversion option was deemed immaterial and therefore not included in shareholders' equity.

As part of the acquisition of the remaining share capital of Inspirit Energy Limited, the whole of the £50,000 convertible loan provided by Hebolux S.A. converted into 10,000,000 new ordinary shares at the date of re-admission.

The convertible loan recognised in the Company's Statement of Financial Position is calculated as follows:

COMPANY	2014 £'000	2013 £'000
At 1 July	52	227
Face value of convertible loans	-	-
Liability component	52	227
Converted to ordinary shares	(52)	(16)
Reclassification of removal of conversion rights	-	(190)
Interest expense	-	31
At 30 June	-	52

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 26 BUSINESS COMBINATIONS

During the year ended 30 June 2011 the Company acquired 17.05% of the share capital of Inspirit Energy Limited for £740,000.

On 26 July 2013, the Company acquired the remaining 82.95% of the share capital and obtained control of Inspirit Energy Limited for £3,500,000. Inspirit Energy Limited is an unlisted company registered in the United Kingdom operating in the clean tech and renewable sector. The acquisition is in line with the Company's overall strategy as an investment company.

The acquisition has been treated as a reverse acquisition hence accounted for in accordance with IFRS 3, as set out in the accounting policies. The following table summarises the consideration paid for Inspirit Energy Holdings Plc through the reverse acquisition and the amounts of the assets acquired and liabilities assumed at the acquisition date.

In accordance with IFRS 3, goodwill under a reverse acquisition is calculated on the net assets of the legal parent. The goodwill of £663,000 arising from the acquisition is attributable to the value of the parent company. The Directors do not consider goodwill reflects an increase in the Group's assets and therefore have impaired the goodwill in full.

Consideration at 26 July 2013	£'000
Equity instruments in issue (73,139,505 ordinary shares at 1p each)	731
<b>TOTAL CONSIDERATION</b>	<b>731</b>
Recognised amounts of identifiable assets acquired and liabilities assumed	£'000
Cash and cash equivalents	-
Investments	740
Trade and other receivables	159
Trade and other payables	(779)
Borrowings	(52)
<b>TOTAL IDENTIFIED NET ASSETS</b>	<b>68</b>
<b>GOODWILL</b>	<b>663</b>

In a reverse acquisition, the acquisition date fair value of the consideration transferred by Inspirit Energy Limited is based on the number of equity instruments that Inspirit Energy Limited would have had to issue to the owners of Inspirit Energy Holdings Plc to give the owners of Inspirit Energy Holdings Plc the same percentage of equity interests that results from the reverse acquisition. However, in the absence of a reliable valuation of Inspirit, the cost of the combination was calculated using the fair value of all the pre-acquisition issued equity instruments of Inspirit Energy Holdings Plc at the date of acquisition. The fair value was based on the published price of Inspirit Energy Holdings Plc shares on 26 July 2013 immediately prior to the acquisition.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 27 FINANCIAL INSTRUMENTS BY CATEGORY

The IAS 39 categories of financial instruments included in the Statement of Financial Position and the headings in which they are included are as follows:

	2014	2013
	£'000	£'000
<b>FINANCIAL ASSETS – LOANS AND RECEIVABLES:</b>		
Trade and other receivables (excluding prepayments)	1,192	21
Cash and bank balances	67	1
<b>FINANCIAL ASSETS – FAIR VALUE THROUGH PROFIT OR LOSS:</b>		
Derivative financial instruments	-	-
<b>FINANCIAL LIABILITIES AT AMORTISED COST:</b>		
Trade and other payables	250	566

## 28 OPERATING LEASE COMMITMENTS

The Group leases an office under a non-cancellable operating lease agreement. The lease term is for one year and the lease agreement is renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating lease are as follows:

	2014	2013
	£'000	£'000
<b>GROUP:</b>		
No later than 1 year	36	-
	36	-

## 29 ULTIMATE CONTROLLING PARTY

In the opinion of the Directors, Mr J Gunn is the ultimate controlling party.

## 30 RELATED PARTY TRANSACTIONS

**Global Investment Strategy (UK) Limited**

Mr J Gunn is a Shareholder and Director of Global Investment Strategy (UK) Limited ("GIS"). Ms J Nazhat is also Director of GIS.

The Company entered into an unsecured loan facility on 28 June 2013 with GIS for an aggregate maximum amount of £350,000. Amounts may be drawdown at the discretion of the Company. Interest is payable on any drawdown at 5 per cent above the base rate of HSBC Bank plc. Any amount drawdown under the loan facility shall be repayable 18 months from the date of the loan facility. No amounts were drawn down under this facility as at 30 June 2013. GIS hold a fixed and floating charge over all assets of the Company.

On 4 September 2013, the Company converted existing debt held by GIS and John Gunn. The total debt and accrued interest of £706,680.25 was satisfied by the allotment of 54,360,019 ordinary shares of 0.1p each in at a conversion price of 1.3p each.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

## 30 RELATED PARTY TRANSACTIONS (continued)

**Other related parties**

On 28 June 2013, the Company entered into a Discretionary Drawdown Facility (“DDF”) with Mr D Lenigas, non-executive Chairman, which provides the Company with an equity facility up to a maximum aggregate limit of £70,000. The facility is available for drawdown at any time, and for any specified amount at the Company’s discretion, up to 17 May 2015. Mr D Lenigas is entitled to commission at 6.0% of any amount received by the Company in accordance with the terms of the facility.

On 9 August 2013, the Company issued 1,250,000 new ordinary shares to Ascend Capital Plc for the provision of corporate finance services, of which Mr N Jagatia is a Director.

On 26 June 2014, John Gunn, a Director of the Company, has agreed to invest £50,000 in a placing by subscribing to 3,571,429 placing shares at 1.4p per share. At 30 June 2014, this amount is included within other receivables (Note 18).

During the year, Montpelier Law Ltd, a company in which J Nazhat is a Director, charged corporate services fees of £37,000. The amount owed to Montpelier Law Ltd at year end is £4,000.

During the year, NKJ Associates Ltd, a company in which N Jagatia is a Director, charged consultancy fees of £14,000. The amount owed to NKJ Associates Ltd at year end is £2,000.

## 31 EVENTS AFTER THE REPORTING DATE

On 1 July 2014, the Company has concluded a more detailed manufacturing partnership agreement with Malvern Boilers Ltd. This agreement will see the companies working closer together to achieve the joint goals of producing the initial trial boilers for evaluation sites by the end of October 2014 and placing Malvern in the controlling role of managing the production introduction and supply chain.

On 11 September 2014, Dr John Bannister joined the management team as a full time consultant to the Company and special advisor to the Board.

On 18 September 2014, the Company has agreed to issue 3,398,056 new ordinary shares of 0.1p each in the Company as settlement for professional fees.