Quadrise Fuels International plc

Annual Report and Accounts

2017

Contents

Quadrise Fuels International plc

Annual Report and Financial Statements for the year ended 30 June 2017

Highlights

- Significant work has been undertaken to progress contracts covering a commercial scale trial project in the Kingdom of Saudi Arabia. The project comprises the production of MSAR® fuel and its transportation to, and storage and combustion at, a nominated power plant site. Quadrise has undertaken a central coordination role in progressing the project and looks forward to providing updates in due course.

- The commercial scale MSAR® Manufacturing Unit at Cepsa was commissioned and reliably produced around 50,000 barrels of Marine MSAR®. This fuel was bunkered to the Maersk vessel Seago Istanbul, and burned whilst the vessel was on normal operational service, with no fuel related issues during 9 months of operations.

- Despite formal notification by Maersk of its intention to let the Operational Trial Agreement expire (as a result of the IMO's decision to adopt a lower cap for marine fuel sulphur by January 2020) they confirmed that their experience with MSAR® during the trial had been positive. Maersk have provided Quadrise with the Interim LONO and the Interim Inspection Report produced by Wärtsilä, which Quadrise is now using to develop opportunities with other operators to commercialise MSAR®.

- Quadrise remains debt free, with a £5.0 million cash balance at 30 June 2017 following a successful placing and open offer in October 2016 which raised £5.0 million. The Group has total assets of £9.5 million at 30 June 2017, which include the MSAR® manufacturing facility at the Cepsa refinery in Spain, and investments in our in-house R&D facility.

- Quadrise continues to engage with a number of oil majors, regional power companies and shipping companies to pursue opportunities for the production and use of MSAR® for both marine and power applications.

Quadrise Fuels International plc

Company Registration No. 05267512

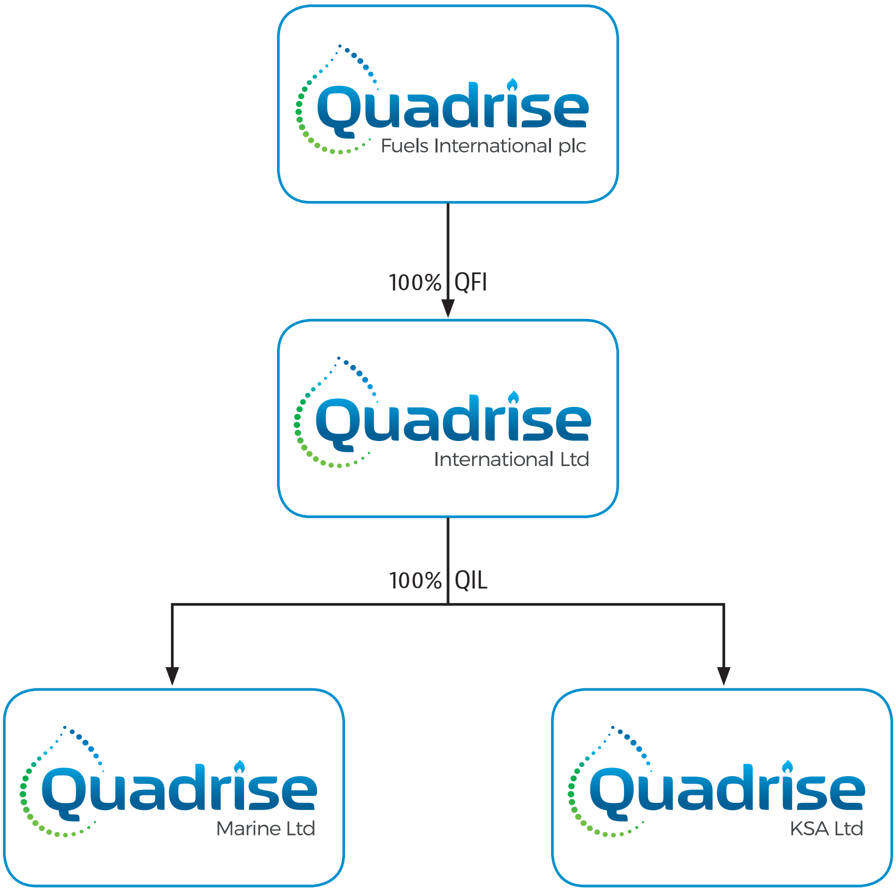
Company Statement

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:

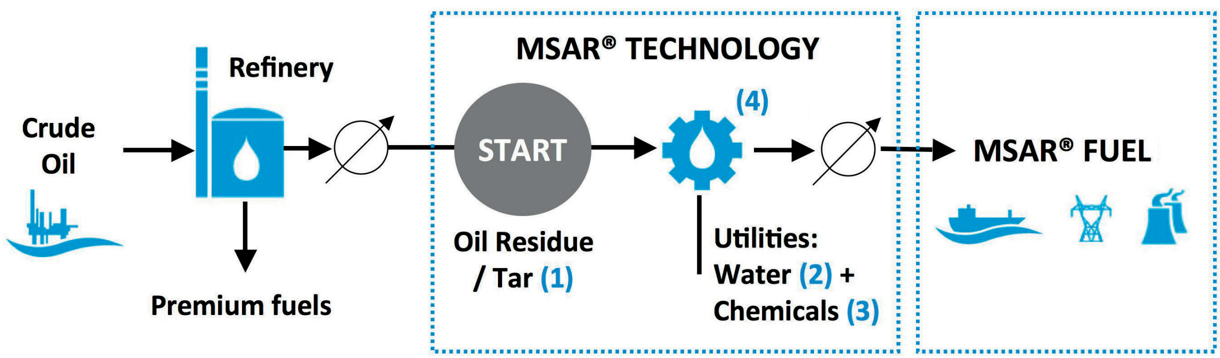
- extremely stable, with storage and handling possible at ambient conditions
- transported to end-users in the same way as HFO.

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



MSAR® versus HFO: Key Benefits for End Users

Compared with HFO, MSAR® fuel offers:

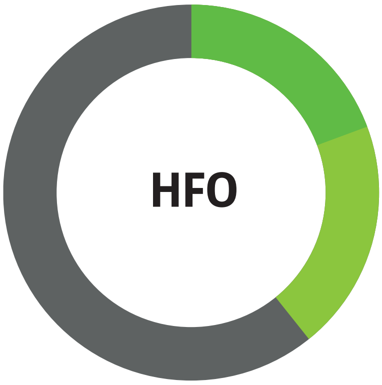
- typically 10–20% cost savings per unit of energy
- at least 20% lower NOx emissions. MSAR® is a pre-atomised fuel with a hydrocarbon particle size of 5–10 microns (atomised fuel oil droplets are typically 50–100 microns) and therefore has enhanced combustion properties
- lower energy consumption. Unlike 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

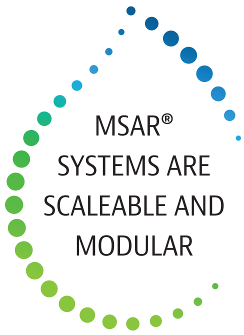
In a refinery producing MSAR®...

... 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



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

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

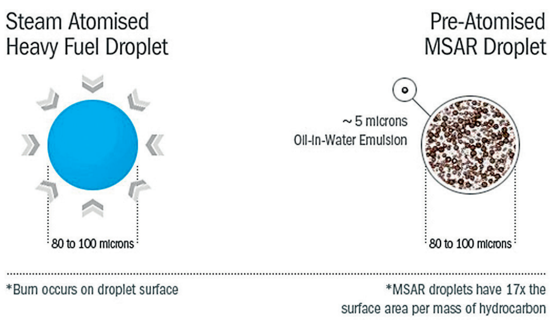
MSAR® and the environment

Lower Energy Costs

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 Cost Solution to Meet Future Environmental Regulations

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.

The International Maritime Organisation (IMO) has been working to reduce harmful impacts of shipping on the environment under Annex VI to the International Convention for the Prevention of Pollution from Ships (MARPOL Convention). The 70th session of the Marine Environment Protection Committee ("MEPC") meeting on 24 to 28 October 2016 considered the report on the "Assessment of the availability of fuel oil" relating to Article 14 of MARPOL (dealing with Sulphur Oxides and Particulate emissions). A decision was taken by the MEPC to adopt a global cap for marine fuel sulphur of no more than 0.5% by weight on 1st January 2020, rather than defer the implementation to 1st January 2025.

The global debate currently is whether there will be sufficient distillate fuels available to meet the future demand resulting from the MEPC decision. 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 2017 together with an update on significant events since the year end.

Introduction

In the power market, Quadrise has made material progress during 2017. Since signing the Memorandum of Understanding ("MoU") with our client in the Kingdom of Saudi Arabia ("KSA") in August 2016, we have undertaken significant work, including detailed engineering studies, to progress a commercial scale project comprising MSAR® fuel production and its storage and consumption at a nominated power plant site. Working in conjunction with various entities within KSA and from Europe and the US, Quadrise has taken a central coordination role, and has progressed the project to a point that it can commence immediately once all parties have signed the multiple bilateral contracts and the triparty contract that define the overall project. We look forward to providing updates on this project, as appropriate, in due course.

We are confident that the delivery of the KSA power project will demonstrate the value of Quadrise's MSAR® technology and fuel in KSA on a commercial scale, and the Company will continue to work with our partners to further evaluate commercial options for MSAR® production and supply in KSA to both marine and power plant consumers. This will help to ensure that, pending a successful trial and positive decision on the use of MSAR® in KSA, our technology could be deployed rapidly at a commercial scale.

Quadrise was able to make significant progress in a number of areas in the marine market during the year including: commissioning the commercial scale MSAR® manufacturing facility at the refinery in Spain; reliably producing around 7,000 tonnes of marine MSAR®; and bunkering the MSAR® to the Maersk Line A/S ("Maersk") nominated vessel, Seago Istanbul, whilst the vessel was on normal operational service. Although there were no fuel related issues during the course of the marine operational and LONO ('Letter Of No Objection') trial, Maersk decided to conclude the trial early following their policy decision to use low sulphur (0.5%) fuel for IMO 2020 compliance. Maersk confirmed that their experience with MSAR® during the trial had been positive and subsequently provided QFI with the Interim LONO and the Interim Inspection Report produced by Wärtsilä.

The intended migration to early stage commercial revenues during calendar 2017 was dependent on a decision by Maersk to adopt the use of MSAR® post the interim inspection. Maersk's policy decision to use low sulphur fuel now means they will not use MSAR® and we are progressing other opportunities to develop the marine bunker market.

As a pre-revenue company, Quadrise has always been conscious of the need to control costs, but given the delay in progressing to early stage commercial revenues, the Company has taken a number of actions to reduce cash expenditure during the current year by in excess of £500,000, representing 18% of the Company's underlying annualised fixed costs, whilst retaining its ability to deliver its active projects and pursue business development opportunities in the power and marine markets.

Quadrise was able to make significant progress in a number of areas in the marine market during the year

Power Generation MSAR® Fuel

KSA is the world's largest market for the consumption of crude-oil and HFO for power generation, and the scale and nature of the oil and power generation industries in the region offer an enormous opportunity for Quadrise. It was therefore identified as a primary target market for Quadrise and we were delighted to announce in early August 2016 the signing of an MoU to progress discussions for a major production to combustion project in KSA. As noted above, since signing the MoU we have undertaken material work to progress this commercial scale project, both with our client and their technical advisors in KSA and at our research facility, QRF. This is a complex, commercial-scale project bringing together many major global organisations, with Quadrise undertaking a central coordination role. It has clearly demonstrated our ability, with limited resources compared to our customers/partners, to bring on board, and work on equal terms with, large multinational organisations, demonstrating to them the many benefits that Quadrise's MSAR® technology and professional services can provide.

During the remainder of this calendar year we will be working to advance the KSA project, and will continue with the practical work required to enable the trial timetable to be met.

We continue to develop other opportunities in the power sector in selected markets in KSA, the Middle East, Africa and Asia. Our relationship with YTL Power Seraya remains strong, though the opportunities remain longer-term and linked to the availability of suitable residue streams at a major refinery in the region.

Marine MSAR® Bunker Fuel

Quadrise worked with Maersk for over five years through a series of land-based and sea-borne trials, culminating in the recent operational trial to achieve a LONO from Wärtsilä after a 4,000 hour engine inspection, with an Interim Inspection planned for midway. It was a major achievement to commence production of MSAR® at the Cepsa Gibraltar San Roque Refinery, adjacent to the Algeciras Mediterranean bunker hub, within 9 months of contract signature. Over a period of 8 months through to February 2017, we were reliably producing MSAR® to meet the vessel schedule, latterly running on a 24 hour, two shift basis, and in total around 7,000 tonnes of MSAR® were successfully manufactured at Cepsa. Good progress was made during the trial on board the Seago Istanbul which ran until March 2017 with no material issues encountered with the use of MSAR® fuel on the 68MW Wärtsilä RT-Flex engine. In March 2017, the trial was unfortunately suspended due to the vessel being damaged in a collision with a sea buoy. When the vessel was dry-docked to make repairs the planned interim inspection of the engine was carried out by Wärtsilä. Maersk confirmed that they were pleased with the performance of MSAR® during the trial and following the interim inspection Wartsila provided an Interim LONO and an interim inspection report both of which confirmed that the MSAR® fuel had performed well during the trial.

During this period the International Maritime Organisation (IMO) had been working to reduce harmful impacts of shipping on the environment under Annex VI to the International Convention for the Prevention of Pollution from Ships (MARPOL Convention). The 70th session of the Marine Environment Protection Committee (MEPC) meeting on 24 to 28 October 2016 considered the report on the "Assessment of the availability of fuel oil" relating to Article 14 of MARPOL (dealing with Sulphur Oxides and Particulate emissions). A decision was taken by MEPC to adopt the lower global cap for marine fuel sulphur of no more than 0.5% by weight on 1st January 2020, rather than defer the implementation to 1st January 2025. The decision was a significant shock to the majority of industry stakeholders.

Good progress was made during the trial on board the Seago Istanbul which ran until March 2017 with no material issues encountered with the use of MSAR® fuel

As a result of the MEPC70 outcome, and after a detailed review of compliance options, Maersk took a policy decision in May 2017 to only use low sulphur fuel for IMO 2020 compliance and as a consequence decided to conclude the trial at the interim phase. Whilst Maersk's decision was disappointing, the trial demonstrated that MSAR® can be used on an operational vessel with a normal crew, with no adverse impact on the engine or the normal operations of the vessel.

Quadrise is using the positive results of the trial, together with the interim LONO and the Inspection Report to develop opportunities with other operators to commercialise MSAR® in the marine bunker market. The MEPC70 decision means that many operators will have to decide whether to use more expensive low sulphur (predominantly) diesel fuel to meet the regulations or use high sulphur HFO with on-board exhaust gas cleaning systems ("EGCS", also known as scrubbers) for compliance. Quadrise and many commentators believe that high sulphur fuel and on-board EGCS will be the lowest cost option, although at this stage only a small number of operators have confirmed their position. Carnival Cruises has indicated that it will, from 2020, have installed EGCS on almost 100% of its fleet and it expects to save approximately $700 million per year on fuel post 2020, repaying the $1 billion capital cost of installing EGCS in around 18 months. It has also been reported that a major order by MSC for new large container vessels will use EGCS.

Whilst Quadrise will focus on producing high sulphur MSAR®, it should be noted that with appropriate residue streams there is the potential to produce low-sulphur MSAR® (below 0.5% equivalent, as was the case at times during production at Cepsa) albeit such "low sulphur" opportunities are likely to be a less significant market for Quadrise than "high sulphur", where the fuel cost savings are likely to be higher. MSAR® also provides other benefits including a reduction in NOx and particulates emissions which are likely to be of increasing importance.

Our work with a number of oil majors to evaluate the suitability of specific refining residues for Marine MSAR® production continues and these relationships also provide opportunities to explore options for MSAR® production and conversion of refinery units and steam generation plants.

MSAR® Economics Remain Sound – Strong Growth Potential

The key value driver for MSAR® is the price differential, or spread, between high sulphur HFO and low sulphur distillate fuels. During the last year, the spread has traded in the range of $143/t to $193/t and is currently at $201/t. However, the key factors that are expected to drive the market in the run-up to 2020 are an increase in demand for low sulphur distillate products in the marine bunker market and a consequential reduction in demand for high sulphur HFO products until EGCS are more widely adopted. Forecasts in the market indicate that this is expected to increase the spread to a range of $320/t to $400/t which provides a significant opportunity for Quadrise and MSAR® technology in both the power and marine markets.

Business Development

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 power generation and marine bunkering 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 refining and bunker fuel hubs in Europe, the Middle East and Asia.

Quadrise engages in significant and sustained business development activity to enable collaborative projects to be developed between the producers and the consumers. We deliver our business development activities along sector lines, to align with our clients in the refining, power and marine markets. We believe that the ability to develop both the power and marine 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.

Our present and intended clients are large companies which presently account for a substantial share of the production and combustion of HFO

Research, Development and Operations Activities

We continued to invest in our research and development, operations and technical support activities during the year. We now have two pilot-scale development MMUs at the Quadrise Research Facility ("QRF"), including an enhanced unit that can be used to test highly viscous residues which must be heated to elevated temperatures to be emulsified. We have also expanded our laboratory facilities at QRF to be able to test the performance of MSAR® produced in these development MMUs. Another process engineer was recruited during the period, to further enhance our operational and business development capabilities.

Our programme of research at the University of Surrey has been successful in enhancing our understanding of the mechanisms that underpin the creation of stable MSAR® emulsion fuels and we renewed our arrangements for a further year in November 2016. These arrangements will continue into 2018 in a focused cost-efficient manner to enhance value for the Company.

We retain our close working relationship with our technology partner, Akzo Nobel, 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®, both of which were extended to November 2018 during the year.

Cost Reduction Initiatives

As outlined previously, following the period end, the Company took action to materially reduce cash costs, whilst retaining our ability to deliver active projects and pursue business development opportunities in the power and marine markets.

As a result, Hemant Thanawala, agreed to step down as Finance Director, on 10th August 2017, but remains on the Board as a Non-executive Director and a member of the Audit and Compensation Committees from the same date. This enabled the Board to restructure, reducing the number of Executive Directors from three to two. The Finance Director functions were absorbed within the existing senior team with the Financial Controller, David Scott FCA, maintaining a focus on sound cash management, allied with strong project accounting. These steps enabled a significant reduction in administration costs.

As Executive Chairman, I agreed to reduce my cash salary by 50% with effect from 1st September 2017 for 12 months (subject to review and potential renewal at the end of the period) with a potential future uplift of 25% on the deferred element. In addition, the Non-executive Directors of the Company, including Mr Thanawala, agreed to reduce their directors' fees by approximately 33% to £24,000 per annum, with the balance being deferred, for potential future payment with an uplift of 25%. These potential future payments will be contingent on the Company delivering demonstrable progress during the next year.

We have also streamlined the senior management team and now operate with two General Managers, who in combination with the Chief Operating Officer and Executive Chairman cover the refining, power and marine segments. The senior team has significant experience in these segments and practical experience of delivering projects that require multiple stakeholders to be brought together for successful delivery. In addition, the laboratory personnel roles at QRF have been reduced by one. The Company's advisers have also agreed to a significant reduction in fees.

These actions will deliver cash-cost savings in excess of £500,000 in the current financial year

In total, these actions will deliver cash-cost savings in excess of £500,000 in the current financial year, representing 18% of the Company's annualised fixed costs.

Results for the Year

The consolidated after-tax loss for the year to 30 June 2017 was £4.1m (2016: £4.8m). This included production and development costs of £2.4m (2016: £2.2m), administration expenses of £1.8m (2016: £2.0m), a share option charge of £0.2m (2016: £0.8m), interest income of £19k (2016: £41k) and a tax credit of £213k (2016: £149k).

Basic and diluted loss per share was 0.48p (2016: 0.59p).

Statement of Financial Position

At 30 June 2017, the Group had total assets of £9.5m (2016: £8.8m). The most significant balances were intangible assets of £2.9m (2016: £2.9m), property, plant and equipment of £1.1m (2016: £1.2m), and cash of £5.0m (2016: £4.3m). Further information on intangible assets is provided in note 13 to the Group Financial Statements.

Cash Flow

The Group ended the year with £5.0m of cash and cash equivalents (2016: £4.3m) with £5.0m having been raised through the placing and open offer during the year, and £4.3m having been utilised in its operating activities during the year (2016: £3.7m). 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. As announced on 12 October 2016, the Company issued 42,500,000 new ordinary shares, and as announced on 31 October 2016, the Company issued a further 10,119,814 new ordinary shares, raising a total of £5.0m (after expenses). The shares placed and issued fell within the authorities granted to the Board under sections 551 and 570 of the Companies Act 2006 at the Annual General Meeting ("AGM") of 27 November 2015. These authorities will be reviewed again at the next AGM, as appropriate. The Company's current issued share capital stands at 862,204,976 ordinary shares of 1p each all with voting rights.

Taxation

The Group has tax losses arising in the UK of approximately £47.3m (2016: £41.1m) that are available, under current legislation, to be carried forward against future profits. £19.1m (2016: £11.7m) of the tax losses carried forward represent trading losses within Quadrise Fuels International plc, £25.8m (2016: £25.8m) represent non-trade deficits arising on intangible assets within Quadrise International Limited, £1.6m (2016: £1.6m) represent pre-trading losses incurred by subsidiaries, £0.8m (2016: £1.9m) represent management expenses incurred by Quadrise International Limited, and £0.1m(2016: £0.1m) represent capital losses within Quadrise Fuels International plc.

Outlook – Current trading and prospects.

We have made significant progress in relation to the trial in KSA since signing the MoU in August 2016 – with extensive work including detailed engineering studies and design work being carried out to ensure that MSAR® fuel production can commence at the earliest possible opportunity, ahead of the combustion element of the trial commencing in the second half of 2018. It should also be noted that the work to date has already seen MSAR® positioned as an alternative fuel source for KSA's future power generation requirements, and subject to agreement and conclusion of contractual arrangements, and the successful outcome of the trial project, provides the opportunity for commercial scale roll-out at pace.

The work to date has already seen MSAR® positioned as an alternative fuel source for KSA's future power generation requirements

Our work in the marine bunker market continues and we are utilising the positive outcomes of the operational and LONO trial to work with operators who see the use of high-sulphur fuel and EGCS as providing the lowest cost of compliance with the IMO 2020 sulphur standards. During the current financial year and beyond, we expect to see the industry accelerate its plans to actively manage the impact of the forthcoming standards on both operating costs and operational flexibility and this will provide increased opportunities for Quadrise to develop the market for marine MSAR®.

Mike Kirk
Executive Chairman
3 November 2017

Strategic Report
For the year ended 30 June 2017

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.

Going Concern

The Group had £5.0m in treasury as at 30 June 2017. 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
3 November 2017

Directors

Mike Kirk

Executive Chairman

Mike served as a corporate finance partner at Cazenove providing advisory services to several 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 VIVID Housing (a housing association with c30,000 properties) and 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.

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.

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.

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 the 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 committee, and Chairman of the Compensation committee.

Hemant Thanawala

Non-Executive 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. Since becoming a non-executive director in August 2017, Hemant serves on 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 2017.

Results and Dividends

The consolidated loss from continuing operations after taxation for the year ended 30 June 2017 was £4.1m (2016: £4.9m). The Directors do not recommend the payment of any dividend for the year (2016: £nil).

Directors

Those who served as Directors during the year are:

- Mike Kirk (Executive Chairman)
- Jason Miles (Chief Operating Officer)
- Hemant Thanawala (Finance Director) – stepped down on 10 August 2017 to become Non-executive Director
- Laurence Mutch (Non-executive Director)
- Dilipkumar Shah (Non-executive Director)
- Philip Snaith (Non-executive Director)
- Ian Duckels (Non-executive Director) – resigned 2 December 2016

Resolutions to re-elect Philip Snaith and Jason Miles as Directors, both of whom retire by rotation, will be proposed at the Annual General Meeting.

Directors' Interests

The interests of the Directors holding office at 30 June 2017 were as follows:

Number of Shares held:

Directors	30 June 2017 Ordinary Shares of 1p Each	30 June 2016 Ordinary Shares of 1p Each
Hemant Thanawala [1]	**29,039,579**	27,210,553
Jason Miles	**3,180,633**	2,880,633
Mike Kirk	**500,000**	Nil
Laurence Mutch	**150,000**	Nil
Philip Snaith	**150,000**	Nil
Dilipkumar Shah	**100,000**	Nil

Notes:

1 Including 23,126,179 Ordinary Shares held by Lucrone Investments GmbH, a company in which Mr Thanawala has a beneficial interest.

Number of share options held:

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

On 1 July 2016, a total of 6 million share options granted by International Energy Group AG ("IEG") over its own shares in QFI were held by Hemant Thanawala and Jason Miles. Hemant Thanawala exercised 1 million of these options during the financial year, with the remaining 5 million options being repurchased from Jason Miles by IEG. Refer to Note 19 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
Intertrust Trustees Limited	Direct	60,320,660	6.996%
Ruudowen Limited	Direct	54,738,353	6.35%
Phibatec Limited	Direct	51,562,500	5.98%
Anthony Lowrie	Indirect	31,521,705	3.66%
Hemant Thanawala	Direct/Indirect	29,039,579	3.37%
Vistra Trustees (Mauritius) Limited	Direct	26,096,845	3.03%

Events After the End of the Reporting Period

On 10 August 2017, the Company announced that Hemant Thanawala had agreed to step down as Finance Director, becoming a Non-executive Director, with immediate effect.

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 23.

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.

Future Developments

Further information regarding the future developments 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 and Compensation committees is included in the Corporate Governance section of the Annual Report on pages 22–23.

Annual General Meeting

The Annual General Meeting will be held on Friday 8 December 2017 as stated in the Notice, which accompanies this Annual Report.

By order of the Board.

Audrey Clarke
Company Secretary
3 November 2017

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
3 November 2017

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 2017 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 2017 £'000s	Total 2016 £'000s
Mike Kirk	177	14	-	-	-	191	68
Hemant Thanawala	158	13	-	-	-	171	184
Jason Miles	229	15	-	-	-	244	254
Laurence Mutch	67	-	-	-	-	67	72
Philip Snaith	32	-	-	-	-	32	32
Ian Duckels	13	-	-	-	-	13	32
Dilipkumar Shah	-	-	-	-	-	-	-
Total	676	42	-	-	-	718	642

Reconciliation of Share Options Granted to Directors

	30 June 2017 Number of Share Options	30 June 2016 Number of Share Options
As at 1 July	**25,000,000**	29,850,000
Granted during the year by QFI	**-**	5,000,000
Resignation of director	**(1,500,000)**	(7,500,000)
Exercised during the year	**(1,000,000)**	-
Repurchased by grantor during the year	**(5,000,000)**	-
Expired during the year	**-**	(2,350,000)
As at 30 June	**17,500,000**	25,000,000

A gain of £100k was realised on the exercise of share options by Directors during the year (2016: £nil).

The market price of the Company's shares at the end of the reporting period was 3.23p (2016: 11.63p) and the range during the year was 2.95p to 14.00p (2016: 9.15p to 21.00p) per share.

Philip Snaith
Chairman of the Compensation Committee
3 November 2017

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 three non-executive Directors (four during the period from 1 July 2016 to 2 December 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 two non-executive Directors (three during the period from 1 July 2016 to 2 December 2016) 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

Until his resignation on 2 December 2016, Ian Duckels chaired the Compensation Committee with the other members being Laurence Mutch and Philip Snaith. Following Ian Duckels resignation, the Compensation Committee was chaired by 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.

Laurence Mutch
Chairman of the Audit Committee
3 November 2017

Independent Auditors' Report to the Shareholders of Quadrise Fuels International plc

Opinion

We have audited the financial statements of Quadrise Fuels International Plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 30 June 2017, which comprise:

- the Group statement of comprehensive income for the year ended 30 June 2017;
- the Group and Parent Company statements of financial position as at 30 June 2017;
- the Group and Parent Company statements of cash flows and statements of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the Group and Parent Company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 2017 and of the Group's loss for the period then ended;
- the Group's financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company's financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union as applied in accordance with the requirements of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements 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.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £300,000, based on a percentage of Group's result for the period.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £9,000. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

The Group and its subsidiaries are accounted for from one central operating location, the group's registered office. Our audit was conducted from the main operating location and all group companies were within the scope of our audit testing.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	How the scope of our audit addressed the key audit matter
Valuation of intangible assets The MSAR trade name has a carrying value of £2.9m, is considered to have an indefinite useful life and is tested annually for impairment. This requires an estimation of the value in use of the intangible asset which requires management to estimate the expected cash flows and select a suitable discount rate in order to calculate the present value of those cash flows when making its assessment. We have considered the evidence supporting the carrying value of the intangible asset and that no impairment to the carrying value is required.	We reviewed the underlying economic models challenging the key assumptions made by management. Our review included: ■ Considering the appropriateness of the assumptions concerning the timing and discounting of the cash flows; ■ Considered the various projects and opportunities in the pipeline and the likelihood of them happening; and ■ Performing scenario sensitivity analysis in relation to underlying assumptions.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

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

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

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

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

Matters on which we are required to report by exception:

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Stephen Bullock
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
London

3 November 2017

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 2017

	Notes	Year ended 30 June 2017 £'000s	Year ended 30 June 2016 £'000s
Continuing operations			
Revenue		**126**	2
Production and development costs		**(2,367)**	(2,156)
Other administration expenses		**(1,818)**	(1,965)
Share option charge	19	**(242)**	(802)
Foreign exchange loss		**(10)**	(18)
Operating loss	5	**(4,311)**	(4,939)
Finance costs	8	**(10)**	(8)
Finance income	9	**19**	41
Loss before tax		**(4,302)**	(4,906)
Taxation	10	**213**	149
Loss and total comprehensive loss for the year from continuing operations		**(4,089)**	(4,757)
Loss per share – pence			
Basic	11	**(0.48)p**	**(0.59)p**
Diluted	11	**(0.48)p**	**(0.59)p**

Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	As at 30 June 2017 £'000s	As at 30 June 2016 £'000s
ASSETS			
Non-current assets			
Property, plant and equipment	12	**1,056**	1,156
Intangible assets	13	**2,924**	2,924
Non-current assets		**3,980**	4,080
Current assets			
Cash and cash equivalents	16	**5,045**	4,268
Trade and other receivables	17	**302**	297
Prepayments		**153**	120
Stock		**61**	-
Current assets		**5,561**	4,685
TOTAL ASSETS		**9,541**	8,765
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	18	**247**	576
CURRENT LIABILITIES		**247**	576
Equity attributable to equity holders of the parent			
Issued share capital	20	**8,622**	8,096
Share premium		**73,642**	69,216
Share option reserve	21	**3,704**	4,704
Reverse acquisition reserve	21	**522**	522
Accumulated losses		**(77,196)**	(74,349)
Total shareholders' equity		**9,294**	8,189
TOTAL EQUITY AND LIABILITIES		**9,541**	8,765

The financial statements, accompanying policies and notes 1 to 29 (forming an integral part of these financial statements), were approved and authorised for issue by the Board on 3 November 2017 and were signed on its behalf by:

M. Kirk
Chairman

J. Miles
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

	Issued Capital £'000s	Share Premium £'000s	Share Option Reserve £'000s	Reverse Acquisition Reserve £'000s	Accumulated Losses £'000s	Total £'000s
1 July 2015	8,096	69,216	4,210	522	(69,900)	12,144
Loss and total comprehensive loss for the year	-	-	-	-	(4,757)	(4,757)
Share option charge	-	-	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
1 July 2016	8,096	69,216	4,704	522	(74,349)	8,189
Loss and total comprehensive loss for the year	-	-	-	-	(4,089)	(4,089)
Share option charge	-	-	242	-	-	242
Transfer of balances relating to expired share options	-	-	(1,242)	-	1,242	-
New shares issued net of issue costs	526	4,426	-	-	-	4,952
30 June 2017	**8,622**	**73,642**	**3,704**	**522**	**(77,196)**	**9,294**

For an explanation of the nature and purpose of other reserves refer to note 21.

Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	Notes	Year ended 30 June 2017 £'000s	Year ended 30 June 2016 £'000s
Operating activities			
Loss before tax from continuing operations		**(4,302)**	(4,906)
Depreciation	12	**211**	148
Loss on disposal of fixed assets	12	**-**	2
Finance costs	8	**10**	8
Finance income	9	**(19)**	(41)
Share option charge	19	**242**	802
Working capital adjustments			
(Increase)/decrease in trade and other receivables	17	**(5)**	36
(Increase)/decrease in prepayments		**(33)**	118
(Decrease)/increase in trade and other payables	18	**(329)**	154
Increase in stock		**(61)**	-
Cash utilised in operations		**(4,286)**	(3,679)
Finance costs	8	**(10)**	(8)
Taxation received	10	**213**	149
Net cash outflow from operating activities		**(4,083)**	(3,538)
Investing activities			
Finance income	9	**19**	41
Purchase of property, plant and equipment	12	**(111)**	(596)
Net cash outflow from investing activities		**(92)**	(555)
Financing activities			
New shares issued net of issue costs		**4,952**	-
Net cash inflow from financing activities		**4,952**	-
Net increase/(decrease) in cash and cash equivalents		**777**	(4,093)
Cash and cash equivalents at the beginning of the year		**4,268**	8,361
Cash and cash equivalents at the end of the year	16	**5,045**	4,268

Company Statement of Financial Position

As at 30 June 2017

	Notes	As at 30 June 2017 £'000s	As at 30 June 2016 £'000s
ASSETS			
Non-current assets			
Property, plant and equipment	12	**81**	117
Investments in subsidiaries	15	**26,419**	22,390
Non-current assets		**26,500**	22,507
Current assets			
Cash and cash equivalents	16	**4,820**	3,948
Trade and other receivables	17	**139**	168
Prepayments		**98**	84
Current assets		**5,057**	4,200
TOTAL ASSETS		**31,557**	26,707
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	18	**114**	128
Current liabilities		**114**	128
Equity attributable to equity holders of the parent			
Issued capital	20	**8,622**	8,096
Share premium		**73,642**	69,216
Share option reserve	21	**3,704**	4,704
Accumulated losses		**(54,525)**	(55,437)
Total shareholders' equity		**31,443**	26,579
TOTAL EQUITY AND LIABILITIES		**31,557**	26,707

The loss for the year dealt with in the accounts of Quadrise Fuels International plc was £0.3m (2016: £1.0m).

The financial statements, accompanying policies and notes 1 to 29 (forming an integral part of these financial statements), were approved and authorised for issue by the Board on 3 November 2017 and were signed on its behalf by:

M. Kirk
Chairman

J. Miles
Director

Company Statement of Changes in Equity

For the year ended 30 June 2017

	Issued Capital £'000s	Share Premium £'000s	Revaluation Reserve £'000s	Accumulated Losses £'000s	Total £'000s
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**
1 July 2016	8,096	69,216	4,704	(55,437)	26,579
Loss and total comprehensive loss for the year	-	-	-	(330)	(330)
Share option charge	-	-	242	-	242
Transfer of balances relating to expired share options	-	-	(1,242)	1,242	-
New shares issued net of issue costs	526	4,426	-	-	4,952
30 June 2017	**8,622**	**73,642**	**3,704**	**(54,525)**	**31,443**

Company Statement of Cash Flows

For the year ended 30 June 2017

	Notes	Year ended 30 June 2017 £'000s	Year ended 30 June 2016 £'000s
Operating activities			
Loss before tax from continuing operations		**(330)**	(1,038)
Depreciation	12	**44**	45
Finance costs	8	**2**	2
Finance income	9	**(19)**	(41)
Share option charge	19	**242**	802
Working capital adjustments			
(Increase)/decrease in trade and other receivables	17	**29**	(26)
Increase in prepayments		**(14)**	(21)
(Decrease)/increase in trade and other payables	18	**(14)**	(140)
Cash utilised in operations		**(60)**	(417)
Finance costs		**(2)**	(2)
Net cash outflow from operating activities		**(62)**	(419)
Investing activities			
Finance income	9	**19**	41
Purchase of property, plant and equipment	12	**(8)**	(4)
Loan to subsidiary	15	**(4,029)**	(3,545)
Net cash outflow from investing activities		**(4,018)**	(3,508)
Financing Activities			
Issue of Ordinary Share Capital		**4,952**	-
Net cash inflow from financing activities		**4,952**	-
Net increase/(decrease) in cash and cash equivalents		**872**	(3,927)
Cash and cash equivalents at the beginning of the year		**3,948**	7,875
Cash and cash equivalents at the end of the year	16	**4,820**	3,948

Notes to the Financial Statements

1. General Information

Quadrise 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 2017.

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.

(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 2017 is determined to be £2.9m (2016: £2.9m). Further details are given in Note 13.

(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 2017)	Statement of Comprehensive Income (average rate throughout the financial year)
Europe	EUR	1.138	1.163

(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 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

  i. either has transferred substantially all the risks and rewards of the asset or

  ii. 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 profit or loss or other comprehensive income as appropriate.

(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) 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.

(2.21) 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.

(2.22) 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 £5.0m in treasury as at 30 June 2017. 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. Operating Loss

Operating loss is stated after charging:	**Year ended 30 June 2017 £'000s**	**Year ended 30 June 2016 £'000s**
Fees payable to the Company's auditor for the audit of the Company's annual accounts.	**17**	19
Fees payable to the Company's auditor and its associates for other services:		
Audit of accounts of subsidiaries	**17**	19
Tax compliance services	**7**	20
Consultants and other professional fees (including legal)	**219**	282
Depreciation of property, plant and equipment	**211**	148

6. Staff Cost

Head count	Year ended 30 June 2017 Number	Year ended 30 June 2016 Number
Average number of employees of the Group (including executive Directors employed by the Company) during the year was:		
Management	3	3
Technical staff / support / other	12	9

Staff costs	Year ended 30 June 2017 £'000s	Year ended 30 June 2016 £'000s
Wages and salaries	1,530	1,516
Social security costs	193	185
Pension costs	97	111
Total	1,820	1,812

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

Director	Year ended 30 June 2017 £'000s	Year ended 30 June 2016 £'000s
Mike Kirk		
Wages and salaries	177	44
Pension costs	14	4
	191	48
Hemant Thanawala		
Wages and salaries	158	171
Pension costs	13	13
	171	184
Jason Miles		
Wages and salaries	229	240
Pension costs	15	14
	244	254
Ian Williams		
Wages and salaries	-	167
Pension costs	-	28
	-	195
Total	606	681

Aggregate emoluments of the Directors of the Company (excluding social security costs) were as follows:		
Salaries and fees	676	786
Share option expense	193	612
Pension costs	42	59
Total	911	1,457

Non-executive Directors fees for the year amounted to £83k (2016: £109k). Consulting fees paid to non-executive Directors for the year amounted to £30k (2016: £48k).

The highest paid Director's remuneration totalled £244k (2016: £254k), represented by all aggregate emoluments.

Refer to the Report of Directors' Remuneration (on page 21) 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 24 – Related Party Transactions.

7. Losses Attributable to Quadrise Fuels International plc

The loss for the year dealt with in the accounts of Quadrise Fuels International plc was £0.3m (2016: £1.0m). As provided by s.408 of the Companies Act 2006, no statement of comprehensive income is presented in respect of Quadrise Fuels International plc.

8. Finance Costs

	Year ended 30 June 2017 £'000s	Year ended 30 June 2016 £'000s
Bank charges	**10**	8
Total	**10**	8

9. Finance Income

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

10. Taxation

	Year ended 30 June 2017 £'000s	Year ended 30 June 2016 £'000s
UK corporation tax credit	**(213)**	(149)
Total	**(213)**	(149)

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

Tax Reconciliation	Year ended 30 June 2017 £'000s	Year ended 30 June 2016 £'000s
Loss on continuing operations before taxation	**(4,302)**	(4,906)
Loss on continuing operations before taxation multiplied by the UK corporation tax rate of 20% (2016: 20%)	**(860)**	(981)
Effects of:		
Non-deductible expenditure	**91**	169
R&D tax credit	**(213)**	(149)
Tax losses carried forward	**769**	812
Total taxation credit on loss from continuing operations	**(213)**	(149)

The Group has tax losses arising in the UK of approximately £47.3m (2016: £41.1m) that are available, under current legislation, to be carried forward against future profits. £19.1m (2016: £11.7m) of the tax losses carried forward represent trading losses within Quadrise Fuels International plc, £25.8m (2016: £25.8m) represent non-trade deficits arising on intangible assets within Quadrise International Limited, £1.6m (2016: £1.6m) represent pre-trading losses incurred by subsidiaries, £0.8m (2016: £1.9m) represent management expenses incurred by Quadrise International Limited, and £0.1m (2016: £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 £8.0m (2016: £8.2m) has not been recognised as a result of existing uncertainties in relation to its realisation.

11. Loss Per Share

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

	Year ended 30 June 2017	Year ended 30 June 2016
Loss for the year (£'000s)	**(4,089)**	(4,757)
Weighted average number of shares:		
Basic	**846,102,956**	809,585,162
Diluted	**846,102,956**	809,585,162
Loss per share:		
Basic	**(0.48)p**	(0.59)p
Diluted	**(0.48)p**	(0.59)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 20.6m 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.

12. 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 2016	99	89	43	16	1,251	1,498
Additions	8	2	-	-	101	111
Disposals	-	-	-	-	-	-
Closing balance – 30 June 2017	107	91	43	16	1,352	1,609
Depreciation						
Opening balance – 1 July 2016	(46)	(30)	(24)	(12)	(230)	(342)
Depreciation charge for the year	(21)	(17)	(7)	(3)	(163)	(211)
Disposals	-	-	-	-	-	-
Closing balance – 30 June 2017	(67)	(47)	(31)	(15)	(393)	(553)
Net book value at 30 June 2017	**40**	**44**	**12**	**1**	**959**	**1,056**

Company	Leasehold Improvements £'000s	Computer Equipment £'000s	Software £'000s	Office Equipment £'000s	Plant and Machinery £'000s	Total £'000s
Cost						
Opening balance – 1 July 2016	99	68	44	16	-	227
Additions	8	-	-	-	-	8
Disposals	-	-	-	-		-
Closing balance – 30 June 2017	107	68	44	16	-	235
Depreciation						
Opening balance – 1 July 2016	(46)	(28)	(24)	(12)	-	(110)
Depreciation charge for the year	(22)	(12)	(7)	(3)	-	(44)
Disposals	-	-	-	-	-	-
Closing balance – 30 June 2017	(68)	(40)	(31)	(15)	-	(154)
Net book value at 30 June 2017	**39**	**28**	**13**	**1**	**-**	**81**

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

13. Intangible Assets

Consolidated	QCC Royalty Payments £'000s	MSAR® Trade Name £'000s	Technology and Know-How £'000s	Total £'000s
Cost				
Opening balance – 1 July 2016	7,686	3,100	25,901	36,687
Additions	-	-	-	-
Closing balance – 30 June 2017	7,686	3,100	25,901	36,687
Amortisation and Impairment				
Opening balance – 1 July 2016	(7,686)	(176)	(25,901)	(33,763)
Amortisation	-	-	-	-
Closing balance – 30 June 2017	(7,686)	(176)	(25,901)	(33,763)
Net book value at 30 June 2017	**-**	**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 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

Intangible assets comprise intellectual property with a cost of £36.7m, including assets of finite and indefinite life. Quadrise Canada Corporation's ("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, being fully impaired in 2012. 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% (2016: 2.5%) and the pre-tax discount rate applied to the cash flow projections is 12% (2016: 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 2016.

14. Available for Sale Investments

At the statement of financial position date, the Group held a 20.44% share in the ordinary issued capital of Quadrise Canada Corporation ("QCC"), a 3.75% share in the ordinary issued capital of Paxton Corporation ("Paxton"), a 9.54% share in the ordinary issued capital of Optimal Resources Inc. ("ORI") and a 16.86% share in the ordinary issued capital of Porient Fuels Corporation ("Porient"), all of which are incorporated in Canada.

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 2017. The shares in each of these companies were valued at CAD $nil on 1 July 2016. Shareholder communications received during the year to 30 June 2017 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 2017.

15. Investments in Subsidiaries

	Company 30 June 2017 £'000s	Company 30 June 2016 £'000s
Direct Investment		
Opening balance	**22,390**	18,845
Long term loans advanced	**4,029**	3,545
Closing balance	**26,419**	22,390

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 2017 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 2017. Holdings in subsidiaries are detailed in note 26.

16. Cash and Cash Equivalents

	Consolidated 30 June 2017 £'000s	Consolidated 30 June 2016 £'000s	Company 30 June 2017 £'000s	Company 30 June 2016 £'000s
Cash at bank	**5,045**	4,268	**4,820**	3,948
Total	**5,045**	4,268	**4,820**	3,948

17. Trade and Other Receivables

	Consolidated 30 June 2017 £'000s	Consolidated 30 June 2016 £'000s	Company 30 June 2017 £'000s	Company 30 June 2016 £'000s
Trade receivables	**54**	-	**-**	-
Other receivables	**109**	297	**110**	168
Other taxes	**139**	-	**29**	-
Total	**302**	297	**139**	168

Group receivables of £15k (2016: £nil) and Company receivables of £nil (2016: nil) were past due at year-end.

18. Trade and Other Payables

	Consolidated 30 June 2017 £'000s	Consolidated 30 June 2016 £'000s	Company 30 June 2017 £'000s	Company 30 June 2016 £'000s
Trade payables	**175**	377	**73**	34
Other taxes	**-**	60	**-**	42
Payable to related parties	**-**	12	**-**	6
Accruals	**72**	127	**41**	46
Total	**247**	576	**114**	128

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 2017 amount to 28 days (2016: 62 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 £nil (2016:£12k).

19. Share Options

Movement in the year:

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

	Number 30 June 2017	WAEP (Pence) 30 June 2017	Number 30 June 2016	WAEP (Pence) 30 June 2016
Outstanding as at 1 July	**33,133,333**	**23.60**	40,450,000	22.08
Granted during the year	**500,000**	**9.03**	6,000,000	12.81
Repurchased by grantor during the year	**(5,000,000)**	**1.00**	-	-
Expired during the year	**(3,633,333)**	**32.26**	(8,316,667)	20.68
Exercised during the year	**(1,000,000)**	**0.01**	(5,000,000)	0.80
Options outstanding as at 30 June	**24,000,000**	**23.60**	33,133,333	23.60
Exercisable as at 30 June	**20,583,333**	**29.95**	26,300,000	26.07

The weighted average remaining contractual life of the 24 million options outstanding at the statement of financial position date is 5.23 years (2016: 4.75 years). The weighted average share price during the year was 9.59p (2016: 13.38p) 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 Schemes are equity settled plans, and fair value is measured at the grant date of the option. Options issued under the Schemes vest over a two year or three 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.

On 1 July 2016, a total of 6 million share options granted by International Energy Group AG ("IEG") over its own shares in QFI were held by Hemant Thanawala and Jason Miles. Hemant Thanawala exercised 1 million of these options during the financial year, with the remaining 5 million options being repurchased from Jason Miles by IEG.

The Company issued 0.5 million share options to employees during the year (2016: 6.0 million) the weighted average exercise price of these options was 9.03p (2016: 12.81p) and the weighted average fair value was 2.60p (2016: 6.92p). The exercise price of the options issued during the year was 9.03p (2016: 12.1p to 18.1p).

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

	2017	**2016**
Stock price	5.94p	12.80p
Exercise price	9.03p	12.81p
Interest rate	0.25%	0.5%
Volatility	72.3%	73.2%
Expected term	4 years	4 years

20. Share Capital

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

	2017 **£**	**2016** **£**
Issued and fully paid:		
862,204,976 (2016: 809,585,162) Ordinary shares of £0.01 each	**8,622,050**	8,095,852

On 18 October 2016 42,500,000 Ordinary shares of £0.01 each were issued. On 1 November 2016, 10,119,814 Ordinary shares of £0.01 each were issued.

21. 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.

22. 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 £97k (2016: £51k).

23. 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 2017 £'000s	Consolidated 30 June 2016 £'000s	Company 30 June 2017 £'000s	Company 30 June 2016 £'000s
Financial assets				
Loans and receivables – Cash and cash equivalents	**5,045**	4,268	**4,820**	3,948
Loans and receivables – Trade and other receivables	**163**	333	**109**	133
Financial liabilities				
Other financial liabilities – Trade and other payables	**178**	516	**74**	86

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 balances in other currencies at 30 June 2017 were assets of US$19k (2016: US$nil) and liabilities of €4k (2016: net liabilities of €268k).

A 10% strengthening of Sterling against the Euro at the statement of financial position date would have reduced loss for the year by £nil (2016: £20k) whilst a 10% weakening of Sterling against the Euro would have increased loss for the year by £nil (2016: £22k). This analysis assumes that all other variables remain constant.

A 10% strengthening of Sterling against the US$ at the statement of financial position date would have increased loss for the year by £2k (2016: £nil) whilst a 10% weakening of Sterling against the US$ would have reduced loss for the year by £2k (2016: £nil). 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 £50k (2016: £42k) 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 £302k at 30 June 2017 (2016: £297k), of which £nil (2016: £nil) was receivable from related parties. Receivables of £302k 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 2017.

24. Related Party Transactions

Non-executive Director Laurence 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 £30k (2016: £43k). The balance payable at the statement of financial position date was £nil (2016: £12k).

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 £nil (2016: £12k). The balance payable at the statement of financial position date was £nil (2016: £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.

25. 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.

26. Subsidiaries

The financial statements include those 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 Marine 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.

The registered office for all subsidiaries is Gillingham House, 38-44 Gillingham Street, London, SW1V 1HU.

27. Commitments and Contingencies

The Group and the Company have entered into a commercial lease for office rental. This lease expires on 25th 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 2017 £'000s	30 June 2016 £'000s
Office premises		
One year	**106**	106
Two to five years	**81**	187
After five years	**-**	-

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

28. Events After the End of the Reporting Period

On 10 August 2017, the Company announced that Hemant Thanawala had agreed to step down as Finance Director, becoming a Non-executive Director, with immediate effect.

29. 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.

Corporate Information

Registered Office
Gillingham House
38-44 Gillingham Street
London
SW1V 1HU

Company Secretary
Audrey Clarke FCIS
Gillingham House
38-44 Gillingham Street
London
SW1V 1HU

Nominated Adviser
Smith and Williamson Corporate Finance Limited
25 Moorgate
London
EC2R 6AY

Broker
Peel Hunt
Moor House
120 London Wall
London,
EC2Y 5ET

Solicitors
Bircham Dyson Bell
50 Broadway
London
SW1H 0BL

Registrars
Share Registrars Ltd
The Courtyard
17 West Street
Farnham
Surrey
GU9 7DR

Auditors
Crowe Clark Whitehill LLP
St Bride's House
10 Salisbury Square
London
EC4Y 8EH

Bankers
Coutts & Co
440 Strand
London
WC2R 0QS

Printed by Swan Press Ltd, Shoreham-by-Sea · www.swanpress.co.uk
Front cover design: Vivid · vividcontentagency.com
Design and typesetting: Louis Mackay · www.louismackaydesign.co.uk

Quadrise Fuels International plc

Gillingham House · 38–44 Gillingham Street · London SW1V 1HU

t: +44 (0) 20 7031 7321 · f: +44 (0) 20 7031 7339

www.quadrisefuels.com