Quadrise
Fuels International plc

Annual Report and Accounts 2016

Contents

Quadrise Fuels International plc

Annual Report and Financial Statements for the year ended 30 June 2016

Highlights

- The MSAR® production facility at the CEPSA San Roque refinery became fully operational within 9 months of the LONO Operational Trial contracts being signed. The LONO trial commenced in July 2016, and is progressing well with positive initial feedback from Maersk. The trial is expected to complete by mid-2017 with the possibility of an interim assessment in early 2017, leading to the commencement of commercial rollout targeted for H2 2017.
- In Saudi Arabia, a Memorandum of Understanding setting out the basis for a large-scale production to combustion trial was signed on August 10 2016. The trial is anticipated to commence prior to the end of 2017. Quadrise's experience of delivering a commercial scale MSAR® production facility at the CEPSA refinery provides further confidence in meeting the envisaged timetable.
- Quadrise continues to engage with a number of oil majors and regional power companies to pursue opportunities for the production and use of MSAR® for both marine and power applications.
- Quadrise is now well positioned to implement commercial roll-out, with enhanced operational resources and continued investment in our in-house research facility, continuing collaboration with University of Surrey and the extension of our agreements with AkzoNobel.
- Quadrise remains debt free, with £4.3 million in cash reserves at 30 June 2016, bolstered by a further £4.25 million gross raised through the Placing announced on 12 October 2016. The Open Offer, also announced on the same date, should provide a further up to £1 million gross when completed.

Quadrise Fuels International plc

Company Registration No. 05267512

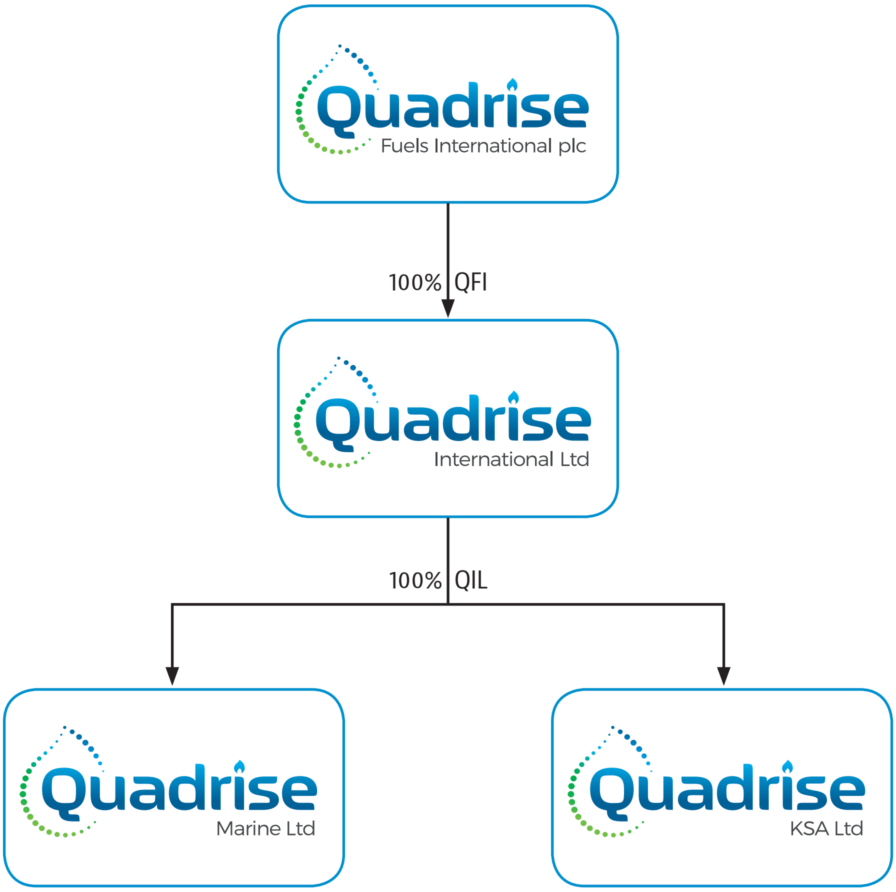
Company Statement

Quadrise Fuels International plc ("QFI") was listed on the London Stock Exchange AIM market in April 2006. QFI aims to be the premier global oil-in-water emulsion fuels company. Through our alliance with AkzoNobel, Quadrise has the capability to provide first class technology, services and MSAR® fuel products to our partners and customers.

Quadrise MSAR® fuels offer a low cost substitute for conventional heavy fuel oil ("HFO") for use in thermal and diesel power generation plants and in industrial and marine diesel engines. The worldwide HFO market exceeds 450 million tons, with a current value in excess of US$100 billion per annum.

Our management and board have extensive background and experience in the specialised energy sectors involved, and an unparalleled track record in commercial emulsion fuels development and supply in marine fuels, oil refining, power generation and general industrial applications.

Corporate Structure



Quadrise MSAR® Fuel

MSAR®: A Proven, Established Technology

MSAR® technology draws on over 25 years of experience in the production of oil-in-water emulsion-based asphalts and fuels. A direct substitute for HFO, MSAR® fuel is establishing an enviable reputation as Quadrise engages with some of the largest corporations in the energy and transport sectors.

MSAR® is a direct low cost substitute for conventional Heavy Fuel Oil ("HFO") used in marine diesel engines, and for thermal power and steam generation. MSAR® technology is a potential game-changer for oil refiners as it frees up valuable distillates traditionally used for HFO manufacture, increasing profitability without incurring significant expenditure.

The global HFO market exceeds 450 million tons per annum, of which approximately 45% is used in marine applications (as bunker fuel oil).

The potential market for MSAR® is substantial; Quadrise is focusing on two significant market segments:

- Marine MSAR®, a replacement bunker fuel, under joint development with A.P. Møller-Maersk, the world's leading container shipping company.
- MSAR®, a replacement HFO for stationary applications: under joint development with several major oil and power generation companies globally.

MSAR® technology is modular and can be integrated into an oil refinery in under 12 months, with any necessary tie-ins being incorporated into scheduled maintenance shutdowns. The MSAR® fuel that is produced is:

- extremely stable, with storage and handling possible at ambient conditions
- transported to end-users in the same way as HFO.

MSAR®: How it Works:

The MSAR® production process is relatively simple:

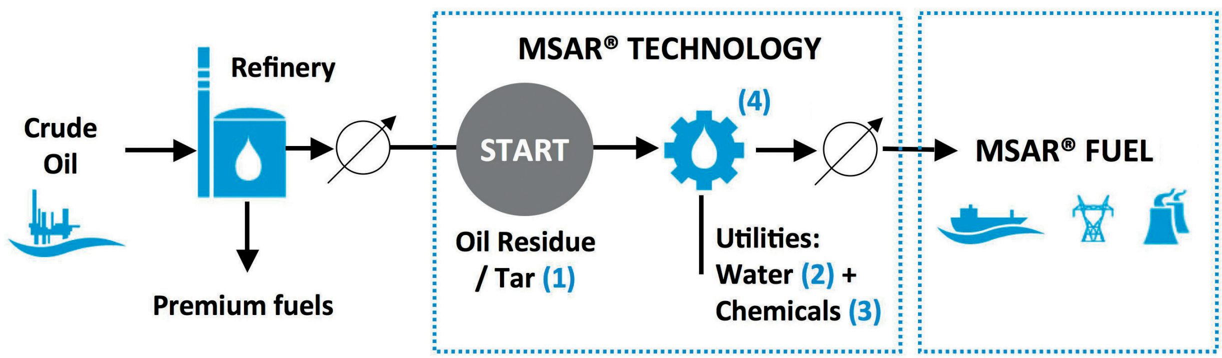
1 Oil residues are taken from refinery rundowns and cooled to under 200°C to achieve the required viscosity (typically 300–500 centistokes).

2 Water, which can be derived from several utility or waste-water sources, is added to the residue.

3 Special surfactants and chemicals are added to stabilise the emulsion for long-term storage and transport, and to promote complete combustion.

4 The mixture is processed in a proprietary MSAR® unit to a high hydrocarbon content (typically 70%) oil-in-water emulsion.

The MSAR® Production Process



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MSAR® versus HFO: Key Benefits for End Users

Compared with HFO, MSAR® fuel offers:

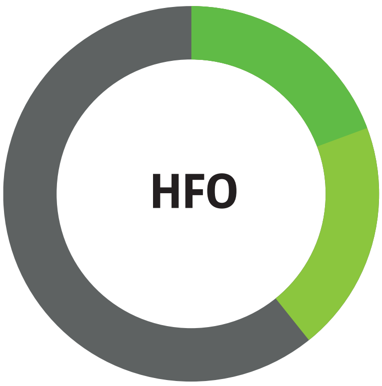
- typically 10–20% cost savings per unit of energy
- at least 20% lower NOx emissions. MSAR® is a pre-atomised fuel with a hydrocarbon particle size of 5–10 microns (atomised fuel oil droplets are typically 50–100 microns) and therefore has enhanced combustion properties
- lower energy consumption. Unlike HFO, MSAR® fuel can be handled at ambient temperature and generally does not need to be heated for viscosity control
- emissions of sulphur dioxide and carbon dioxide that are generally equivalent to those incurred from burning HFO.

MSAR® versus HFO – Key Benefits for Refiners

In a refinery producing HFO ...

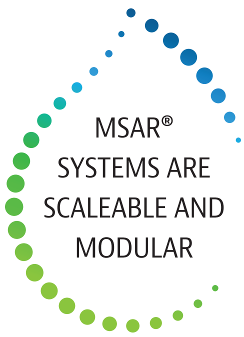
... typically just 50% of the crude processed is sold as premium-value transport fuels

20–40%
DISTILLATES



60–80%
RESIDUALS

HFO requires 20 –40% premium fuels to make residue flow



The oil refinery recovers 10–20% transport fuels for minimal capex

In a refinery producing MSAR®...

... some 70% of the crude processed is sold as premium-value transport fuels

30%
WATER (INC. <1% ADDITIVES)

70%
RESIDUALS

MSAR® uses c. 30% water instead of premium fuels to make residue flow

MSAR® ENHANCES MARGINS

Because premium distillate fuels are replaced with low-cost water and a small amount (<1%) of additives, a higher proportion of the more valuable components of the oil barrel can be sold as higher-margin products

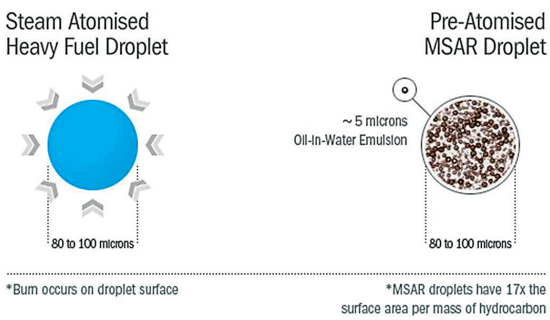
MSAR® and the environment

Lower Energy

The MSAR® process transforms hydrocarbons that are solid at room temperatures into a product that can be stored and transported at ambient temperatures. As a result the energy requirements for handling and transporting MSAR® are lower than HFO, which is generally heated to temperatures of 50-100°C.

Lower NOx and PM (Black Carbon)

The emulsification of heavy fuels has been shown over the years to be the most effective way of simultaneously reducing particulate matter ("PM") that includes unburned carbon (also known as "Black Soot" or "Black Carbon") and nitrogen oxide ("NOx") emissions during combustion. MSAR® fuel is extremely stable, therefore it can be distributed optimally in the combustion zone. Water in the fuel immediately evaporates, causing secondary atomisation and reducing combustion temperatures, typically reducing NOx emissions by 20% or more.

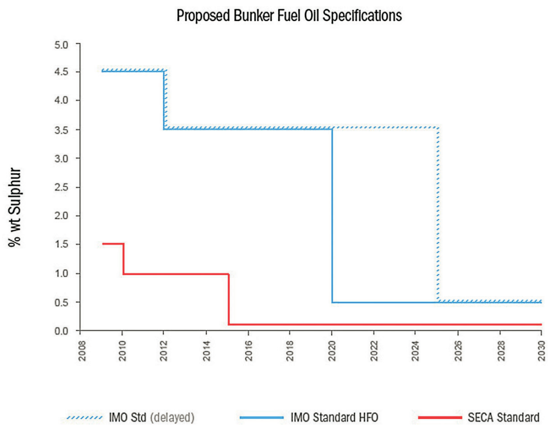


NOx gases are significant atmospheric pollutants that contribute to the formation of smog. NOx reacts with ammonia, moisture, and other compounds to form nitric acid vapour and related particles. Inhalation of these particles can cause respiratory disease and lung damage. Stringent targets therefore need to be met from utility and marine fuel consumers.

Black Carbon results from the incomplete combustion of hydrocarbon which associates with PM. Black Carbon is estimated to be 5–15% of shipping particulate emissions. It has the ability to warm the earth by absorbing heat in the atmosphere and reducing the ability, on deposition, for snow and ice to reflect sunlight. Studies indicate that unburned carbon particulate emissions are the second largest contributors to global warming.

Lowest CO_2 Option to Meet Forthcoming Marine Specifications

Residual fuels have higher levels of sulphur and impurities than distillate fuels, such as gas oil or diesel. Therefore, where environmental legislation dictates, either emissions scrubbing equipment is required or a switch to a distillate or low sulphur fuel is needed for compliance purposes. This is especially relevant in the marine sector, where MARPOL fuel sulphur limits will reduce in the future:



The global debate currently is whether there will be sufficient distillate fuels available to meet this potential future demand. Refiners are questioning whether to invest in the necessary upgrading equipment, especially as the financial returns for these billion dollar investments are uncertain and the overall environmental impact (including increased CO_2 emissions) are worse from cradle to grave when compared with the status quo of HFO plus scrubbing.

At a macro level, any refinery converting to MSAR® technology increases the output of distillate hydrocarbons and reduces the amount of hydrocarbons in the conventional HFO 'pool'. The investment for MSAR® is several orders of magnitude less than the conventional upgrading alternative and the environmental impact for the refiner is significantly lower.

As some of the refinery cost savings for MSAR® versus HFO production can be passed to the consumer, the capital cost of installing scrubbing equipment can be subsidised. This concept of 'affordable compliance' guides Quadrise in commercialising MSAR® fuel.

Chairman's Statement

I am pleased to present this Annual Report for Quadrise Fuels International plc ("Quadrise", the "Company", "QFI" and together with its subsidiaries, the "Group") for the year ended 30 June 2016 together with an update on significant events since the year end.

Quadrise's Unique Offer

Quadrise has developed MSAR® as a less expensive, cleaner synthetic heavy fuel oil ("HFO"). Produced using QFI's proprietary technology and services, MSAR® offers both producers and consumers of the fuel significant economic and environmental advantages. MSAR®, an oil in water emulsion, is made by mixing the residual streams from an oil refinery with water and specialised chemicals in a proprietary production process – instead of diluting the residuals with high value distillate products as in the production of HFO.

MSAR® has superior characteristics compared with HFO:

- MSAR® can be stored and used at lower temperatures than HFO.
- The small particle size (5-10 microns) of the residue in MSAR® results in virtually complete combustion – leading to improvements in engine efficiency and significant reductions in carbon particulates in the exhaust gases.
- The presence of water in MSAR® reduces the combustion temperatures – leading to significant reductions in NOx emissions.
- MSAR® is provided at a lower price than HFO for the equivalent energy output.
- Producing MSAR® allows the refiner to sell the higher value distillates products that would otherwise be used to dilute the residue in order to create HFO.

Quadrise acts as the technology and service partner to both the producer and the consumer and aims to create value through licence revenues from the production of fuel and the sale of the chemicals and MSAR® manufacturing systems. The core technology has been developed jointly with AkzoNobel – one of the world's leading surface chemistry companies.

For the refiner, the production of MSAR® upgrades the low value residue that is inherent in any oil refining process by treating it with speciality chemicals and water in a proprietary production process, rather than diluting it with high value distillate to create HFO. This releases material volumes of high value distillate for sale (typically increasing from 50% to 70% of the overall output) – providing the potential to significantly increase refining margins. For the consumer, MSAR® is offered at a discount (on an energy equivalent basis) to HFO and also offers environmental and handling benefits, compared with HFO.

Excellent progress has been made during the year on the marine operational trial with the nominated Maersk vessel successfully burning MSAR® since July 2016

The two largest markets for the use of MSAR® as a low-cost, efficient and environmentally friendly synthetic HFO are the marine bunkering and power generation markets. In both cases, it is necessary to engage with both the producers (refiners) and consumers (shipping companies and power utilities) to develop the significant market opportunities. Significant work has been carried out to demonstrate the proof of concept in these two key end-user markets and current work is focused on commercial scale trials, the successful conclusion of which will be key milestones towards QFI developing sustainable commercial revenues.

Operational Highlights

Excellent progress has been made during the year on the marine operational trial with the nominated Maersk vessel successfully burning MSAR® since July 2016 on its regular scheduled route, whilst outside the European Emission Control Area. The Company moved from contract signature to an operational commercial scale MSAR® Manufacturing Unit ("MMU") at the Cepsa Gibraltar San Roque Refinery within 9 months and MSAR® is now being manufactured on a regular schedule. The initial feedback from Maersk has been positive, with the possibility of an interim assessment in early 2017 and completion of the trial by middle of 2017.

In power generation, substantive progress was made during the second half of the year and this culminated in the execution of the Memorandum of Understanding ("MoU") in the Kingdom of Saudi Arabia (the "KSA") in August 2016. Since that time we have been working with all parties to move this large-scale production to combustion trial forward and we currently anticipate being able to commence the combustion trial before the end of 2017. Given that this is a large and complex project, our recent experience in delivering a commercial scale MSAR® production facility at the CEPSA refinery on a very tight timetable provides a high degree of confidence in meeting the envisaged timetable.

Economic Case for MSAR® Remains Sound at Current Oil and Gas Prices.

The key value driver for MSAR® is the price differential, or spread, between HFO and distillate fuels (essentially diesel). The spread has remained in the range $155 per tonne to $235 per tonne during the financial year, and the economics of MSAR® technology remains sound at these levels. There is, therefore, a compelling economic case for conversion to MSAR® production to enhance refinery margins, using a proven technology with low capital costs and rapid payback. We continue to make progress with our major programmes in the marine and power sectors and we are working with a number of refiners considering participation in the envisaged global Marine MSAR® supply network.

Oil and energy market conditions remained volatile through the period, though the falls during the first half of the year were recovered during the second half. Although the current lower oil and gas prices do not directly impact the economic case for our unique offer, historically the pace and scale of the price changes have extended decision making cycles for our key customers. Our continued investment in business development capacity in our key customer markets is enabling us to respond positively to this challenge and we believe that the positive progress on our key programmes demonstrates this.

Targeted Business Development Programme to Develop Commercial Market

Quadrise targets specific sectors of very large global bulk fuels markets, and our present and intended clients are large companies which presently account for a substantial share of the production and combustion of HFO – refiners for production and the marine bunkering and power generation sectors for consumption. We believe that there are significant synergies in this approach, as the major producers and consumers are co-located around a small number of major refining and bunker fuel hubs in Europe, the Middle East and Asia.

Both the producers and consumers are inherently conservative and so building the customer base requires Quadrise to engage in significant and sustained business development activity to enable collaborative projects to be developed. Our business development activities are organised along sector lines, to align with our clients in the refining, marine and power markets. We believe that the ability to develop both the marine and power markets offers significant advantages to the producers, as it both increases the available product market potential and de-risks its development through the building of multiple potential customers in different market segments.

We have been working with all parties to move this large-scale production to combustion trial forward and we currently anticipate being able to commence the combustion trial before the end of 2017

All of our business development, research and support activities are co-ordinated to ensure that we can maximise the opportunity for development of a global commercial market for MSAR® in the marine and power sectors. We have highlighted below the background to and progress in each of these sectors.

Marine MSAR2® Bunker Fuel

Quadrise has been working with Maersk for over 5 years and this has culminated in the current operational and LONO ('Letter Of No Objection') trials, which commenced in the first half of 2016, with the MSAR® fuel being manufactured using a commercial-scale MMU at the CEPSA San Roque refinery, adjacent to the Algeciras Mediterranean bunker hub.

Following the installation and commissioning of the MMU during the second quarter of 2016, the first fuel was bunkered to the nominated Maersk vessel in the first few days of July 2016 and the operational and LONO trial will run for a total of 4,000 hours. It is anticipated that the trial will be completed by the middle of 2017, as the MSAR® fuel can only be burned when the vessel is steaming outside of the European Emission Control Area on its normal operating schedule. At the date of this announcement, several additional batches of marine MSAR® fuel have been successfully produced and bunkered to the nominated vessel and the trial continues to progress well on the vessel.

During the negotiation of the current agreements for the trial with Maersk, the Royalty Agreement with Maersk Line was extended to the tenth anniversary of the date of first fully commercial Marine MSAR® – which is presently expected to be mid-2027.

When LONO certification and other regulatory formalities have been completed the early commercial phase should get underway, subject to Quadrise agreeing appropriate commercial terms with CEPSA and Maersk. Whilst the initial focus would be to service Maersk Line's nominated requirements, Quadrise plans to work with other refiners and shipping companies to accelerate the scope of the commercial roll-out. The modular nature of the MMU and associated infrastructure provides refiners with a simple, quick and cost-effective means of scaling up production to meet the anticipated rapidly increasing demand for Marine MSAR®. The MMU capital cost is relatively modest and the site infrastructure is designed for export of larger quantities of fuel oil and hence MSAR® in the future.

Macro Features of the Marine Fuel Market

Emission Standards

Emission standards have an increasingly significant impact on the market for marine bunker fuels. The more stringent standards in the European and North American Emission Control Areas ("ECAs") have been in force since January 2015 and are primarily being met by operators switching to high-cost, low-sulphur marine diesel fuel; though the option to use HFO and exhaust scrubbers offers an alternative route for compliance. The pending reductions in the IMO open ocean emission standards are due to be discussed at the MEPC meeting of the IMO on 24 to 28 October 2016 – and potentially a decision taken for implementation in either 2020 or 2025. "High-sulphur" MSAR® and exhaust scrubbers appear to offer the most economic compliance option, though the use of higher-cost low-sulphur marine diesel will be an option for some operators. With appropriate residue streams there is also the potential to produce low-sulphur MSAR®. It should also be noted that MSAR® provides other benefits including a reduction in NOx and particulates emissions which are likely to be of increasing importance.

Following the installation and commissioning of the MMU during the second quarter of 2016, the first fuel was bunkered to the nominated Maersk vessel in the first few days of July 2016

Alternative Fuels

The use of LNG as an alternative fuel for shipping has increased in profile over the years – primarily as a result of the fall in gas prices in the USA. The recent fall in oil prices has resulted in HFO becoming more cost competitive than LNG per unit energy in many circumstances. Therefore there are likely to be cost constraints on the widespread adoption of LNG as a replacement for HFO, although it may be used in certain geographic and end-user market niches. Given the scale of the global marine fuel market, the development of the marine LNG fuel market is not considered to have a material impact on the market opportunity for marine MSAR®.

Power Generation MSAR® Fuel

The KSA is the world's largest market for consumption of crude-oil and HFO for power generation and the scale and nature of the oil and power generation industries offers an enormous opportunity for Quadrise. It was therefore identified as the primary target market and we have been working with our local partner there, the Rafid Group, on a sustained basis for over 5 years. During this time, we have developed good relationships and have been working closely with a number of key parties and have undertaken a number of studies and evaluation programmes.

We are delighted that we were able to announce in early August 2016 the signing of an MoU to progress discussions for a major production to combustion trial in KSA. We are now engaged with our clients and their advisors to progress from the MoU to definitive contracts for the trial. The refining complex at which the MSAR® will be produced and the major coastal power station at which the combustion trial will take place have been defined and Quadrise is working with all parties to scope the requirements of this complex project which has to be co-ordinated with the existing operating schedules of both facilities. As part of the preparatory work carried out during 2015, the refinery was able to undertake the installation of "tie-ins" for the supply of the residue to the planned emulsion fuel manufacturing unit during a planned maintenance shut down at the end of 2015.

The recent experience that Quadrise has in designing, installing and commissioning a commercial scale MMU at CEPSA, together with our proven ability to manufacture MSAR® on a commercial scale will be highly relevant to the work required for the successful delivery of the production element of the trial in KSA during 2017.

Future Marine, Power and Industrial Programmes

In addition to our work with Maersk, CEPSA and with a number of parties in the KSA, Quadrise has been working on a number of other carefully selected opportunities with both refiners as potential producers of MSAR® fuels and power utilities and shipping operators as consumers. As noted previously, in many cases there are synergies to expanding both the bunker fuel and power generation markets in parallel as this reduces the risks significantly for both parties when there are multiple suppliers and multiple consumers.

In Asia, we continue our relationship with YTL Power Seraya and the prospective benefits continue to be material at current oil prices and price spreads, though lower gas prices are affecting competition in the Singapore power generation market. The project is dependent on MSAR® production by a major regional refiner and this is only likely to start when there is a market for Marine MSAR® through the Singapore bunker hub – which we believe will be an integral part of the post LONO commercial roll-out from 2017. Quadrise has maintained relationships with a number of oil majors and a number of technical evaluations have been completed or are progressing to confirm the suitability of specific refining residues for MSAR® production. These relationships also provide opportunities to explore options for MSAR® production and conversion of refinery units and steam generation plant.

Enhancement of Research, Development and Operations Activities

During the year we have enhanced our capacity and capability in research and development, operations and technical support activities, to ensure that we were able to respond to the increase in activity during the current trials and to enable us to support the planned commercial roll-out following the successful completion of the trials. This included expanding the team at QRF (where all our in-house R&D is undertaken) together with additional business development/process engineering support at our head office. We also commenced a complementary programme of research at the University of Surrey that, through enhancing our understanding of the mechanisms that underpin the creation of stable oil in water emulsion fuels, supports our in-house development activities. This has given Quadrise access to state of the art facilities and world-renowned expertise in emulsions and is proving to be an excellent partnership. We anticipate extending the current arrangements when they expire in the fourth quarter of 2016.

We have enhanced our capacity and capability in research and development, operations and technical support activities, to ensure that we were able to respond to the increase in activity

Central to our offer is the input and support of our technology partner, AkzoNobel, who has worked with Quadrise for over a decade and with whom we have a Joint Development Agreement and a Co-Operation and Exclusive Purchase and Supply Agreement for the chemicals used to create MSAR®. These agreements were recently extended to November 2018 which will give confidence to our customers that we are able to support them when we enter into commercial agreements.

Board and Management

The board has developed during the year, in order to ensure that we are in the best possible position to deliver on the significant commercial opportunities that the successful conclusion of the current trials is expected to present during 2017 and beyond. After serving for 10 years, Ian Williams retired at the end of March 2016 and I succeeded him as Executive Chairman, working alongside our established Chief Operating Officer, Jason Miles, and Finance Director, Hemant Thanawala. We are working together very well as a team.

We continue to benefit from the input of our experienced non-executive directors, with Laurie Mutch chairing the Audit Committee, and Ian Duckels chairing the Compensation Committee – though on Ian's previously announced retirement, at the AGM in 2016, Phil Snaith will take over as Chair of the Compensation Committee. The board would like to take this opportunity to thank both Ian Williams and Ian Duckels for their input and support over many years.

As noted above, we have enhanced our capacity and capability in research and development, operations and technical support activities. In combination with our existing business development activities, this has ensured that we have been able to respond positively to the challenges of supporting two substantial, commercial-scale trial programmes, whilst having the capacity to plan for our future commercial operations.

Outlook – Current Trading and Prospects.

Both the Marine and Power programmes have reached defining stages. At CEPSA, we now have a commercial-scale MMU producing MSAR® for use in a Maersk nominated vessel whilst steaming on its normal scheduled route. The trial has progressed well to date and we expect further substantial progress towards the required 4,000 hours for the LONO element to be made during the remainder of 2016 and for the trial to be completed by the middle of 2017. The facility at CEPSA also provides QFI with a commercial facility built to permanent standards that it is able to showcase to potential clients. In KSA we are working hard with all key participants to progress the planned production to combustion trial and our experience at CEPSA is proving to be invaluable in demonstrating our capabilities and our experience in moving from design studies to a producing facility within tight timescales in an operating refinery.

Both the Marine and Power programmes have reached defining stages

We believe that the successful completion of the current trials are the last remaining steps to being able to develop substantial commercial markets, subject to the negotiation of suitable contracts, for the production and sale of MSAR® and we are working hard to maximise the opportunity that this will provide. Whilst there remain challenges, we believe that MSAR® provides a compelling economic and environmental offer to both producers and consumers and that this will drive market uptake during 2017 and beyond.

Finally, the Board is seeking to enhance the Group's treasury through a proposed Placing of new ordinary shares in the Company to raise approximately £4.0 million. The proposed funding is intended to enable the Group to transition comfortably into the commercial phase, upon the successful completion of the marine operational/LONO and the KSA production to combustion trials. The Company also intends to launch an Open Offer of new ordinary shares to existing QFI shareholders of up to an additional £1.0 million.

Mike Kirk
Executive Chairman
11 October 2016

Financial Review

Overview

Close attention to the Group's treasury and effective financial management has remained a firm ethos of the Board and management of the Group during the year, especially in view of the unavoidable delays in getting the marine MSAR® trial with Maersk and the power MSAR® trial with the KSA underway.

Since the start of the New Year, the marine MSAR® LONO trial has been progressing well and a number of batches of the fuel have already been produced at the CEPSA refinery and burnt successfully in the Maersk nominated vessel. At the current pace, this trial is expected to be completed by the middle of 2017 and, on the successful completion thereof, should progress to the execution of the first commercial contracts.

The KSA production to combustion trial is also progressing well since the year-end and the recent execution of the MoU defines the outline timetable, scope, scale and pace for the trial. All key parties are now well engaged in commencing the trial in 2017, paving the way for an anticipated commercial roll-out in 2018.

To support the lead up to full-scale commercial operations over the next 2 years and to provide comfort to our key clients of our good financial standing and ability to perform when executing the first commercial contracts, the board is taking the necessary actions to strengthen our existing treasury further by raising additional funds through a proposed placing and proposed Open Offer as announced today. The proposed Placing should provide approximately £4.0 million and the proposed Open Offer should provide up to an additional £1.0 million of funds. The board is confident that this fundraising, in combination with the existing treasury, will position the Group well to move to sustainable commercial revenues and profitability.

Results for the Year

The consolidated after-tax loss for the year to 30 June 2016 was £4.8m (2015: £4.9m). This included production and development costs of £2.2m (2015: £1.3m), administration expenses of £2.0m (2015: £1.5m), a share option charge of £0.8m (2015: £1.9m), interest and other income of £192k (2015: £233k), and a charge of £nil (2015: £0.4m) for adjustments to available for sale investments.

Basic and diluted loss per share was 0.59p (2015: 0.61p).

Statement of Financial Position

At 30 June 2016, the Group had total assets of £8.8m (2015: £12.6m). The most significant balances were intangible assets of £2.9m (2015: £2.9m), property, plant and equipment of £1.2m (2015: £0.7m), and cash of £4.3m (2015: £8.4m). Further information on intangible assets is provided in note 14 to the Group Financial Statements.

Cash Flow

The Group ended the year with £4.3m of cash and cash equivalents (2015: £8.4m) with £3.7m having been utilised in its operating activities during the year (2015: £2.7m). The Group continues to remain debt free.

Capital Structure

The Company had 809,585,162 ordinary shares of 1p each in issue at 30 June 2016. The Company's current issued share capital remains at 809,585,162 ordinary shares of 1p each all with voting rights. However, this will change shortly upon the completion of the Placing and Open Offer, as mentioned above. Details of the revised issued share capital will be notified to the shareholders through an RNS at the appropriate time.

Treasury and Financial Risk Management

Control over treasury and financial risk management is exercised by the Board and its Audit Committee through the setting of policies and the regular review of forecasts and financial exposures. Presently, the Group's financial instruments consist principally of cash and liquid resources and other items such as accounts receivable and payable, which arise directly from its operations. It is still the Group's policy not to undertake any trading activity in financial instruments, including derivatives.

The principal risks arising from the Group's financial instruments are those associated with interest, liquidity and foreign exchange. The Board reviews and establishes appropriate policies for the management of such risks and monitors them on a regular basis.

Taxation

The Group has tax losses arising in the UK of approximately £41.1m (2015: £40.7m) that are available, under current legislation, to be carried forward against future profits. £11.7m (2015: £11.2m) of the tax losses carried forward represent trading losses within Quadrise Fuels International plc, £25.8m (2015: £25.8m) represent non-trade deficits arising on intangible assets within Quadrise International Limited, £1.6m (2015: £1.7m) represent pre-trading losses incurred by subsidiaries, £1.9m (2015: £1.9m) represent management expenses incurred by Quadrise International Limited, and £0.1m (2015: £0.1m) represent capital losses within Quadrise Fuels International plc.

Outlook

The key objectives for the current financial year are to successfully complete the marine MSAR® operational and LONO trial with Maersk and substantially progress the production to combustion trial in KSA, providing a clear pathway for moving the Group towards sustainable commercial revenues and profitability from the following year. With enhanced cash resources following the proposed Placing and Open Offer, the Group will also be well-positioned to enter into the early commercial contracts with our clients having the confidence of our ability to deliver the required operational and support resourcing.

Tight financial management will continue to be applied as a matter of good order and every care and attention will be given to the negotiations of the future commercial contracts to ensure that the Group receives an equitable share of the material value-add that our MSAR® technology offers to the market.

Hemant Thanawala
Finance Director
11 October 2016

Strategic Report
For the year ended 30 June 2016

Principal Activity

The principal activity of the Company is to develop markets for its proprietary emulsion fuel ("MSAR®") as a low cost substitute for conventional heavy fuel oil ("HFO") for use in power generation plants and industrial and marine diesel engines.

Business Review and Future Developments

A full review of the Group's activities during the year, recent events and future developments is contained in the Chairman's Statement.

Key Performance Indicators

The Group's key performance indicators are development and commercial performance against Group business plans and project timetables established with clients, and financial performance and position against the approved budgets and cashflow forecasts. The Board regularly reviews the Group business plans, project timetables, budgets and cashflow forecasts in order to optimise the application of available resources. Consideration of the Group's performance against Key Performance Indicators is contained in the Chairman's Statement and the Financial Review.

Going Concern

The Group had £4.3m in treasury as at 30 June 2016. Having conducted a full review of the updated business plan, budgets and associated commitments at the year end, the Directors concluded that the Group has adequate financial resources to continue in operational existence for at least the forthcoming year and therefore continue to adopt the going concern basis in preparing the accounts. Refer to Note 3 for further details.

Principal Business Risks

Set out below are certain risk factors relating to the Group's business. However, these may not include all of the risk factors that could affect future results. Actual results could differ materially from those anticipated as a consequence of these and various other factors, and those set forth in the Group's other periodic and current reports filed with the authorities from time to time.

Market Risk

The marketability of MSAR® fuels is affected by numerous factors beyond the control of the Group. These include variability of price spreads between light and heavy oils and the relative competitiveness of oil, gas and coal prices both for prompt and future delivery. The Group cannot mitigate this risk by its nature, but pays close attention to the energy markets in order to be able to react in a timely and effective manner.

Feedstock Sourcing

There is a risk in respect of appropriately located and ongoing price competitive availability of heavy oil residue feedstock as oil refiners seek to extract more transportation fuels from each barrel of crude using residue conversion processes. The Group mitigates this risk where possible by utilising its deep understanding of the global refining industry, targeting qualifying suppliers matched to prospective major consumers.

Commercial Risks

There is a risk the Group will not achieve a commercial return due to major unanticipated change in a key variable or, more likely, the aggregate impact of changes to several variables which results in sustained depressed margins. Experience during early 2015 demonstrated that the price spread between heavy fuel oil and diesel fuel was relatively robust while crude oil prices collapsed. As this price spread drives the Quadrise 'value-add', the structure of the oil products market itself mitigates the principal margin risk.

The competitive position could be affected by changes to government regulations concerning taxation, duties, specifications, importation and exportation of hydrocarbon fuels and environmental aspects. Freight costs contribute substantially to the final cost of supplied products and a major change in the cost of bulk liquid freight markets could have an adverse effect on the economics of the fuels business. The Group would mitigate this risk through establishing appropriate flexibilities in the contractual framework, offtake arrangements and price risk management through hedging.

Technological Risk

There is a risk that the technology used for the production of MSAR® fuel may not be adequately robust for all applications in respect of the character and nature of the feedstock and the particular parameters of transportation and storage pertaining to a specific project. This risk may jeopardise the early commercialisation of the technology and subsequent implementation of projects; or give rise to significant liabilities arising from defective fuel during plant operations. The Group mitigates this risk by ensuring that its highly experienced key personnel are closely involved with all areas of MSAR® formulation and manufacture, and that the MSAR® fuel is thoroughly tested before being put into operational use.

Delay in commercialisation of MSAR® and funding risks
There is a risk that the commercialisation of MSAR® could be delayed further due to unforeseen technical and/or commercial challenges. This could mean that the Group may need to raise further equity funds to remain operational. Depending on market conditions and investor sentiments, there is a risk that the Group may be unable to raise the requested funds when necessary. The Group mitigates this risk by maintaining strong control over its pre-revenue expenditure, keeping up the momentum on its key projects as far as possible, and maintaining regular contact with the financial markets and investor community.

Competition Risks

There is a risk that new competition could emerge with similar technologies sufficiently differentiated to challenge the MSAR® process. This could result, over time, in further price competition and pressure on margins beyond that assumed in the Group's business planning. This risk is mitigated by the limited global pool of expertise in the emulsion fuel market combined with an enhanced R&D programme aimed at optimising cost and performance and protection of intellectual property. The Group also makes best use of scarce expertise by developing close relationships with strategic counterparties such as AkzoNobel while ensuring that key employees are suitably incentivised.

Other Business Risks

Dependence on Key Personnel

The Group's business is dependent on obtaining and retaining the services of key personnel of the appropriate calibre as the business develops. The appointment in recent years of key General Managers into a revised organisation structure, the conversion of former consultants to key full time posts and appointment of chemical technologists and process engineers has reduced risk and equipped the Company to meet future demands. The success of the Group will continue to be dependent on the expertise and experience of the Directors and the management team, and the loss of personnel could still have an adverse effect on the Group. The Group mitigates this risk by ensuring that key personnel are suitably incentivised and contractually bound.

Environmental Risks

The Group's operations are subject to environmental risks inherent in the oil processing and distribution industry. The Group is subject to environmental laws and regulations in connection with all of its operations. Although the Group intends to be in compliance, in all material respects, with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental spills, leakages or other circumstances that could subject the Group to extensive liability.

Further, the Group may require approval from the relevant authorities before it can undertake activities which are likely to impact the environment. Failure to obtain such approvals may prevent or delay the Group from undertaking its desired activities. The Group is unable to predict definitively the effect of additional environmental laws and regulations, which may be adopted in the future, including whether any such laws or regulations would materially increase the Group's cost of doing business, or affect its operations in any area. The Group mitigates this risk by ensuring compliance with environmental legislation in the jurisdictions in which it operates, and closely monitoring any pending regulation or legislation to ensure compliance.

No Profit to Date

The Group has incurred aggregate losses since its inception and it is therefore not possible to evaluate its prospects based on past performance. There can be no certainty that the Group will achieve or sustain profitability or achieve or sustain positive cash flow from its activities.

Corporate and Regulatory Formalities

The conduct of petroleum processing and distribution requires compliance by the Group with numerous procedures and formalities in many different national jurisdictions. It may not in all cases be possible to comply with or obtain waivers of all such formalities. Additionally, functioning as a publicly listed Group requires compliance with stock market regulations. The group mitigates this risk through commitment to a high standard of corporate governance and 'fit for purpose' procedures, and by maintaining and applying effective policies.

Economic, Political, Judicial, Administrative, Taxation or other Regulatory Factors

The Group may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, in the areas in which the Group operates and conducts its principal activities.

Mike Kirk
Executive Chairman
11 October 2016

Directors

Mike Kirk

Executive Chairman

Mike served as a corporate finance partner at Cazenove providing advisory services to a number of clients in the utilities, oil and gas and oilfield service sectors. Whilst at Cazenove, Mike led the flotation of Wood Group, Expro International and KBC Advanced Technologies (where he also served as a non-executive director for 9 years). Since leaving the City, Mike has held a portfolio of non-executive directorships for a variety of companies and is currently Chairman of Portsmouth Water, Chair of First Wessex (a housing association with c20,000 properties) and Deputy Chair of TCV, a large UK community volunteering charity. Prior to working in the City, Mike worked in the chemical and nuclear industries and has a BSc in Chemical Engineering from Leeds University, an MSc in Nuclear Fuels Technology from Imperial College and a Finance MBA from Cass Business School. Mike is a member of the Nominations Committee.

Hemant Thanawala

Finance Director

Hemant is a Chartered Accountant with over 30 years professional and commercial experience. He played a key role in the AIM listings of Nautical Petroleum plc in 2005 and Quadrise Fuels International plc in 2006, assuming the role of finance director in both companies upon their listings. He remained on the board of Nautical Petroleum plc until late 2008. Prior to 2005, Hemant served as CFO of Masefield AG, a Swiss-based energy trader, for a period of 4 years. Between 1989 and 2001, he served as CFO for Premier Telesports Group and Rostel Group, with diversified business interests in the emerging markets of Eastern Europe, Former Soviet Union and Africa. Before that, Hemant was engaged in professional practice, following his qualification with KMG Thomson McLintock (now KPMG) in 1981.

Jason Miles

Chief Operating Officer

Jason spent over twelve years of his career developing emulsified fuel projects; initially as a process engineer for BP and subsequently for PDVSA, as Business Development Manager where he implemented numerous Orimulsion® projects globally. Prior to joining Quadrise in 2006 he spent two years as a Senior Oil Consultant for OpenLink. Jason has an honours degree in chemical engineering from Loughborough University and an Executive MBA from the Cass Business School in London. Jason is a chartered Chemical Engineer, he is also on the board of QIL.

Laurence ('Laurie') Mutch

Non-Executive Director

Laurie is a management consultant to multi-national organisations. He had 25 years' experience in the energy industry with the Royal Dutch/Shell Group where he sat on the Board of Shell International Gas & Power, as Executive Director for business development in the Eastern Hemisphere. From 1994 to 1996, he was the Finance Director in Shell International Gas, and Principal Executive to the International Energy Agency's Coal Industry Advisory Board (CIAB). Prior roles include senior management positions in Shell's Coal and Chemical Divisions. During his last two years of service he was Group Chief Information Officer. Laurie holds a BSc in Mathematics & Physics and an MSc in Astrophysics. He is a member of the QFI Audit, Compensation and Nominations committees.

Ian Duckels

Non-Executive Director

Ian has degrees in Chemistry, Chemical Physics and Computer Science and is also a qualified accountant. He has extensive experience in the oil and energy sectors in senior roles spanning refining technology and plant management to global strategic planning and international mergers and acquisitions. He also has extensive experience of refinery management and joint ventures. His last post in BP was as Chairman of the BP Texaco Joint Venture Refinery in Rotterdam. On leaving BP in 1995, Ian set up a specialist oil trading and refining training activity in association with the Petroleum Economist and in 1998 joined Quadrise Limited serving as a director until it was acquired by QFI in 2006. Ian is a member of the QFI Audit, and Compensation committees.

Dilipkumar Shah

Non-Executive Director

Dilip brings with him over 25 years of commercial experience in trading, finance, manufacturing and distribution. Dilip has most recently been involved in trading and manufacturing in West Africa with focus on Nigeria, Democratic Republic of Congo and Ghana. He is a founder member of various successful companies in West Africa involved in the distribution of fertilizers, chemicals, tobacco related products and the manufacture of food products. In addition, he serves on the boards of a number of private UK and international companies.

Philip Snaith

Non-Executive Director

Philip has spent more than 35 years with the Royal Dutch Shell group in senior executive positions, latterly as General Manager of Shell International Trading & Shipping Company Limited in London. Between 2004 and 2008, Philip spent four years in Singapore as President of Shell International Eastern Trading Company – with responsibility for Asia-Pacific trading portfolio. Concurrent with this executive position, he was a non-executive director of Shell Eastern Trading Company (Pte) Ltd, with annual revenues of around US$55 billion, and was also Chairman of both Shell Tankers Singapore (Pte) Ltd and Shell International Shipping Services (Pte) Ltd. Philip holds an MBA from Cranfield University, a BSc (Physics) from Imperial College and a Diploma in Marketing (Dip.M) from the UK Chartered Institute of Marketing. Philip is a member of the QFI Audit and Compensation committees.

Directors' Report

The Directors present their report together with the audited accounts of Quadrise Fuels International plc ("the Company"), and its subsidiaries, ("the Group") for the year ended 30 June 2016.

Results and Dividends

The consolidated loss from continuing operations after taxation for the year ended 30 June 2016 was £4.8m (2015: £4.9m). The Directors do not recommend the payment of any dividend for the year (2015: £nil).

Directors

Those who served as Directors during the year are:

- Ian Williams (Executive Chairman) – resigned 31 March 2016
- Mike Kirk (Executive Chairman) – appointed Executive Chairman 1 April 2016; appointed as a Non-executive Director on 1 December 2015.
- Hemant Thanawala (Finance Director)
- Jason Miles (Chief Operating Officer)
- Ian Duckels (Non-executive Director)
- Laurie Mutch (Non-executive Director)
- Dilipkumar Shah (Non-executive Director)
- Philip Snaith (Non-executive Director)

Resolutions to re-elect Hemant Thanawala and Dilipkumar Shah as Directors, both of whom retire by rotation, and a resolution to appoint Mike Kirk as a Director will also be proposed at the Annual General Meeting.

Directors' Interests

The interests of the Directors holding office at 30 June 2016 were as follows:

Number of Shares held:

Directors	30 June 2016 Ordinary Shares of 1p Each	30 June 2015 Ordinary Shares of 1p Each
Hemant Thanawala [1]	27,210,553	28,210,553
Ian Duckels[2]	3,877,766	3,817,460
Jason Miles	2,880,633	2,880,633
Mike Kirk	Nil	Nil
Laurie Mutch	Nil	Nil
Dilipkumar Shah	Nil	Nil
Philip Snaith	Nil	Nil

Notes:

1 Including 20,347,153 Ordinary Shares held by Lucrone Investments GmbH, a company in which Mr Thanawala has a beneficial interest.

2 Including 2,757,154 Ordinary Shares held in the name of TD Direct Investing (Europe) Limited and 1,060,306 Ordinary Shares held in the name of Transact Nominees Limited.

Number of share options held:

Directors	30 June 2016 Share Options	30 June 2015 Share Options	Exercisable up to
Mike Kirk	3,000,000	–	1 April 2024
Hemant Thanawala	-	2,000,000	19 April 2016
	1,000,000	1,000,000	30 November 2017
	3,500,000	3,500,000	1 April 2022
	500,000	-	22 March 2024
Jason Miles	2,500,000	2,500,000	31 December 2016
	2,500,000	2,500,000	31 October 2017
	5,000,000	5,000,000	1 April 2022
	1,500,000	-	22 March 2024
Laurie Mutch	-	350,000	19 April 2016
	3,500,000	3,500,000	1 April 2022
Ian Duckels	1,500,000	1,500,000	1 April 2022
Dilipkumar Shah	500,000	500,000	1 April 2022

A total of 23.5 million share options were granted by International Energy Group AG ("IEG"), over its own shares in QFI, to two existing QFI Directors as well as three former QFI Directors and three former QFI employees. Of these, 5 million were exercised during the financial year (2015: 5.5 million) and 6 million remained outstanding at 30 June 2016. During the period from 1 July 2016 to the date of this report, a further 1 million options were exercised, with the remaining 5 million options being repurchased from the option holder by IEG. The outstanding share options as at 30 June 2016 are included in the table above where applicable. Refer to Note 20 for further details.

Substantial Shareholders

The Board was aware of the following interests of 3% and over of the issued share capital of the Company as at the date of this report.

	Nature of Holding	Number of Ordinary Shares Held	Percentage of Issued Share Capital and Voting Rights
Ruudowen Limited	Direct	54,738,353	6.76%
Phibatec Limited	Direct	51,562,500	6.37%
Intertrust Trustees Limited	Direct	48,546,746	5.996%
International Energy Group AG	Direct	32,943,515	4.07%
Anthony Lowrie	Indirect	31,521,705	3.89%
Hemant Thanawala	Direct/Indirect	27,210,553	3.42%
Orangefield Corporation Trustees (Mauritius) Limited	Direct	25,781,250	3.18%

Events After the End of the Reporting Period

On 10 August 2016, the Company announced the execution of a Memorandum of Understanding ("MOU") which defines the basis of collaboration between Quadrise and its clients in the Kingdom of Saudi Arabia to progress a 'Production to Combustion' trial at designated refinery and power plant facilities within the Kingdom.

On 14 September 2016, the Company announced the extension of contracts for the exclusive purchase and supply of goods and services and for the exclusive joint development of emulsion fuels with AkzoNobel group companies. The contract extensions ensure the continuity and ongoing support from AkzoNobel for the commercialisation of MSAR® projects globally until at least November 2018.

The Company announced that it is proposing to raise approximately £4.0 million through a Placing, and up to an additional £1.0 million through a proposed Open Offer.

Financial Instruments

The Group's principal financial instruments comprise cash balances and other payables and receivables that arise in the normal course of business. The risks associated with these financial instruments are disclosed in note 24. The Group's financial risk management objectives and policies are set out in note 2.21 to the financial statements.

Research and Development

The Group continues to invest in research and development associated with the design and manufacture of MSAR® proprietary emulsion fuel. Further information regarding the research and development activities of the group is contained in the Chairman's Statement on pages 6–10 of this report.

Directors' Liabilities

Subject to the conditions set out in the Companies Act 2006, the Company has arranged appropriate Directors' and Officers' liability insurance to indemnify the Directors against liability in respect of proceedings brought by third parties. Such provisions remain in force at the date of this report.

Disclosure of Information to Auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors, each Director has taken all the steps that he ought to have taken as a Director in order to have made himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution to re-appoint Crowe Clark Whitehill LLP will be proposed at the next Annual General Meeting.

Board Committees

Information on the Audit Committee and Compensation Committee is included in the Corporate Governance section of the Annual Report on pages 24–25.

Annual General Meeting

The Annual General Meeting will be held on Friday 2 December 2016 as stated in the Notice, which accompanies this Annual Report.

By order of the Board.

Audrey Clarke
Company Secretary
11 October 2016

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report 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 elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU and applicable law.

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

- select suitable accounting policies and then apply them consistently
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are further responsible for ensuring that the Strategic Report and Report of the Directors and other information included in the Annual Report and Financial Statements is prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the Quadrise Fuels International plc website is the responsibility of the Directors; the work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

Mike Kirk
Executive Chairman
11 October 2016

Report on Directors' Remuneration

Key Management Remuneration

The Compensation Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for all key management personnel, regarded as the executive Directors and Officers of the Group. The Compensation Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis and is guided by an approved remuneration policy and takes into account relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. The Compensation Committee additionally links part of key management remuneration to the Company's financial and operational performance.

Details of the nature and amount of each element of the emoluments of each member of Key Management for the year ended 30 June 2016 were as follows:

Director	Short-Term Employee Benefits £'000s	Post-Employment Benefits £'000s	Other Long-Term Benefits £'000s	Termination Benefits £'000s	Other Benefits £'000s	Total 2016 £'000s	Total 2015 £'000s
Ian Williams	167	28	-	-	-	195	185
Mike Kirk	64	4	-	-	-	68	-
Hemant Thanawala	171	13	-	-	-	184	139
Jason Miles	240	14	-	-	-	254	227
Ian Duckels	32	-	-	-	-	32	32
Laurie Mutch	72	-	-	-	-	72	85
Philip Snaith	32	-	-	-	-	32	20
Dilipkumar Shah	-	-	-	-	-	-	-
Total	778	59	-	-	-	837	688

Reconciliation of Share Options Granted to Directors

	30 June 2016 Number of Share Options	30 June 2015 Number of Share Options
As at 1 July	**29,850,000**	30,600,000
Granted during the year by QFI	**5,000,000**	-
Resignation of director	**(7,500,000)**	-
Exercised during the year	**-**	(750,000)
Expired during the year	**(2,350,000)**	-
As at 30 June	**25,000,000**	29,850,000

No gains were realised on the exercise of share options by Directors during the year (2015: £36k).

The market price of the Company's shares at the end of the reporting period was 11.63 (2015: 12.75p) and the range during the year was 9.15p to 21.00p (2015: 10.75p to 42.5p) per share.

Ian Duckels
Chairman of the Compensation Committee
11 October 2016

Corporate Governance Statement

As the Company is listed on the AIM Market of the London Stock Exchange, it is not required to comply with the provisions of the UK Corporate Governance Code (the "Code"). However, the Board is committed to high standards of corporate governance and seeks to apply best practice to the extent that it is appropriate for a company of Quadrise's size and complexity.

Board of Directors

The Board is responsible for the direction and overall performance of the Group with emphasis on policy and strategy, financial results and major operational issues.

During the year, the Board comprised the executive Chairman, Finance Director and Chief Operating Officer as executive Directors and four non-executive Directors (five during the period from 1 December 2015 to 31 March 2016) who are independent of management.

At each Annual General Meeting, one third of the Directors who are subject to retirement by rotation shall retire from office provided that if their number is more than three, but not a multiple thereof, then the number nearest to but not exceeding one-third shall retire.

Appropriate Directors' and Officers' liability insurance has been arranged by the Company.

Meetings of the Board of Directors

The Board meets at least four times a year, after all relevant information has been circulated in good time, to discuss a formal scheduled agenda covering key areas of the Group's affairs including operational and financial performance and quarterly management accounts.

All members of the Board are expected to attend Board Meetings, which are scheduled in advance, all directors attended at least 75% of quarterly meetings held during the year.

Audit Committee

During the year, the Audit Committee comprised three non-executive Directors and was chaired by Laurence Mutch. The chairman of the Committee provides a written or detailed verbal report as necessary of every Audit Committee meeting at the next Board Meeting.

The Audit Committee, which meets at least twice a year, is responsible for keeping under review the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditors. Due to the size of the Company, there is currently no internal audit function, although the Audit Committee has oversight responsibility for public reporting, overall good governance and the Company's internal controls.

Other members of the Board, as well as the auditors, are invited to attend the Audit Committee meetings as and when appropriate.

Compensation Committee

Ian Duckels chaired the Compensation Committee during the year and its other members are Laurence Mutch and Philip Snaith. The chairman of the Committee provides a written or detailed verbal report as necessary of every Compensation Committee meeting at the next Board Meeting.

The Compensation Committee, which meets at least twice a year, is responsible for considering the remuneration packages for executive Directors and the bonus and share option strategy for the Group and making recommendations as appropriate. The Compensation Committee works within the framework of a Compensation Policy approved by the Board.

The Compensation Committee is also responsible for reviewing the performance of the executive Directors and ensuring that they are fairly and responsibly rewarded for their individual contributions to the Group's overall performance. The Committee's scope extends to all remuneration of Directors including bonus and share options.

None of the Committee members has any day-to-day responsibility for running the Company and no Director participates in discussions about his own remuneration.

UK Bribery Act 2010

The Board has established a Bribery Policy, signed by all Directors, to achieve compliance with the UK Bribery Act 2010, which came into effect on 1st July 2011. A training programme is in place for all Directors, staff and contractors. Agreements with third parties contain statements that the Company and its associates are required to adhere at all times to the UK Bribery Act 2010.

Internal Control

The Board is responsible for the effectiveness of the Group's internal control system and is supplied with information to enable it to discharge its duties. Internal control systems are designed to meet the particular needs of the Group and to manage rather than eliminate the risk of failure to meet business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Laurie Mutch
Chairman of the Audit Committee
11 October 2016

Independent Auditor's Report to the Shareholders of Quadrise Fuels International plc

We have audited the financial statements of Quadrise Fuels International plc for the year ended 30 June 2016 which comprise of the Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Company Statement of Cash Flows, the Group and Parent Company Statement 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 Auditors

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 the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Chairman's Statement, Financial Review, Strategic Report, Directors' Report and any other surround information 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 2016 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 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.

Opinion on Other Matters Prescribed by the Companies Act 2006

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

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.

Leo Malkin
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor

St Bride's House
10 Salisbury Square
London EC4Y 8EH

11 October 2016

Note:
The maintenance and integrity of the Quadrise Fuels International plc website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2016

	Notes	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Continuing operations			
Revenue		**2**	66
Other income	5	**-**	39
Production and development costs		**(2,156)**	(1,268)
Adjustment to available for sale investments	15	**-**	(404)
Other administration expenses		**(1,965)**	(1,540)
Share option charge	20	**(802)**	(1,914)
Foreign exchange loss		**(18)**	(3)
Operating loss	6	**(4,939)**	(5,024)
Finance costs	9	**(8)**	(7)
Finance income	10	**41**	56
Loss before tax		**(4,906)**	(4,975)
Taxation	11	**149**	72
Loss for the year from continuing operations		**(4,757)**	(4,903)
Other Comprehensive Income			
Adjustment to available for sale investments – will be recycled subsequently to profit and loss.	15	**-**	(1,035)
Other comprehensive loss for the year net of tax		**-**	(1,035)
Total comprehensive loss for the year		**(4,757)**	(5,938)
Loss for the year attributable to:			
Owners of the Company		**(4,757)**	(4,898)
Non-controlling interest		**-**	(5)
Total comprehensive loss attributable to:			
Owners of the Company		**(4,757)**	(5,933)
Non-controlling interest		**-**	(5)
Loss per share – pence			
Basic	12	**(0.59)p**	**(0.61)p**
Diluted	12	**(0.59)p**	**(0.61)p**

Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	As at 30 June 2016 £'000	As at 30 June 2015 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**1,156**	710
Intangible assets	14	**2,924**	2,924
Non-current assets		**4,080**	3,634
Current assets			
Cash and cash equivalents	17	**4,268**	8,361
Trade and other receivables	18	**297**	333
Prepayments		**120**	238
Current assets		**4,685**	8,932
TOTAL ASSETS		**8,765**	12,566
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	19	**576**	422
CURRENT LIABILITIES		**576**	422
Equity attributable to equity holders of the parent			
Issued share capital	21	**8,096**	8,096
Share premium		**69,216**	69,216
Share option reserve	22	**4,704**	4,210
Reverse acquisition reserve	22	**522**	522
Accumulated losses		**(74,349)**	(69,900)
Total shareholders' equity		**8,189**	12,144
TOTAL EQUITY AND LIABILITIES		**8,765**	12,566

The financial statements, accompanying policies and notes 1 to 30 (forming an integral part of these financial statements), were approved and authorised for issue by the Board on 11 October 2016 and were signed on its behalf by:

M. Kirk
Chairman

H. Thanawala
Finance Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

	Attributable to owners of the parent								
	Issued Capital £'000s	Share Premium £'000s	Revaluation Reserve £'000s	Share Option Reserve £'000s	Reverse Acquisition Reserve £'000s	Accumulated Losses £'000s	Total £'000s	Non-Controlling Interest £'000s	Total Equity £'000s
1 July 2014	8,072	68,633	1,035	3,045	522	(65,126)	16,181	(120)	16,061
Loss for the year	-	-	-	-	-	(4,898)	(4,898)	(5)	(4,903)
Fair value adjustments	-	-	(1,035)	-	-	-	(1,035)	-	(1,035)
Total comprehensive loss for the year	-	-	(1,035)	-	-	(4,898)	(5,933)	(5)	(5,938)
Share option charge	-	-	-	1,914	-	-	1,914	-	1,914
Exercise of share options	8	99	-	(43)	-	43	107	-	107
Transfer of balances relating to expired share options	-	-	-	(706)	-	706	-	-	-
Acquisition of Minority Interest	16	484	-	-	-	(625)	(125)	125	-
30 June 2015	8,096	69,216	-	4,210	522	(69,900)	12,144	-	12,144
1 July 2015	8,096	69,216	-	4,210	522	(69,900)	12,144	-	12,144
Loss and total comprehensive loss for the year	-	-	-	-	-	(4,757)	(4,757)	-	(4,757)
Share option charge	-	-	-	802	-	-	802	-	802
Transfer of balances relating to expired share options	-	-	-	(308)	-	308	-	-	-
30 June 2016	**8,096**	**69,216**	**-**	**4,704**	**522**	**(74,349)**	**8,189**	**-**	**8,189**

For an explanation of the nature and purpose of other reserves refer to note 22.

Consolidated Statement of Cash Flows

For the year ended 30 June 2016

	Notes	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Operating activities			
Loss before tax from continuing operations		**(4,906)**	(4,975)
Depreciation	13	**148**	108
Loss on disposal of fixed assets	13	**2**	14
Finance costs	9	**8**	7
Finance income	10	**(41)**	(56)
Adjustment to available for sale investments	15	**-**	404
Share option charge	20	**802**	1,914
Working capital adjustments			
Decrease/(increase) in trade and other receivables	18	**36**	(163)
Decrease/(increase) in prepayments		**118**	(162)
Increase in trade and other payables	19	**154**	181
Cash utilised in operations		**(3,679)**	(2,728)
Finance costs	9	**(8)**	(7)
Taxation received	11	**149**	72
Net cash outflow from operating activities		**(3,538)**	(2,663)
Investing activities			
Finance income	10	**41**	56
Purchase of property, plant and equipment	13	**(596)**	(220)
Net cash outflow from investing activities		**(555)**	(164)
Financing Activities			
Exercise of share options		**-**	107
Net cash inflow from financing activities		**-**	107
Net decrease in cash and cash equivalents		**(4,093)**	(2,720)
Cash and cash equivalents at the beginning of the year		**8,361**	11,081
Cash and cash equivalents at the end of the year	17	**4,268**	8,361

Company Statement of Financial Position

As at 30 June 2016

	Notes	As at 30 June 2016 £'000s	As at 30 June 2015 £'000s
ASSETS			
Non-current assets			
Property, plant and equipment	13	**117**	158
Investments in subsidiaries	16	**22,390**	18,845
Non-current assets		**22,507**	19,003
Current assets			
Cash and cash equivalents	17	**3,948**	7,875
Trade and other receivables	18	**168**	142
Prepayments		**84**	63
Current assets		**4,200**	8,080
TOTAL ASSETS		**26,707**	27,083
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	19	**128**	268
Current liabilities		**128**	268
Equity attributable to equity holders of the parent			
Issued capital	21	**8,096**	8,096
Share premium		**69,216**	69,216
Share option reserve	22	**4,704**	4,210
Accumulated losses		**(55,437)**	(54,707)
Total shareholders' equity		**26,579**	26,815
TOTAL EQUITY AND LIABILITIES		**26,707**	27,083

The financial statements, accompanying policies and notes 1 to 30 (forming an integral part of these financial statements), were approved and authorised for issue by the Board on 11 October 2016 and were signed on its behalf by:

M. Kirk
Chairman

H. Thanawala
Finance Director

Company Statement of Changes in Equity

For the year ended 30 June 2016

	Issued Capital £'000s	Share Premium £'000s	Revaluation Reserve £'000s	Share Option Reserve £'000s	Accumulated Losses £'000s	Total £'000s
1 July 2014	8,072	68,633	1,035	3,045	(53,187)	27,598
Loss for the year	-	-	-	-	(2,269)	(2,269)
Fair value adjustments	-	-	(1,035)	-	-	(1,035)
Total comprehensive loss for the year	-	-	(1,035)	-	(2,269)	(3,304)
Share option charge	-	-	-	1,914	-	1,914
Exercise of share options	8	99	-	(43)	43	107
Transfer of balances relating to expired share options	-	-	-	(706)	706	-
New shares issued net of issue costs	16	484	-	-	-	500
30 June 2015	**8,096**	**69,216**	**-**	**4,210**	**(54,707)**	**26,815**
1 July 2015	8,096	69,216	-	4,210	(54,707)	26,815
Loss and total comprehensive loss for the year	-	-	-	-	(1,038)	(1,038)
Share option charge	-	-	-	802	-	802
Transfer of balances relating to expired share options	-	-	-	(308)	308	-
30 June 2016	**8,096**	**69,216**	**-**	**4,704**	**(55,437)**	**26,579**

Company Statement of Cash Flows

For the year ended 30 June 2016

	Notes	Year ended 30 June 2016 £'000s	Year ended 30 June 2015 £'000s
Operating activities			
Loss before tax from continuing operations		**(1,038)**	(2,269)
Depreciation	13	**45**	36
Finance costs	9	**2**	2
Finance income	10	**(243)**	(365)
Adjustment to available for sale investments	15	**-**	404
Share option charge	20	**802**	1,914
Working capital adjustments			
Increase in trade and other receivables	18	**(26)**	(26)
Increase in prepayments		**(21)**	(8)
(Decrease)/increase in trade and other payables	19	**(140)**	150
Cash utilised in operations		**(619)**	(162)
Finance costs		**(2)**	(2)
Net cash outflow from operating activities		**(621)**	(164)
Investing activities			
Finance income	10	**243**	365
Purchase of property, plant and equipment	13	**(4)**	(75)
Loan to subsidiary	16	**(3,545)**	(2,912)
Net cash outflow from investing activities		**(3,306)**	(2,622)
Financing Activities			
Exercise of share options		**-**	107
Net cash inflow from financing activities		**-**	107
Net decrease in cash and cash equivalents		**(3,927)**	(2,679)
Cash and cash equivalents at the beginning of the year		**7,875**	10,554
Cash and cash equivalents at the end of the year	17	**3,948**	7,875

Notes to the Financial Statements

1. General Information

Quadrise Fuels International plc ("QFI", "Quadrise", "Company") and its subsidiaries (together "the Group") are engaged principally in the manufacture and marketing of emulsion fuel for use in power generation, industrial and marine diesel engines and steam generation applications. The Company's ordinary shares are listed on the AIM market of the London Stock Exchange.

QFI was incorporated on 22 October 2004 as a limited company under UK Company Law with registered number 05267512. It is domiciled at, and is registered at, Gillingham House, 38-44 Gillingham Street, London, SW1V 1HU.

2. Summary of Significant Accounting Policies

The Board has reviewed the accounting policies set out below and considers them to be the most appropriate to the Group's business activities.

2.1. Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS's") as adopted by the European Union, and effective, or issued and early adopted, as at the date of these statements. The financial statements have been prepared under the historical cost convention as modified for financial assets carried at fair value.

At the date of authorisation of these financial statements, a number of Standards and Interpretations were in issue but not yet effective. The directors do not anticipate that the adoption of these standards and interpretations, or any of the amendments made to existing standards as a result of the annual improvements cycle, will have a material effect on the financial statements in the year of initial application, except for the requirement of IFRS 16 to capitalise long term operating leases.

The preparation of financial statements in conformity with IFRS accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

2.2. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of entities controlled by the Group as at 30 June 2016.

All inter-company balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated on consolidation. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Accounting policies of subsidiaries are consistent with those adopted by the Group.

Control is defined as when QFI, or a company which it controls, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus QFI demonstrates control when it has all the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

Non-controlling interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Group, whether directly or indirectly through subsidiaries, are presented in the Consolidated Statement of Financial Position and Statement of Changes in Equity within equity, separately from equity attributable to the equity holders of the Group. Non-controlling interests in the results of the Group are presented on the face of the Consolidated Statement of Comprehensive Income as an allocation of the total profit or loss for the year between non-controlling interests and the equity holders of the Group.

2.3. Changes in Accounting Principles and Adoption of New and Revised Standards

The accounting policies adopted are consistent with those of the previous financial year. There have been no new or revised standards or interpretations during the year which have had an impact on the financial information of the Group.

2.4. Significant Accounting Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial period are discussed below:

- **Intangible Assets –** The Group tests intangible assets annually for impairment or more frequently if there are indications that they might be impaired. This requires an estimation of the value in use of the intangible asset. Estimating the value in use requires management to make an estimate of the expected future cash flows from the intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying value of intangible assets at 30 June 2016 is determined to be £2.9m (2015: £2.9m). Further details are given in Note 14.

- **Available for Sale Investments** – The Group reviews the fair value of its unquoted equity instruments at each statement of financial position date. This requires management to make an estimate of the fair value of the unquoted securities in the absence of an active market. Uncertainty also exists due to the early stage of development of certain of the investments. The fair value of available for sale investments at 30 June 2016 is determined to be £nil (2015: £nil). Further details are given in Note 15.

2.5. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenues can be reliably measured. Revenue is recognised at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following recognition criteria must also be met before revenue is recognised:

Sale of Goods

Revenue for the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Interest Income

Revenue is recognised as interest accrues.

Dividends

Revenue is recognised when the Group's right to receive the payment is established.

2.6. Foreign Currencies

The Group financial statements are presented in sterling, which is the Company's functional and presentation currency. Each entity in the Group uses Sterling as its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded using the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the statement of financial position date. Any resulting exchange differences are included in the statement of comprehensive income. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The following exchange rates are used in the Group's major currencies:

	ISO Code	Statement of Financial Position (closing rate at 30 June 2016)	Statement of Comprehensive Income (average rate throughout the financial year)
Europe	EUR	1.206	1.337

2.7. Finance Costs

Finance costs include interest charges and other costs incurred in connection with the borrowing of funds and are expensed as incurred. Interest and costs are accounted for on the accruals basis and are recognised through the statement of comprehensive income in full. No interest or borrowing costs have been capitalised.

2.8. Business Combinations

Acquisition of subsidiaries is accounted for using the purchase method. The results of businesses acquired are consolidated from the effective date of acquisition, whereby upon acquisition of a business or an associate, net assets are stated at fair value.

On 18 April 2006, Zareba plc (renamed Quadrise Fuels International plc) became the legal parent of Quadrise International Limited in a share-for-share transaction. Due to the relative size of the companies, the shareholders of Quadrise International Limited became the majority shareholders of Quadrise Fuels International plc. Accordingly, the substance of the combination was that Quadrise International Limited acquired Quadrise Fuels International plc and was therefore accounted for as a reverse acquisition under IFRS 3.

2.9. Intangible Assets

Intangible assets acquired separately are measured initially at cost. The costs of intangible assets acquired in a business combination are measured at the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment loss.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortisation period or method, as appropriate, and treated as a change in accounting estimate. The intangible assets of finite life are amortised over 93 months. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expenses category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable and, if not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits.

2.10. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated using a straight line method with an allowance for estimated residual values. Rates are determined based on the estimated useful lives of the assets as follows:

Plant and equipment	3 to 15 years

Additions to property, plant and equipment are comprised of the cost of the contracted services, direct labour and materials. Depreciation commences in the month the asset is placed in service.

2.11. Financial Instruments

Financial assets and liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group currently does not use derivative financial instruments to manage or hedge financial exposures or liabilities.

2.12. Investments and other Financial Assets

Financial assets are classified as either financial assets at fair value through profit and loss, loans and receivables, held to maturity investments or available for sale financial assets, as appropriate. When financial assets are recognised initially, they are at fair value. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Investments in Subsidiaries

Investments in subsidiaries are carried at cost less impairment. The Company tests investments annually for impairment, or more frequently if there are indications that they might be impaired. Impairment is based on the value in use of the subsidiaries.

Available-for-Sale Investments

Available-for-sale investments are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit and loss. After initial recognition, available for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the statement of comprehensive income.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the closure of business on the statement of financial position date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value, discounted cash flow analysis and option pricing models.

2.13. Impairment

At each statement of financial position date, reviews are carried out on the carrying amounts of tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where the asset does not generate cash flows that are independent from the other assets, estimates are made of the cash-generating unit to which the asset belongs. Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value, less costs to sell, and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a discount rate appropriate to the specific asset or cash-generating unit. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised immediately in the statement of comprehensive income.

2.14. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash-in-hand bank balances, call money and unrestricted time deposit balances with a maturity of 90 days or less.

2.15. Trade and Other Receivables and Payables

Trade and other receivables and trade and other payables are initially recognised at fair value. Fair value is considered to be the original invoice amount, discounted where material, for short-term receivables and payables. Long term receivables and payables are measured at amortised cost using the effective interest rate method. Where receivables are denominated in a foreign currency, retranslation is made in accordance with the foreign currency accounting policy previously stated.

2.16. Derecognition and Impairment of Financial Assets and Liabilities

Financial Assets

A financial asset is derecognised where:

- the right to receive cash flows from the asset has expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; or
- the Group has transferred the rights to receive cash flows from the asset, and
  - either has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

2.17. Taxation

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Deferred Tax

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investment in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date. Deferred income tax assets and liabilities are offset, only if a legal enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes related to the same taxation authority and that authority permits the Group to make a single net payment.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the statement of comprehensive income.

2.18. Employee Benefits

The Group maintains various defined contribution plans for providing employee benefits, which conform to laws and practices in the countries concerned. Retirement benefit plans are generally funded by contributions from both the employees and the Companies to independent entities (multi-employer plan) that operate the retirement benefit schemes. Current service cost for defined contribution plans is equivalent to the employer's contributions due for that period. The Group's contributions to the defined contribution pension plans are charged to the statement of comprehensive income in the year to which they relate.

2.19. Share-based Payments

Employees (including Directors and senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby these individuals render services as consideration for equity instruments ("equity-settled transactions"). These individuals are granted share option rights approved by the Board, which can only be settled in shares of the respective companies that award the equity-settled transactions. Share options rights are also granted to these individuals by a major shareholder over their shares held. No cash settled awards have been made or are planned.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant individuals become fully entitled to the award ("vesting point"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments and value that will ultimately vest. The statement of comprehensive income charge for the year represents the movement in the cumulative expense recognised as at the beginning and end of that period.

The fair value of share-based remuneration is determined at the date of grant and recognised as an expense in the statement of comprehensive income on a straight-line basis over the vesting period, taking account of the estimated number of shares that will vest. The fair value is determined by use of a Black Scholes model.

2.20. Separately Disclosable Items

Items that are material in size and unusual and infrequent in nature are presented as separately disclosable items in the statement of comprehensive income or separately disclosed in the notes to the financial statements. The Directors are of the opinion that the separate recording of these items provides helpful information about the Group's underlying business performance.

2.21. Financial Risk Management, Recognition and Accounting

The Group's multi-national operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, credit risks, equity securities prices, liquidity and interest rates. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group. The Board has approved the risk management policies applied by the Group.

These policies are implemented by central finance that prepares regular reports to enable prompt identification of financial risks so that appropriate actions may be taken. The Group has a policy and procedures manual that sets out specific guidelines to manage foreign exchange risk, interest rate risk, credit risk and the use of financial instruments to manage these. No forward hedging activities are undertaken.

2.22. Financial Risk Management Objectives and Policies

The QFI business model relies on bespoke contracts that do not contain any derivative financial instruments. The Group does not enter into any forward exchange rate contracts.

The main financial risks arising from the Group's activities are cash flow interest rate risk, liquidity risk, foreign currency risk, price risk (fair value) and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised as:

- **Cash Flow Interest Rate Risk** – the Group's exposure to the risk of changes in market interest rates relates primarily to the Group's deposit accounts with major banking institutions. The Group's policy is to manage its interest income using a mixture of fixed and floating rate deposit accounts.

- **Liquidity Risk** – the Group raises funds as required on the basis of budgeted expenditure and inflows. When funds are sought, the Group balances the costs and benefits of equity and debt financing. When funds are received they are deposited with banks of high standing in order to obtain market interest rates.

- **Foreign Currency Risk** – the Group's significant operations are in the UK, however movements in exchange rates can affect its financial results. Currently this risk to the financial position of the Group is not considered to be significant to warrant hedging or other risk management solutions.

- **Price Risk** – the carrying amount of the following financial assets and liabilities approximate to their fair value due to their short term nature: cash accounts, accounts receivable and accounts payable. Available for sale investments are valued at fair value based on recent shareholder transactions or the underlying net asset base. The Group monitors market conditions regularly and considers the market conditions when buying or selling investments.

- **Credit Risk** – with respect to credit risk arising from other financial assets of the Group, which comprise cash and time deposits and accounts receivable, the Group's exposure to credit risk arises from default of the counterparty, with a minimum exposure equal to the carrying amount of these instruments. The credit risk on cash is limited as cash is placed with substantial financial institutions.

2.23. Events After the End of the Reporting Period

Post year-end events that provide additional information about the Group's position at the statement of financial position date and are adjusting events are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes when material.

2.24. Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which is the Board, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and head office expenses.

2.25. Leasing Commitments

Office rental charges payable under operating leases are charged to the Statement of Comprehensive Income as part of administration expenses over the lease term.

3. Going Concern

The Group's business activities and financial position, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement.

The Group had £4.3m in treasury as at 30 June 2016. The Directors have carried out a detailed assessment of going concern as part of the financial reporting process, and having conducted a full review of the updated business plan, budgets and associated commitments at the year end, have concluded that the Group has adequate financial resources to continue in operational existence for at least the forthcoming year and therefore continue to adopt the going concern basis in preparing the accounts.

4. Segmental Information

For the purpose of segmental information the reportable operating segment is determined to be the business segment. The Group principally has one business segment, the results of which are regularly reviewed by the Board. This business segment is a business to produce emulsion fuel (or supply the associated technology to third parties) as a low cost substitute for conventional heavy fuel oil ("HFO") for use in power generation plants and industrial and marine diesel engines.

Geographical Segments

The Group's only geographical segment during the year was the UK.

5. Other Income

Other income includes:	Year ended 30 June 2016 £'000s	Year ended 30 June 2015 £'000s
Recoverable costs recharged to related parties	-	39
Total	-	39

6. Operating Loss

Operating loss is stated after charging:	Year ended 30 June 2016 £'000s	Year ended 30 June 2015 £'000s
Fees payable to the Company's auditor for the audit of the Company's annual accounts.	19	18
Fees payable to the Company's auditor and its associates for other services:		
Audit of accounts of subsidiaries	19	18
Tax compliance services	20	11
Consultants and other professional fees (including legal)	282	238
Depreciation of property, plant and equipment	148	108

7. Staff Cost

Head count	Year ended 30 June 2016 Number	Year ended 30 June 2015 Number
Average number of employees of the Group (including executive Directors employed by the Company) during the year was:		
Management	3	2
Technical staff / support / other	9	6

Staff costs	Year ended 30 June 2016 £'000s	Year ended 30 June 2015 £'000
Wages and salaries	1,516	809
Social security costs	185	83
Pension costs	111	75
Total	1,812	967

Included in total staff costs are the costs of the Executive Directors as employed by the Company as follows:

Director	Year ended 30 June 2016 £'000s	Year ended 30 June 2015 £'000s
Ian Williams		
Wages and salaries	**167**	154
Pension costs	**28**	31
	195	185
Mike Kirk		
Wages and salaries	**44**	-
Pension costs	**4**	-
	48	-
Hemant Thanawala		
Wages and salaries	**171**	129
Pension costs	**13**	10
	184	139
Jason Miles		
Wages and salaries	**240**	154
Pension costs	**14**	11
	254	165
Total	**681**	489

Aggregate emoluments of the Directors of the Company were as follows		
Share option expense	**612**	1,713
Salaries and fees	**786**	645
Pension costs	**59**	52
Total	**1,457**	2,410

Non-executive Directors fees for the year amounted to £109k (2015: £103k). Consulting fees paid to non-executive Directors for the year amounted to £48k (2015: £103k).

The highest paid Director's remuneration totalled £254k (2015: £263k), represented by all aggregate emoluments.

Refer to the Report of Directors' Remuneration (on page 23) for further details, the Key Management Personnel referred to therein are the Directors of the Company.

Further details regarding Non-executive Directors' remuneration are disclosed in note 25 – Related Party Transactions.

8. Losses Attributable to Quadrise Fuels International plc

The loss for the year dealt with in the accounts of Quadrise Fuels International plc was £1.0m (2015: £2.3m). As provided by s.408 of the Companies Act 2006, no statement of comprehensive income is presented in respect of Quadrise Fuels International plc.

9. Finance Costs

	Year ended 30 June 2016 £'000s	Year ended 30 June 2015 £'000s
Bank charges	8	7
Total	8	7

10. Finance Income

All finance income recognised during the current and prior year has arisen from interest on bank deposits and loans.

11. Taxation

	Year ended 30 June 2016 £'000s	Year ended 30 June 2015 £'000s
UK corporation tax credit	(149)	(72)
Total	(149)	(72)

No liability in respect of corporation tax arises as a result of trading losses.

Tax Reconciliation	Year ended 30 June 2016 £'000s	Year ended 30 June 2015 £'000s
Loss on continuing operations before taxation	(4,906)	(4,975)
Loss on continuing operations before taxation multiplied by the UK corporation tax rate of 20% (2015: 20.75%)	(981)	(1,032)
Effects of:		
Non-deductible expenditure	169	500
R&D tax credit	(149)	(72)
Tax losses carried forward	812	533
Total taxation credit on loss from continuing operations	(149)	(72)

The Group has tax losses arising in the UK of approximately £41.1m (2015: £40.7m) that are available, under current legislation, to be carried forward against future profits. £11.7m (2015: £11.2m) of the tax losses carried forward represent trading losses within Quadrise Fuels International plc, £25.8m (2015: £25.8m) represent non-trade deficits arising on intangible assets within Quadrise International Limited, £1.6m (2015: £1.7m) represent pre-trading losses incurred by subsidiaries, £1.9m (2015: £1.9m) represent management expenses incurred by Quadrise International Limited, and £0.1m (2015: £0.1m) represent capital losses within Quadrise Fuels International plc.

A deferred tax asset representing these losses and other timing differences at the statement of financial position date of approximately £8.2m (2015: £8.1m) has not been recognised as a result of existing uncertainties in relation to its realisation.

12. Loss Per Share

The calculation of loss per share is based on the following loss and number of shares:

	Year ended 30 June 2016	Year ended 30 June 2015
Loss for the year (£'000s)	**(4,757)**	(4,898)
Weighted average number of shares:		
Basic	**809,585,162**	808,656,176
Diluted	**809,585,162**	808,656,176
Loss per share:		
Basic	**(0.59)p**	(0.61)p
Diluted	**(0.59)p**	(0.61)p

Basic loss per share is calculated by dividing the loss for the year from continuing operations of the Group by the weighted average number of ordinary shares in issue during the year.

For diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive options over ordinary shares. Potential ordinary shares resulting from the exercise of share options have an anti-dilutive effect due to the Group being in a loss position. As a result, diluted loss per share is disclosed as the same value as basic loss per share. The 26.3m dilutive share options issued by the Company and which are outstanding at year-end could potentially dilute earnings per share in the future if exercised when the Group is in a profit making position.

13. Property, plant and equipment

Consolidated	Leasehold Improvements £'000s	Computer Equipment £'000s	Software £'000s	Office Equipment £'000s	Plant and Machinery £'000s	Total £'000s
Cost						
Opening balance – 1 July 2015	99	70	43	16	682	910
Additions	-	19	-	-	577	596
Disposals	-	-	-	-	(8)	(8)
Closing balance – 30 June 2016	99	89	43	16	1,251	1,498
Depreciation						
Opening balance – 1 July 2015	(26)	(14)	(15)	(9)	(136)	(200)
Depreciation charge for the year	(20)	(16)	(9)	(3)	(100)	(148)
Disposals	-	-	-	-	6	6
Closing balance – 30 June 2016	(46)	(30)	(24)	(12)	(230)	(342)
Net book value at 30 June 2016	**53**	**59**	**19**	**4**	**1,021**	**1,156**

Company	Leasehold Improvements £'000s	Computer Equipment £'000s	Software £'000s	Office Equipment £'000s	Plant and Machinery £'000s	Total £'000s
Cost						
Opening balance – 1 July 2015	99	64	44	16	-	223
Additions	-	4	-	-	-	4
Disposals	-	-	-	-		-
Closing balance – 30 June 2016	99	68	44	16	-	227
Depreciation						
Opening balance – 1 July 2015	(26)	(14)	(16)	(9)	-	(65)
Depreciation charge for the year	(20)	(14)	(8)	(3)	-	(45)
Disposals	-	-	-	-	-	-
Closing balance – 30 June 2016	(46)	(28)	(24)	(12)	-	(110)
Net book value at 30 June 2016	**53**	**40**	**20**	**4**	**-**	**117**

Property, plant and equipment

Consolidated	Leasehold Improvements £'000s	Computer Equipment £'000s	Software £'000s	Office Equipment £'000s	Plant and Machinery £'000s	Total £'000s
Cost						
Opening balance – 1 July 2014	94	21	17	16	559	707
Additions	5	49	26	-	140	220
Disposals	-	-	-	-	(17)	(17)
Closing balance – 30 June 2015	99	70	43	16	682	910
Depreciation						
Opening balance – 1 July 2014	(6)	(7)	(9)	(6)	(67)	(95)
Depreciation charge for the year	(20)	(7)	(6)	(3)	(72)	(108)
Disposals	-	-	-	-	3	3
Closing balance – 30 June 2015	(26)	(14)	(15)	(9)	(136)	(200)
Net book value at 30 June 2015	73	56	28	7	546	710

Company	Leasehold Improvements £'000s	Computer Equipment £'000s	Software £'000s	Office Equipment £'000s	Plant and Machinery £'000s	Total £'000s
Cost						
Opening balance – 1 July 2014	94	20	18	16	-	148
Additions	5	44	26	-	-	75
Disposals	-	-	-	-		-
Closing balance – 30 June 2015	99	64	44	16	-	223
Depreciation						
Opening balance – 1 July 2014	(6)	(7)	(10)	(6)	-	(29)
Depreciation charge for the year	(20)	(7)	(6)	(3)	-	(36)
Disposals	-	-	-	-	-	-
Closing balance – 30 June 2015	(26)	(14)	(16)	(9)	-	(65)
Net book value at 30 June 2015	73	50	28	7	-	158

14. Intangible Assets

Consolidated	QCC Royalty Payments £'000s	MSAR® Trade Name £'000s	Technology and Know-How £'000s	Total £'000s
Cost				
Opening balance – 1 July 2015	7,686	3,100	25,901	36,687
Additions	-	-	-	-
Closing balance – 30 June 2016	7,686	3,100	25,901	36,687
Amortisation and Impairment				
Opening balance – 1 July 2015	(7,686)	(176)	(25,901)	(33,763)
Amortisation	-	-	-	-
Closing balance – 30 June 2016	(7,686)	(176)	(25,901)	(33,763)
Net book value at 30 June 2016	**-**	**2,924**	**-**	**2,924**

Consolidated	QCC Royalty Payments £'000s	MSAR® Trade Name £'000s	Technology and Know-How £'000s	Total £'000s
Cost				
Opening balance – 1 July 2014	7,686	3,100	25,901	36,687
Additions	-	-	-	-
Closing balance – 30 June 2015	7,686	3,100	25,901	36,687
Amortisation and Impairment				
Opening balance – 1 July 2014	(7,686)	(176)	(25,901)	(33,763)
Amortisation	-	-	-	-
Closing balance – 30 June 2015	(7,686)	(176)	(25,901)	(33,763)
Net book value at 30 June 2015	-	2,924	-	2,924

Intangible assets comprise intellectual property with a cost of £36.7m, including assets of finite and indefinite life. QCC's royalty payments of £7.7m and the MSAR® trade name of £3.1m are termed as assets having indefinite life as it is assessed that there is no foreseeable limit to the period over which the assets would be expected to generate net cash inflows for the Group, as they arise from cashflows resulting from Quadrise and QCC gaining a permanent market share. The assets with indefinite life are not amortised. The remaining intangibles amounting to £25.9m, primarily made up of technology and know-how, are considered as finite assets and were amortised over 93 months. The Group does not have any internally generated intangibles.

The Group tests intangible assets annually for impairment, or more frequently if there are indications that they might be impaired. The recoverable amount of intangible assets is determined based on a value in use calculation using cash flow forecasts derived from the most recent financial model information available. These cash flow forecasts extend to the year 2032 to ensure the full benefit of all current projects is realised. The rationale for using a timescale up to 2032 with the growth projections forecast, is that as time progresses, Quadrise expects to gain an increasing foothold in the existing HFO market (~ 450m tonnes p.a.) which is already well established. The key assumptions used in these calculations include discount rates, turnover projections, growth rates, joint venture participation expectations, expected gross margins and the lifespan of the project. Management estimates the discount rates using pre-tax rates that reflect current market assessments of the time value of money and risks specific to expected future projects. Turnover projections, growth rates, margins and project lifespans are all estimated based on the latest business models and the most recent discussions with customers, suppliers and other business partners.

For the MSAR® trade name and technology and know-how intangible, the growth rate used for the extrapolation of cash flows beyond budgeted projections is 2.5% (2015: 2.5%) and the pre-tax discount rate applied to the cash flow projections is 12% (2015: 12%).

A 5% increase in the discount rate used would result in no impairment charge for the MSAR® trade name intangible asset or the Technology and know-how intangible asset. A 5% decrease in the discount rate used would also result in no impairment charge.

Amortisation of Intangible Assets

The Board has reviewed the accounting policy for intangible assets and has amortised those assets which have a finite life. All intangible assets with a finite life were fully amortised as at 30 June 2015, and a non-cash charge of £nil (2015: £nil) was recorded in the statement of comprehensive income for the year ended 30 June 2016.

15. Available for Sale Investments

	Consolidated 30 June 2016 £'000s	Consolidated 30 June 2015 £'000s	Company 30 June 2016 £'000s	Company 30 June 2015 £'000s
Unquoted securities				
Opening balance	-	1,439	-	1,439
Changes in fair value	-	(1,035)	-	(1,035)
Impairment charge	-	(404)	-	(404)
Closing balance	-	-	-	-

Unquoted securities represent the Group's investment in Quadrise Canada Corporation ("QCC"), Paxton Corporation ("Paxton"), Optimal Resources Inc. ("ORI") and Porient Fuels Corporation ("Porient"), all of which are incorporated in Canada.

At the statement of financial position date, the Group held a 20.44% share in the ordinary issued capital of QCC, a 3.75% share in the ordinary issued capital of Paxton, a 9.54% share in the ordinary issued capital of ORI and a 16.86% share in the ordinary issued capital of Porient.

QCC is independent of the Group and is responsible for its own policy-making decisions. There have been no material transactions between QCC and the Group during the period or any interchange of managerial personnel. As a result, the Directors do not consider that they have significant influence over QCC and as such this investment is not accounted for as an associate.

The Group has no immediate intention to dispose of its available for sale investments unless a beneficial opportunity to realise these investments arises.

Given that there is no active market in the shares of any of above companies, the Directors have determined the fair value of the unquoted securities at 30 June 2016. In this regard, the Directors considered other factors such as past equity placing pricing and assessment of risked net present value of the enterprises to arrive at their conclusion on any impairment for all of the unquoted securities.

The shares in each of these companies were valued at CAD $nil on 1 July 2015. Shareholder communications received during the year to 30 June 2016 indicate that the business models for each of these companies remain highly uncertain, with minimal possibility of any material value being recovered from their asset base. On that basis, the directors have determined that the investments should continue to remain valued at CAD $nil at 30 June 2016.

16. Investments in Subsidiaries

	Company 30 June 2016 £'000s	Company 30 June 2015 £'000s
Direct Investment		
Opening balance	**18,845**	15,433
Acquisition of ROE Projects Ltd	-	500
Long term loans advanced	**3,545**	2,912
Closing balance	**22,390**	18,845

The acquisition of ROE projects was made to acquire the remaining non-controlling interest within the Group and as such is treated as a transaction within equity and therefore IFRS 3 'Business Combinations' has not been applied.

The Company tests investments annually for impairment, or more frequently if there are indications that they might be impaired. Impairment is based on the value in use of the subsidiaries. The Directors performed a review of the value in use of the investments at 30 June 2016 by assessing the value in use of the financial assets and liabilities in the underlying subsidiaries. Based on this the Directors concluded that no impairment is necessary for the year ended 30 June 2016. Holdings in subsidiaries are detailed in note 27.

17. Cash and Cash Equivalents

	Consolidated 30 June 2016 £'000s	Consolidated 30 June 2015 £'000s	Company 30 June 2016 £'000s	Company 30 June 2015 £'000s
Cash at bank	**4,268**	8,361	**3,948**	7,875
Total	**4,268**	8,361	**3,948**	7,875

18. Trade and Other Receivables

	Consolidated 30 June 2016 £'000s	Consolidated 30 June 2015 £'000s	Company 30 June 2016 £'000s	Company 30 June 2015 £'000s
Trade receivables	-	3	-	-
Other receivables	**297**	325	**168**	137
Receivable from related parties	-	5	-	5
Total	**297**	333	**168**	142

Group receivables of £nil (2015: £nil) and Company receivables of £nil (2015: nil) were past due at year-end.

19. Trade and Other Payables

	Consolidated 30 June 2016 £'000s	Consolidated 30 June 2015 £'000s	Company 30 June 2016 £'000s	Company 30 June 2015 £'000s
Trade payables	**377**	145	**34**	76
Other taxes	**60**	132	**42**	132
Payable to related parties	**12**	23	**6**	7
Accruals	**127**	122	**46**	53
Total	**576**	422	**128**	268

There are no material differences between the fair value of trade and other payables and their carrying values at year-end.

Trade payables as at 30 June 2016 amount to 62 days (2015: 55 days) of purchases made in the year. All trade payables balances are less than 30 days old.

Amounts due to related parties at year end amounted to £12k (2015:£23k).

20. Share Options

Movement in theYear:

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

	Number 30 June 2016	WAEP (Pence) 30 June 2016	Number 30 June 2015	WAEP (Pence) 30 June 2015
Outstanding as at 1 July	**40,450,000**	**22.08**	43,600,000	19.16
Granted during the year	**6,000,000**	**12.81**	3,100,000	23.80
Expired during the year	**(8,316,667)**	**20.68**	-	-
Exercised during the year	**(5,000,000)**	**0.80**	(6,250,000)	2.59
Options outstanding as at 30 June	**33,133,333**	**23.60**	40,450,000	22.08
Exercisable as at 30 June	**26,300,000**	**26.07**	31,016,667	19.31

The weighted average remaining contractual life of the 33.13 million options outstanding at the statement of financial position date is 4.75 years (2015: 4.55 years). The weighted average share price during the year was 13.38p (2015: 23.84p) per share.

The expected volatility of the options reflects the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The expected life of the options is based on historical data available at the time of the option issue and is not necessarily indicative of future trends, which may not necessarily be the actual outcome.

The Share Option Scheme is an equity settled plan and fair value is measured at the grant date of the option. Options issued under the Scheme vest over a two year period provided the recipient remains an employee of the Group. Options may be also exercised within one year of an employee leaving the Group at the discretion of the Board.

The Company issued 6.0 million share options to employees during the year (2015: 3.1 million) the weighted average exercise price of these options was 12.81p (2015: 23.8p) and the weighted average fair value was 6.92p (2015: 13.8p). The exercise price of the options issued during the year ranged from 12.1p to 18.1p (2015: 12.1p to 32.3p).

The fair value was calculated using the Black Scholes option pricing model. The weighted average inputs were as follows:

	2016	2015
Stock price	12.80p	20.5p
Exercise price	12.81p	23.6p
Interest rate	0.5%	0.5%
Volatility	73.2%	77.3%
Time to maturity	4 years	4 years

21. Share Capital

The company has one class of ordinary share capital which carries no rights to fixed income, any preferences or restrictions.

	2016 £	2015 £
Issued and fully paid:		
809,585,162 (2015: 809,585,162) Ordinary shares of £0.01 each	**8,095,852**	8,095,852

22. Other Reserves

Nature and Purpose of other Reserves

Reverse Acquisition Reserve

The reverse acquisition reserve arose on the reverse acquisition of Zareba plc (now Quadrise Fuels International plc) by Quadrise International Limited on 18 April 2006 as accounted for under IFRS 3.

Share Option Reserve

The share option reserve is used to record the cumulative fair value of share options granted by the Company net of lapsed and exercised options.

23. Pension Commitments

For direct employees of Quadrise Fuels International plc, the Company contributes between 7% and 20% of salary to a defined contribution pension scheme. Pension cost to the Company for the year amounted to £57k (2015: £51k).

24. Derivatives and Other Financial Instruments

The Group's principal financial instruments comprise available for sale investments, cash balances, accounts payable and accounts receivable arising in the normal course of its operations.

The financial instruments of the Group and the Company at year-end are:

	Consolidated 30 June 2016 £'000s	Consolidated 30 June 2015 £'000s	Company 30 June 2016 £'000s	Company 30 June 2015 £'000s
Financial assets				
Loans and receivables – Cash and cash equivalents	**4,268**	8,361	**3,948**	7,875
Loans and receivables – Trade and other receivables	**133**	333	**133**	142
Financial liabilities				
Other financial liabilities – Trade and other payables	**516**	422	**86**	268

All receivables and payables are current and due within 30 days.

Foreign Currency Exchange Risk

The Group does not generally undertake foreign currency hedging. The majority of the Group's transactions are denominated in Sterling and it uses this as its reporting currency. Exposure to any foreign exchange movements exists primarily in the Euro currency.

The net monetary liabilities in other currencies at 30 June 2016 were €268k (2015: net assets of €252k).

A 10% strengthening of Sterling against the Euro at the statement of financial position date would have reduced loss for the year by £20k (2015: an increase in loss of £16k) whilst a 10% weakening of Sterling against the Euro would have increased loss for the year by £22k (2015: a reduction in loss of £18k). This analysis assumes that all other variables remain constant.

Interest Rate Risk

The Group has floating rate financial assets in the form of deposit accounts with major banking institutions; however, it is not currently subjected to any other interest rate risk.

Based on cash balances at the statement of financial position date, a rise in interest rates of 1% will reduce loss for the year by approximately £42k (2015: £78k) per annum.

Liquidity Risk

The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations. The Group takes liquidity risk into consideration when deciding its sources of funds.

Credit Risk

The Group had receivables of £297k at 30 June 2016 (2015: £333k), of which £nil (2015: £5k) was receivable from related parties. Receivables of £297k represent the maximum credit risk to which the Group is exposed.

Capital Risk Management

The Group defines capital as the total equity of the Group. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Fair Value of Financial Assets and Liabilities

There are no material differences between the fair value of the Group's financial assets and liabilities and their carrying values in the financial information.

Borrowings Facilities

The Group had no external borrowing facilities as at 30 June 2016.

25. Related Party Transactions

Non-executive Director Laurie Mutch is also a Director of Laurie Mutch & Associates Limited, which has provided consulting services to the Group. The total fees charged for the year amounted to £43k (2015: £41k). The balance payable at the statement of financial position date was £12k (2015: £21k).

Jason Miles was also a Director of ROE Projects Limited, which provided consulting services to the group until its acquisition by the Company on 22 October 2014. The total fees charged for the year amount to £nil (2015: £62k). The balance payable at the statement of financial position date was £nil (2015: £nil).

Mike Kirk provided consulting services to the group prior to his appointment as Executive Chairman on 1 April 2016. The total fees charged for the year amount to £12k (2015: £nil). The balance payable at the statement of financial position date was £nil (2015: £nil).

Ian Williams and Hemant Thanawala were directors of International Energy Services Limited ("IESL"). QFI provided services to IESL during the year for which QFI received income of £nil (2015: £39k). The balance receivable at the statement of financial position date was £nil (2015: £nil).

QFI defines key management personnel as the Directors of the Company. There are no transactions with Directors, other than their remuneration as disclosed in the Report of Directors' Remuneration.

26. Ultimate Parent Undertaking and Controlling Party

The directors have determined that there is no Controlling Party as no individual shareholder holds a controlling interest in the Company.

27. Subsidiaries

The financial statements include the financial statements of Quadrise Fuels International plc and the following subsidiaries:

Name	Country of Incorporation/ Registration	Percentage Interest Held and Voting Rights	Class of Share Held
Quadrise International Limited	United Kingdom	100%	Ordinary
Quadrise Limited	United Kingdom	100%	Ordinary
Quadrise KSA Limited	United Kingdom	100%	Ordinary
Quadrise Americas Limited*	United Kingdom	100%	Ordinary
Quadrise Marine Limited	United Kingdom	100%	Ordinary
Quadrise Asia Limited*	United Kingdom	100%	Ordinary
ROE Projects Limited	United Kingdom	100%	Ordinary

Quadrise Fuels International plc and its subsidiaries are involved in the production and development of MSAR® emulsion fuel (along with supplying the associated technology to third parties) as a low cost substitute for conventional heavy fuel oil for use in power generation plants and industrial and marine diesel engines.

* On 30 June 2016, as a result of an internal Group restructuring exercise, management made application to the Registrar of Companies for Quadrise Americas Limited and Quadrise Asia Limited, two wholly owned subsidiaries of the Group, to be struck off from the Register of Companies at Companies House.

28. Commitments and Contingencies

The Group and the Company have entered into a commercial lease for office rental. This lease expires on 25 March 2019, and there are no restrictions placed on the Group or Company by entering into this lease. The minimum future lease payments for the non-cancellable lease are as follows:

	30 June 2016 £'000s	30 June 2015 £'000s
Office premises		
One year	**106**	106
Two to five years	**187**	293
After five years	**-**	-

Additionally, the Group and the Company have no capital commitments or contingent liabilities as at the statement of financial position date.

29. Events After the End of the Reporting Period

On 10 August 2016, the Company announced the execution of a Memorandum of Understanding ("MOU") which defines the basis of collaboration between Quadrise and its clients in the Kingdom of Saudi Arabia to progress a 'Production to Combustion' trial at designated refinery and power plant facilities within the Kingdom.

On 14 September 2016, the Company announced the extension of contracts for the exclusive purchase and supply of goods and services and for the exclusive joint development of emulsion fuels with AkzoNobel group companies. The contract extensions ensure the continuity and ongoing support from AkzoNobel for the commercialisation of MSAR® projects globally until at least November 2018.

The Company announced that it is proposing to raise approximately £4.0 million through a Placing, and up to an additional £1.0 million through a proposed Open Offer.

30. Copies of the Annual Report

Copies of the annual report will be posted to shareholders and will be available shortly from the Company's website at www.quadrisefuels.com and from the Company's registered office, Gillingham House, 38-44 Gillingham Street, London, SW1V 1HU.

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