Quadrise Fuels International plc

Annual Report and Accounts

2018

Contents

Quadrise Fuels International plc

Annual Report and Financial Statements for the year ended 30 June 2018

Key developments

- In July 2018, Quadrise signed an MoU with Freepoint Commodities, a leading US merchant of physical commodities and financier of midstream and upstream commodity producing assets. We are actively working with Freepoint on MSAR® projects in the Americas and Asia on an exclusive basis. A number of high priority commercial opportunities have been identified that we hope to jointly develop at pace.
- In November 2017 Quadrise signed an MoA with JGC Corporation, the leading Japanese EPC contractor, with strong and established relationships with the major Japanese refiners, utility companies and shipping operators. We have continued working with JGC, meeting refiners and consumers in Japan to review potential MSAR® projects and these discussions are continuing positively.
- In the Kingdom of Saudi Arabia, Quadrise acted in a central co-ordination role to enable the planned commercial scale boiler trial to be ready to commence at the end of December 2017. Whilst this did not proceed, due to the inability of our oil company partner to reach agreement with the local power company, Quadrise did demonstrate its ability to project manage a large, complex project on a tight timetable that was ready to commence as planned. Quadrise is now working towards engagement at the appropriate level with parties who appreciate the economic and environmental benefits arising from adoption of MSAR® within the Kingdom.
- Quadrise continues to strongly believe that the use of high sulphur marine fuel and on-board scrubber systems will be the lowest cost option to comply with the January 2020 IMO sulphur emissions regulations. During 2018, vessel scrubber installations have risen, and the economics of MSAR® combined with scrubber systems are becoming increasingly favourable with the onset of 2020. This dynamic has assisted our continuing engagement with refiners, shippers and engine manufacturers.
- Quadrise continues to make progress in optimising MSAR® formulations for specific project applications – in terms of both cost and performance. For some applications we are now able to make MSAR® that is suitable for both marine and power applications from a single formulation – that could negate the need for separate storage of marine and power products – further improving project economics.
- At 30 June 2018, the Company had cash reserves of £2.2 million which will enable continued development of the business into early 2019 with a number of initiatives, including equity funding, under consideration to provide longer-term financing for the business. The directors have a high degree of confidence that sufficient progress can be demonstrated with business development opportunities to provide support for a potential fundraising and we will provide an update on our plans in due course.

Quadrise Fuels International plc

Company Registration No. 05267512

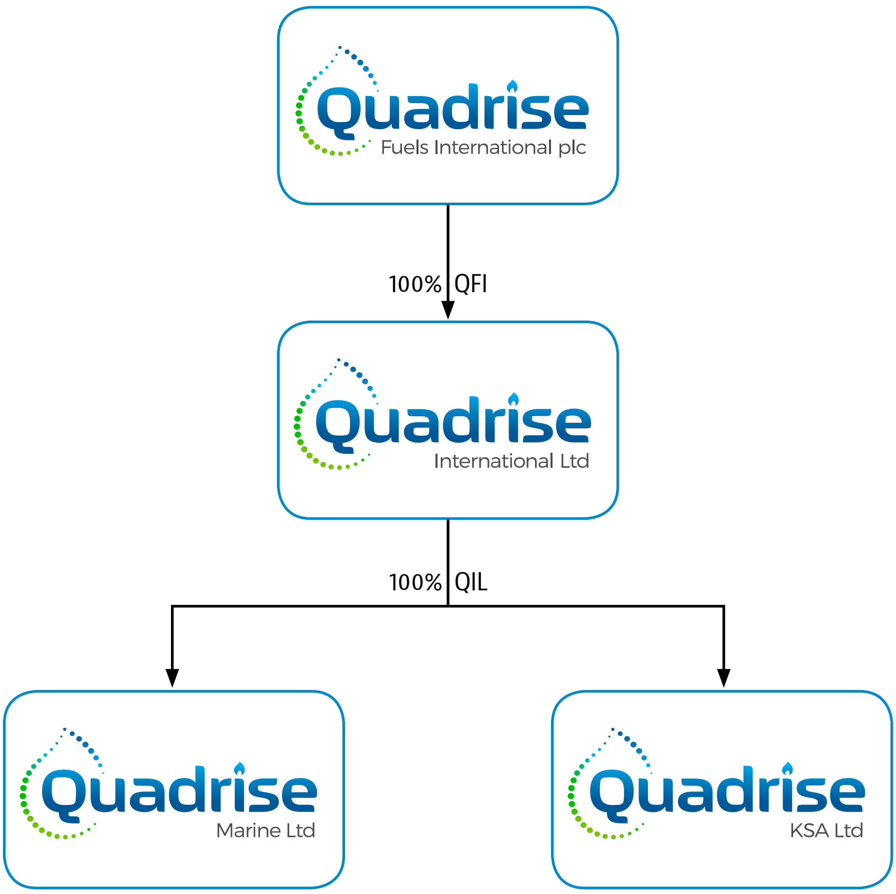
Company Statement

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 Specialty Chemicals (now rebranded as Nouryon, following the acquisition by Carlyle and GIC), 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 400 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 400 million tons per annum, of which approximately 50% is currently 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:

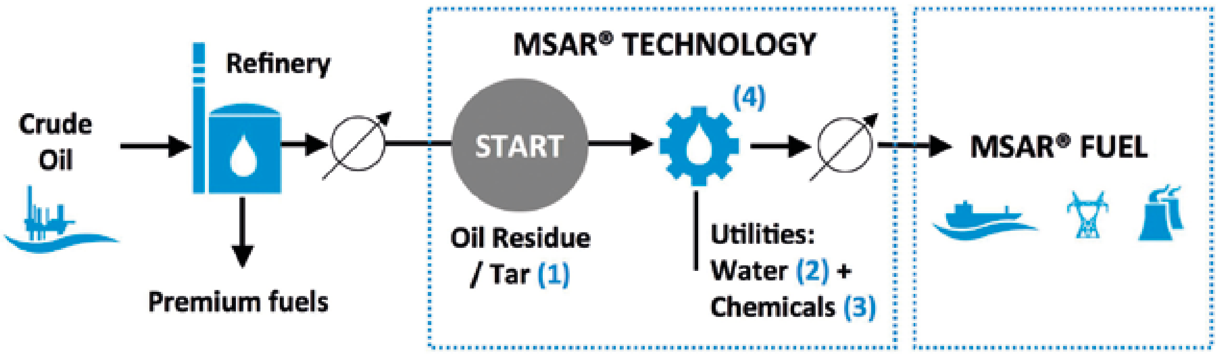
- extremely stable, with storage and handling possible at ambient conditions
- transported to end-users in the same way as HFO.

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:

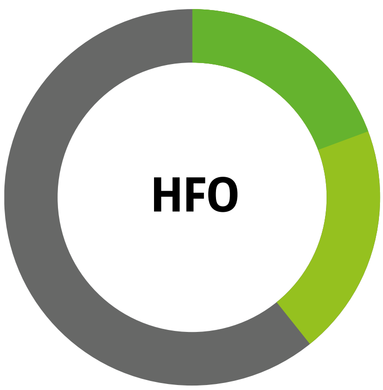
- typically 10–20% cost savings per unit of energy
- at least 20% lower NOx emissions. MSAR® is a pre-atomised fuel with a hydrocarbon particle size of 5–10 microns (atomised fuel oil droplets are typically 50–100 microns) and therefore has enhanced combustion properties
- lower energy consumption. Unlike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

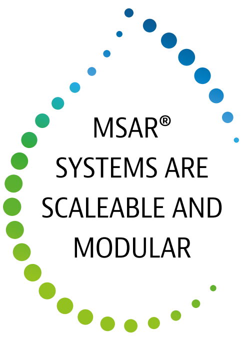
... typically just 50% of the crude processed is sold as premium-value transport fuels

20–40%
DISTILLATES



60–80%
RESIDUALS

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

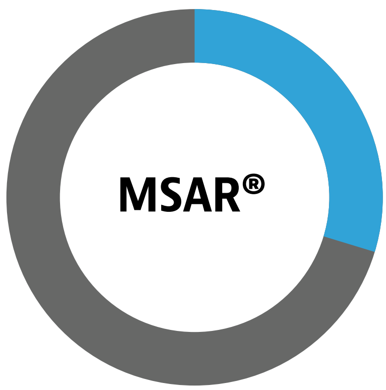


The oil refinery recovers 10–20% transport fuels for minimal capex

In a refinery producing MSAR®...

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

30%
WATER (INC. <1% ADDITIVES)



70%
RESIDUALS

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

MSAR® ENHANCES MARGINS

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

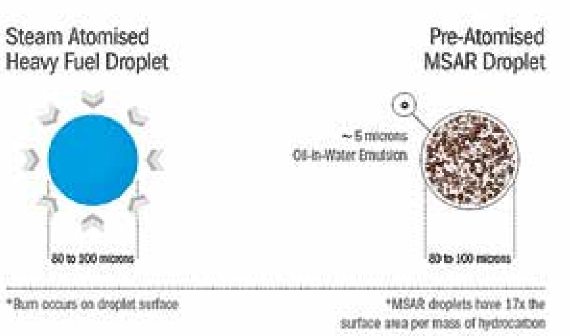
MSAR® and the environment

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 to consider Article 14 of MARPOL (dealing with Sulphur Oxides and Particulate emissions), voted 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 2025.

The global debate currently is whether there will be sufficient distillate fuels available to meet the future demand resulting from the MEPC decision. This year many shipowners have started to install scrubbers on their vessels, rather than pay for expensive 0.5% sulphur fuels. 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

2018 overview

This has been a significant year for Quadrise and one which has seen some major challenges, most notably the inability of our oil company partner in the Kingdom of Saudi Arabia ("KSA") to reach agreement with the local power company to progress the commercial scale trial project, as they had promised. This was hugely disappointing. However, I am very proud of the progress that the team at Quadrise made in its central co-ordination role, working with companies in Europe, the KSA and the USA to enable this large, complex project to be ready to proceed at the end of December 2017 – this was a major feat for a company of our scale.

We do, however, realise that shareholder value is ultimately delivered by results and not effort, that these disappointments have eroded shareholder confidence, and that we need to demonstrate that the long-term support provided by our shareholders is justified. We have seen some significant shifts during the first half of calendar year 2018 in the global markets for liquid fuels that are positive for Quadrise in the medium-term. In the short-term, these market shifts are providing a supportive backdrop for Quadrise to work with refiners and fuel consumers in the power, marine and industrial markets to progress MSAR® projects.

Given the dynamic nature of the markets that we are working in, progress will not always be smooth, though we are well positioned to capitalise on the significant opportunities that we see. We do not wish to underestimate the risks that we continue to face, but it is also important to recognise that we have actively reduced a number of these during the year through our business development activities and our work on major projects, including the planned commercial-scale trial in the KSA.

Our approach to business development has evolved during the year following a strategic decision to broaden our engagement in our global markets, whilst ensuring that we retain appropriate focus and control. Outcomes of this process were the agreements with JGC Corporation ("JGC") and, more recently, Freepoint Commodities LLP ("Freepoint") which are enabling us to work collaboratively to access their established networks for mutual benefit. The Company has also signed agreements with agents to explore specific opportunities, and continues commercial dialogue with a number of major corporations where there is a similar alignment of interests in the fuel and bitumen industries respectively.

Alongside this, we have continued to invest in our Research, Development and Innovation ("RDI") activities, testing residues for MSAR® compatibility from candidate refineries and hosting visits for prospective major clients to witness MSAR® being manufactured from their samples at Quadrise Research Facility's ("QRF") new site. QRF's new site has been operational since the second quarter of 2018, with improved RDI functionality at a substantially reduced cost to the previous location.

The other cost reduction initiatives implemented during the early part of the financial year have not adversely impacted our activities and demonstrate that we are aligned with our shareholders and remain focused on delivering long-term shareholder value. We continued to review our approach throughout the year to make further savings where appropriate, and will continue to do so.

We have seen some significant shifts during the first half of calendar year 2018 in the global markets for liquid fuels that are positive for Quadrise in the medium-term

We retain a 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®. The businesses that we work with within Akzo Nobel form part of the Speciality Chemicals operations that are being purchased by Carlyle Group. This transaction is expected to complete during calendar year 2018. The agreements with Quadrise will not be affected by the transaction and we look forward to continuing to work with our partners under their new ownership and brand.

Collectively, these actions will, we believe, enable us to build a sustainable business based on the commercial adoption of MSAR® technology at scale and, through this, to build investor confidence and value which we are determined to achieve.

MSAR® Market Opportunities

Background

Our technology enables significant value to be created in the refinery, by delivering a low-cost, modular, scalable, upgrading technology to significantly increase refinery yields of high value distillates whilst creating a superior synthetic HFO for use in power, marine and industrial applications.

Business Development

Whilst MSAR® uses existing HFO infrastructure, it does, like some oil products, require effective segregation during transportation and storage and minor modifications in engines/boilers. It is supplied under term-contracts between the refiner and the consumer. This requires Quadrise to bring together both the refiners and the consumers to establish a viable MSAR® project. Historically, our team has been organised on sector lines, focused on the refining, power and marine markets. During 2018, we have moved to a structure that is project-based and brings together the skills required in process engineering, project delivery and operations/development for each specific application as required. This change has further improved our ability to progress our business development targets and, ultimately, evolve these to commercial projects.

The key value driver for MSAR® is the price differential, or spread, between high sulphur fuel oil and low sulphur distillate fuels. During the period, the spread has traded in the range of $163/t to $257/t (compared to $143/t to $193/t in the prior period). These changes are already being factored into the forward prices, with the differential between gas oil and fuel oil for 2020 currently over $330/t. This further enhances the economics and creates significant opportunities for Quadrise in both the power and marine markets. In November 2017 we announced the signature of an MoA with JGC, the leading Japanese EPC contractor, with strong and established relationships with the major Japanese refiners, utility companies and shipping operators. Since this time, we have been working with JGC and have met local refiners and consumers in Japan to review potential MSAR® projects and these discussions are continuing.

More recently in July 2018 we signed an MoU with Freepoint, an established global merchant of physical commodities and a financer of upstream and mid-stream commodity-producing assets. Since signing the MoU, we have been working with the Freepoint team to prioritise MSAR® project opportunities in the Americas and Asia on an exclusive basis, with a number of identified counterparties, to enter into commercial agreements for MSAR® production and supply arrangements with fuel producers and consumers and develop the high priority ones at pace.

During 2018, we have moved to a structure that is project-based and brings together the skills required in process engineering, project delivery and operations/development for each specific application

Power Generation Opportunities

The fact that the MSAR® "Production to Combustion" trial project in the KSA did not proceed as planned is hugely disappointing. The KSA remains the world's largest market for the consumption of oil for power generation and Quadrise will continue to pursue opportunities there, as we believe use of MSAR® fuel could save the government over $1 billion per year in fuel costs, reduce power plant emissions and provide local job creation throughout the supply chain. This will, however, require a different approach to ensure that we are engaged within the KSA at the appropriate level, with parties who can see the significant benefits that would arise from adoption of MSAR® and are able to direct the relevant parties to co-operate to enable delivery.

We are continuing to develop other opportunities in the power sector in other selected markets in the Middle

East, Africa, the Americas and the Far East (with the potential to supply from Europe for some projects). Quadrise will continue to address these either directly, or through our relationships with YTL-PowerSeraya, JGC and/or Freepoint, and others as appropriate.

Marine MSAR® Bunker Fuel

The marine market is experiencing a substantive change with regards to the forthcoming International Marine Organisation ("IMO") regulations that are due to commence on 1 January 2020. Most recently there has been wider acceptance of the exhaust gas cleaning system ("EGCS", or "scrubber") solution, with significant momentum building and large orders recently announced across all major segments including tankers, bulkers and container ships. This is being driven by: a) increased concern over distillate fuel availability and compatibility potentially impacting operations; and b) increasing oil prices and a widening of the price spread between high and low sulphur fuels leading to material increases in fuel costs for shippers. The forward price differential between gas oil and fuel oil for early 2020 has now increased to over £330/t, further improving the economics for both MSAR® and EGCS opportunities, and we are using this dynamic to increase our engagement with shippers and engine manufacturers.

Whilst there will be a mix of compliance options, Quadrise continue to believe that the use of high sulphur fuel and on-board EGCS will be the lowest cost option, with most market analysts forecasting a rise in EGCS installations to 2020 and beyond, resulting in one third of today's high sulphur marine fuel demand in compliant use. The developments outlined above highlight a substantive change in marine industry sentiments over the last 12 months.

Since the trial was suspended and then terminated early by Maersk in 2017, we have continued our discussions with them in relation to the Royalty Agreement and other associated issues and opportunities.

RDI and Operations Activities

During the year, we moved QRF to a new location that has a dedicated pilot plant for testing, laboratory analysis, engineering/operations support, and office accommodation. The team at QRF managed this move in a very short period whilst continuing to support major project activity at the same time. The new facility is better suited to our needs than the previous location and its annualised fixed costs are over 65% lower.

Our approach to Research and Development remains focused on supporting our business development activities. We continued to make progress during the year in optimising MSAR® formulations for specific project applications – in terms of both cost and performance. In addition, for some applications we are now able to make MSAR® that is suitable for both marine and power applications from a single formulation. This could negate the need for separate storage of marine and power products, thereby further improving project economics.

The new facility is better suited to our needs than the previous location and its annualised fixed costs are over 65% lower

Our collaboration with Dr Spence Taylor at the University of Surrey continued and has provided further valuable insight into the mechanisms that underpin the creation of stable, cost effective, MSAR® emulsion fuels. This work has now reached a stage where we can progress the findings in-house at QRF and therefore when the current programme of work is finalised in October 2018, our formal agreement for collaborative research with the University of Surrey will come to an end. However, we will retain the opportunity to work with Dr Spence Taylor on a consultancy basis as required.

Results for the Year

The consolidated after-tax loss for the year to 30 June 2018 was £3.3m (2017: £4.1m). This included production and development costs of £2.0m (2017: £2.4m), administration expenses of £1.5m (2017: £1.8m), a share option charge of £0.1m (2017: £0.2m), interest income of £18k (2017: £19k) and a tax credit of £294k (2017: £213k).

Basic and diluted loss per share was 0.38p (2017: 0.48p).

Statement of Financial Position

At 30 June 2018, the Group had total assets of £6.5m (2017: £9.5m). The most significant balances were intangible assets of £2.9m (2017: £2.9m), property, plant and equipment of £1.0m (2017: £1.1m), and cash of £2.2m (2017: £5.0m). Further information on intangible assets is provided in note 11 to the Group Financial Statements.

Cash Flow

The Group ended the year with £2.2m of cash and cash equivalents (2017: £5.0m) with £3.0m having been utilised in its operating activities during the year (2017: £4.3m). The Group continues to remain debt free.

Capital Structure

The Company had 862,204,976 ordinary shares of 1p each in issue at 30 June 2018. 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 £49.5m (2017: £47.3m) that are available, under current legislation, to be carried forward against future profits. £21.5m (2017: £19.1m) of the tax losses carried forward represent trading losses within Quadrise Fuels International plc, £25.8m (2017: £25.8m) represent non-trade deficits arising on intangible assets within Quadrise International Limited, £1.3m (2017: £1.6m) represent pre-trading losses incurred by subsidiaries, £0.8m (2017: £0.8m) represent management expenses incurred by Quadrise International Limited, and £0.1m (2017: £0.1m) represent capital losses within Quadrise Fuels International plc.

Outlook – Current trading and prospects.

Notwithstanding the challenges faced in key markets where the Company has dedicated its resources over the period, Quadrise continues to believe that there are substantial opportunities in the power generation and marine markets for MSAR® in the near term.

We have been working extremely hard during 2018 to develop a broader platform and pipeline of opportunities for MSAR® technology across a larger number of projects. Whilst we still have some way to go to progress these to commercial contracts, there has been a real change in the marine market, driven by the forthcoming IMO 2020 regulations, that has fundamentally improved the economics for MSAR® projects. Alongside this, adding to our existing relationships with YTL-PowerSeraya and JGC, our MoU with Freepoint will enable us to progress new projects and to potentially accelerate existing projects opportunities globally across a range of sectors, and we are working quickly to progress these at the earliest possible opportunity.

There has been a real change in the marine market, driven by the forthcoming IMO 2020 regulations, that has fundamentally improved the economics for MSAR® projects

We are looking at opportunities to utilise our MSAR® manufacturing unit ("MMU") currently installed at the Cepsa refinery for new projects at other locations. As Cepsa are planning a major refinery upgrade, we are working co-operatively with them to ensure that we can relocate our equipment in a timely manner, ideally directly to a new 2019 active project. If this does not prove to be practicable, we will relocate the MMU and associated equipment to the manufacturer's facility in Denmark, to enable any modifications to be made to the unit prior to deployment to a new MSAR® project.

We have continued to maintain close control on costs, which remain well within budgeted limits, without any adverse impact on our business development or research and operations support activities. As a result, we had, at the end of the period, cash resources of £2.2 million which will enable continued development of the business into early 2019 with a number of initiatives, including equity funding, under consideration to provide longer term financing for the business. The directors have a high degree of confidence that sufficient progress can be demonstrated with business development opportunities to provide support for a potential fundraising and we will provide an update on our plans in due course.

Hemant Thanawala stepped down from his role as Finance Director in August 2017 and became a non-executive director. I would like to thank him for his contribution to the business since its formation and his valuable ongoing input in his current non-executive capacity. All of the non-executive directors have continued to provide valuable guidance to the business during board and committee meetings and also as required between meetings.

Jason Miles spearheads our business development activities and is supported by our senior managers in Operations, Projects and RDI. Everyone within QFI has a made a significant contribution during the year, at times in very challenging and frustrating circumstances, and I thank them for their continued support to enable us to deliver our growth potential. And I also thank our shareholders for their continued patience as we put our new strategy into effect. This will, we believe, enable us to build a sustainable business based on the commercial adoption of MSAR® technology at scale globally and, through this, to build investor confidence and value which we are determined to achieve.

Mike Kirk
Executive Chairman
21 September 2018

Strategic Report

For the year ended 30 June 2018

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 the Group's 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 a cash balance of £2.2m as at 30 June 2018. The Directors acknowledge that this cash balance will not be sufficient to cover the Group's operating requirements up to 30 June 2019. These conditions indicate the existence of material uncertainty regarding the Group's and Company's ability to continue as a going concern.

The Directors have determined that the continuation of the Group as a going concern is dependent upon successfully raising sufficient funds in the short term, and that they have a reasonable expectation that such funds will be raised, although no binding funding agreements are in place at the date of this report. The Directors therefore have determined that it is appropriate to prepare the financial statements on a going concern basis.

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.

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.

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, the relative competitiveness of oil, gas and coal prices both for prompt and future delivery, and the future use of hydrocarbons for energy, utilities, transportation, petrochemicals and industrial applications. The Group cannot mitigate this risk by its nature, other than by increasing the potential applicability of MSAR® technology to various sectors but pays close attention to these markets in order to react in a timely and effective manner and focus our efforts.

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.

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
21 September 2018

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 and Chair of VIVID Housing (a housing association with c30,000 properties). 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. Mike has extensive experience in the energy and oilfield/engineering services and utilities sectors, as a senior corporate finance advisor and non-executive director and works closely with Jason and the senior management to support business development and commercialisation plans.

Jason Miles
Chief Operating Officer

Jason spent over twelve years of his career prior to Quadrise 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. Jason has an honours degree in chemical engineering from Loughborough University and an Executive MBA from the Cass Business School in London and is a chartered Chemical Engineer. Jason has extensive emulsion fuel and oil market knowledge and is responsible for managing MSAR® business development, project delivery and commercialisation of the refining, power, marine and industrial sectors.

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.

Dilipkumar Shah
Non-Executive Director

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

Philip Snaith

Non-Executive Director

Philip has spent more than 35 years with the Royal Dutch Shell Group in senior executive positions, latterly as General Manager of Shell International Trading & Shipping Company Limited in London. Between 2004 and 2008, Philip spent four years in Singapore as President of Shell International Eastern Trading Company – with responsibility for Asia-Pacific trading portfolio. Concurrent with this executive position, he was a non-executive director of Shell Eastern Trading Company (Pte) Ltd, with annual revenues of around US$55 billion, and was also Chairman of both Shell Tankers Singapore (Pte) Ltd and Shell International Shipping Services (Pte) Ltd. Philip holds an MBA from Cranfield University, a BSc (Physics) from Imperial College and a Diploma in Marketing (Dip.M) from the UK Chartered Institute of Marketing. Philip is a member of the QFI Audit 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 2018.

Results and Dividends

The consolidated loss from continuing operations after taxation for the year ended 30 June 2018 was £3.3m (2017: £4.1m). The Directors do not recommend the payment of any dividend for the year (2017: £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)

Resolutions to re-elect Laurence Mutch and Hemant Thanawala as Directors, who retire by rotation, will be proposed at the Annual General Meeting.

Directors' Interests

The interests of the Directors holding office at 30 June 2018 were as follows:

Number of Shares held:

Directors	30 June 2018 Ordinary Shares of 1p Each	30 June 2017 Ordinary Shares of 1p Each
Hemant Thanawala [1]	**29,039,579**	29,039,579
Jason Miles	**3,180,633**	3,180,633
Mike Kirk	**500,000**	500,000
Laurence Mutch	**150,000**	150,000
Philip Snaith	**150,000**	150,000
Dilipkumar Shah	**100,000**	100,000

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 2018 Share Options	30 June 2017 Share Options	Exercisable up to
Mike Kirk	3,000,000	3,000,000	1 April 2024
Hemant Thanawala	3,500,000	3,500,000	1 April 2022
	500,000	500,000	22 March 2024
Jason Miles	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

Substantial Shareholders

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

	Nature of Holding	Number of Ordinary Shares Held	Percentage of Issued Share Capital and Voting Rights
Ruudowen Limited	Direct	54,738,353	6.35%
Intertrust Trustees Limited	Direct	51,660,660	5.99%
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%

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 21.

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, this 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 U.K. 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 22–29.

Annual General Meeting

The Annual General Meeting will be held on Friday 30 November 2018 as stated in the Notice, which accompanies this Annual Report.

By order of the Board.

Audrey Clarke
Company Secretary
21 September 2018

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, Directors 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
21 September 2018

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 2018 were as follows:

Director	Short-Term Employee Benefits as paid £'000s	Short-Term Employee Benefits deferred[1] £'000s	Post-Employment Benefits £'000s	Total 2018 £'000s	Total 2017 £'000s
Mike Kirk	102	91	14	**207**	191
Jason Miles	200	-	16	**216**	244
Hemant Thanawala	102	5	8	**115**	171
Philip Snaith	28	13	-	**41**	32
Laurence Mutch	26	13	-	**39**	67
Ian Duckels	-	-	-	**-**	13
Dilipkumar Shah	-	-	-	**-**	-
Total	458	122	38	**618**	718

1: With effect from 1st September 2017, Mike Kirk agreed to reduce his cash salary by 50% and the Non-executive Directors each agreed to reduce their fees to £24,000 per annum. The unpaid balance has been deferred for potential future payment, with an uplift of 25% due on the unpaid balance which is also included in this column.

Reconciliation of Share Options Granted to Directors

	30 June 2018 Number of Share Options	30 June 2017 Number of Share Options
As at 1 July	**17,500,000**	25,000,000
Granted during the year by QFI	**-**	-
Resignation of director	**-**	(1,500,000)
Exercised during the year	**-**	(1,000,000)
Repurchased by grantor during the year	**-**	(5,000,000)
Expired during the year	**-**	-
As at 30 June	**17,500,000**	17,500,000

No gain was realised on the exercise of share options by Directors during the year (2017: £100k).

The market price of the Company's shares at the end of the reporting period was 3.55p (2017: 3.23p) and the range during the year was 2.48p to 14.13p (2017: 2.95p to 14.00p) per share.

Philip Snaith
Chairman of the Compensation Committee
21 September 2018

Corporate Governance Statement

Since admission to trading on AIM in 2006, the Company has adopted the UK Corporate Governance Code and at its board meeting on 27th June 2018, the board of the Company resolved to apply the UK Corporate Governance Code, published by the Financial Reporting Council, as revised in July 2018 (the "Code").

The Code sets standards for good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. The provisions of the Code (the 2018 version of which the Board has resolved to adopt prior to it taking effect for Premium Listed Main Market Companies on 1 January 2019) which apply to Quadrise Fuels International plc are set out below.

Principles of the UK Corporate Governance Code

Board Leadership & Company Purpose

A. Effective and entrepreneurial board promoting sustainable success, generating value for shareholders and contributing to wider society.

B. Establish the company's purpose, values & strategy. Directors to act with integrity and promote the desired culture.

C. Ensure necessary resources to meet objectives and measure performance. Establish framework of controls which enable risk to be assessed and managed.

D. Ensure effective engagement with and encourage participation from shareholders and stakeholders.

E. Workforce policies and practices are consistent with the company's values and support long term sustainable success. Workforce able to raise matters of concern.

Division of Responsibilities

F. Chair responsible for board effectiveness. Promote a culture of openness and debate, facilitate constructive board relations and contribution of non-exec directors. Ensure accurate, timely and clear information.

G. Appropriate combination of exec and non-exec (particularly independent) directors so that no one individual or group dominates. A clear division between board and company leadership.

H. Non-exec directors to have sufficient time to meet responsibilities and provide constructive challenge, strategic guidance, specialist advice and hold executive management to account.

I. Ensure policies, processes, information, time and resources required to function effectively and efficiently

Composition, Succession and Evaluation

J. A formal, rigorous and transparent procedure to board appointment. Establish a succession plan for board and senior management, based on merit and objective criteria. Promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

K. Board and committees to have a combination of skills, experience and knowledge. Review length of service of the board with membership regularly refreshed.

L. The annual board evaluation to consider its composition, diversity and effective working together. Individual evaluation to demonstrate whether each director continues to contribute effectively.

Audit, Risk and Internal Control

M. Establish formal and transparent policies and procedures to ensure independence and effectiveness of internal and external audit functions. Satisfy itself on integrity of financial and narrative statements.

N. Present a fair, balanced and understandable assessment of company's position and prospects.

O. Establish procedures to manage risk, oversee internal controls and determine nature and extent of principal risks in achieving its long-term strategic objectives.

Remuneration

P. Policies and practices designed to support strategy and promote long-term sustainable success. Executive remuneration aligned to purpose and values and clearly linked to successful delivery of company's long-term strategy.

Q. A formal and transparent procedure for developing policy on executive remuneration should be established. No director involved in deciding their own remuneration.

R. Directors to exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance and wider circumstances.

In terms of the Code, the effective application of the above Principles should be supported by high-quality reporting on the Provisions. In accordance with the revised AIM Rule 26, a full report on compliance against the Code will be available on the Company's website from 28 September 2018. In addition, the Code prescribes that the Company's compliance against certain Provisions should be described in this Annual Report (see below – following the Chairman's Corporate Governance Statement).

Chairman's Corporate Governance Statement

Dear Shareholders,

Since its original listing in April 2006, Quadrise Fuels International plc has applied strict corporate governance principles in all our endeavours. As an example, each year the Board has (albeit informally) tested itself against the then applicable UK Corporate Governance Code, and endeavoured to act on any perceived deficiencies.

With the implementation of the new AIM company corporate governance changes, effective 28 September 2018, it was without hesitation that the Board chose to apply the Code as revised in July this year. We will provide details of the Code on our website and explain where we comply, and if not, why and, if appropriate, what corrective steps we are taking to address any deficiencies. This information will be reviewed each year and our website will disclose the review date.

As Executive Chairman, it is my duty together with my fellow Board members to promote and apply good standards of corporate governance throughout our organisation. The Company is privileged to have a highly experienced Board, setting clear values and strategy in our annual Business Plan, adopting the highest standards of integrity whilst promoting a hands-on, friendly but professional culture.

The year has not been without considerable disappointments to ourselves and shareholders. Nevertheless, through a series of meetings with major shareholders, and the introduction of investor conference calls (29 March, 11 June, 1 August), we have endeavoured to keep shareholders fully informed (within the usual disclosure constraints) on the Company's strategic development plans.

The Company maintains a comprehensive suite of policies and practices appropriate for our size and stage of development. Each of these is reviewed and signed off by at least one nominated executive or non-executive director with considerable prior experience of the subject matter. The executive team frequently consult the chairmen of the audit and compensation committees on planning, finance, legal and human resource matters.

In May and June each year the Board undertakes a structured risk assessment and the outcomes of this are incorporated in the annual Business Plan and the associated financial modelling.

I trust these few examples illustrate that the Company has a healthy approach to oversight on behalf of all shareholders and that high standards of corporate governance are inherent in our culture.

I and my fellow directors look forward again to meeting you at the AGM in London on 30 November 2018 and would be delighted to discuss any element of our governance standards.

Mike Kirk
Executive Chairman
21 September 2018

Reporting against the Provisions of the Code

Provision 1: Opportunities and risks to future success.

The Chairman's Statement at the beginning of this report describes the MSAR® market opportunities in the power generation and marine bunker fuel sectors. The risks associated with our endeavours are amply illustrated by the disappointments of the Production to Combustion" trial project in KSA, and the suspension and then termination of the marine fuel trial by Maersk. Principal Business Risks are more fully covered on Pages 11–13. Notwithstanding the challenges faced in our key markets, the board firmly believes in the sustainability of the Company's business model. Progress will not always be smooth, but we are well positioned to capitalise on past experience and the significant opportunities that we see going forwards, such as the potential of the agreements with JGC Corporation and Freepoint Commodities. The Company would not be able to attract the attention of partners of this calibre without clear evidence of its standards of corporate governance.

Provision 2: Monitoring corporate culture

The Company does not formally assess and monitor culture – this being a small organisation, where any deviation from policy, practices and behaviour at odds with the Company's purpose and values would become quickly apparent to management. The Quadrise team can be described as coherent and highly professional with a very clear sense of purpose. Team meetings are held weekly where project progress is reviewed and remedial action taken. The performance of all employees is assessed annually together with a discussion on career development plans. The remuneration scheme for all employees includes the potential award of bonuses and options subject to company and personal performance.

Provision 3: Regular engagement with major shareholders

An extremely successful AGM was held on 8 December 2017 with some 70 shareholders in attendance. During 2018, through a series of meetings with major shareholders, and the introduction of investor conference calls (29 March, 11 June, 1 August) with a total of over 240 shareholders dialling into these calls. The executive team has endeavoured to keep shareholders fully informed (within the usual disclosure constraints) on the Company's strategic development plans.

Provision 4: Action to be taken in the event there are 20% votes against a resolution

At the 2017 AGM, five ordinary resolutions and one special resolution were carried by at least 84% voting in favour.

Provision 5: Stakeholder engagement mechanisms

Being a small organisation with 12 employees, it is relatively straightforward for the Company to consider and respond to views put forward from the workforce and other key stakeholders. In view of this, the Company does not have a director appointed from the workforce, a formal workforce advisory panel or a designated non-executive director to engage with the workforce.

Provision 9: The roles of chair and chief executive

Mike Kirk is Executive Chairman of the Company. This is seen as appropriate for the Company at this time, though this will be reviewed as the Company progresses its development plans.

Provision 10: Independence of non-executive directors

The profiles and experience of the non-executive directors are provided on Page 14 of this report. Mr Dilip Shah is closely associated with significant shareholders and is not considered independent. There are no circumstances that might cause the Board to question Mr Philip Snaith's independence, and he has the appropriate experience as a former senior executive of the Royal Dutch Shell Group to chair the compensation committee.

Mr Hemant Thanawala stepped down from his role as Finance Director in August 2017 and became a non-executive director. He is a significant shareholder and has share options, and has been an executive director of the Company from 2006 to 2017. As a result, Mr Thanawala, cannot be formally considered independent. However, Mr Thanawala, provides valuable input to the company and the board in a manner consistent with being an independent director. He retires by rotation at the 2018 AGM and has put himself forward for re-election.

Non-executive director Laurence Mutch is also a Director of Laurie Mutch & Associates Limited, which has in the past provided consulting services to the Group. The total fees charged for the year amounted to £nil (2017: £30k). He is a shareholder and holds options in the Company, and has been a director since 2006. Mr Mutch has clearly indicated that these potential impairments do not and have not hindered his ability to be independent and after careful consideration the Board believes him to be independent. He was a former senior finance director of the Royal Dutch Shell Group and has the appropriate and current experience to chair the audit committee. He retires by rotation at the 2018 AGM and has put himself forward for re-election.

Provision 12: Appointment of a Senior Independent Director

In view of its size, the Company has not appointed a Senior Independent Director. This will be reviewed as the Company progresses its development plans.

Provision 14: Meetings of the Board

During the year, the Board comprised the Executive Chairman, Chief Operating Officer and the Finance Director (until 10 August 2017) as executive Directors and three non-executive Directors (four from 10 August 2017) 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.

The Board met on 14 occasions during the year including four formal quarterly meetings to discuss a formal scheduled agenda covering key areas of the Group's affairs including operational and financial performance and quarterly management accounts. All relevant information is circulated in good time. The attendance record of each director is shown below:

Director	Attendance	
Mike Kirk	14	100%
Jason Miles	13	93%
Laurence Mutch	14	100%
Dilip Shah	8	57%
Philip Snaith	13	93%
Hemant Thanawala	11	79%

Provision 20: External search consultant

The Company did not make any new appointments to the Board during the year and did not therefore appoint an external search consultant.

Provisions 21, 22 and 23: Evaluation of the Board.

The Board did not use the services of an external evaluator during the year. However, under the direction of the Nominations Committee, the Board recently evaluated its performance, the contribution of each of the directors and the effectiveness of the committees by way of a confidential survey completed by each director. The Company's Nomad, Smith & Williamson aggregated the results and have provided a summary to the Executive Chairman for review by the Board.

Provisions 24, 25 and 26: The work of the audit committee

The Audit Committee is chaired by Laurence Mutch and comprises Philip Snaith, Laurence Mutch and Hemant Thanawala, all of whom have recent and relevant financial experience and have competence in the oil sector. 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 committee meets at least four times a year and is responsible for monitoring the integrity of the financial statements of the Company, keeping under review the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditors. The committee provides advice on whether the annual report and accounts are fair, balanced and understandable. Due to the size of the Company, there is currently no internal audit function, although the committee has oversight responsibility for public reporting, overall good governance and the Company's internal controls. The committee annually assists management in the formal and robust assessment of the Company's risks. Other members of the Board, as well as the auditors, are invited to attend the Audit Committee meetings as and when appropriate.

Significant Issues

The significant issues considered relating to the financial statements were Going Concern, the Valuation of Intangible Assets and Management override of controls. The subject of Going Concern is covered in the Strategic Report on Page 11, in the Auditors Report on Page 30 and in Note 3 to the Financial Statements. The Valuation of Intangible Assets is addressed in the Auditors Report on Page 32 and in Note 2.9 to the Financial Statements.

No Internal Audit function

An internal audit function is not appropriate at this time given the Company's current size, but in view of this, the Audit Committee and the Auditors view the risk of management override of controls a significant issue. In making their assessment the Auditors considered specifically the controls over journals, any indication of unusual transactions and any evidence of bias in the estimates made by management. The Auditors conclusion was that there is no evidence of inappropriate management override of controls, and the Audit Committee endorsed this conclusion.

Assessment and Safeguarding the Independence and Effectiveness of the external audit process

Following a selection process conducted by the Audit Committee, Crowe U.K. LLP were appointed as auditors on 23 May 2011, and are reappointed each year by ordinary resolution put before the AGM. The committee has not identified any issues with regards to integrity, objectivity and independence of the Auditors and therefore consider them to be independent.

Provision 27: Board responsibility in preparing the accounts

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. In addition, the Board is responsible for preparing the annual report and accounts, and considers this annual report and accounts, taken as a whole, to be fair, balanced and understandable, and that it provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

Provision 28: Assessments of the Company's Risks

Each year in the second quarter, the Audit Committee assists the Executive Team in a structured zero-based re-assessment of the Company's emerging and principal risks. This is conducted for each project and organisational level including the Company's research and development facility, QRF, and then aggregated for the Company as a whole. The risk level is determined by its probability, impact on the Company, and whether the risk has increased or decreased over the last 12 months. A summary of "Principal Risks and Uncertainties" is reviewed at a Board meeting. Subsequently a Risk Mitigation Strategy and Action Plan is incorporated into the annual Business Planning exercise conducted in June. The Risk Strategy and Action Plan is reviewed each year by the auditors who consider this to be a robust assessment to be regularly monitored.

Provision 29: Risk Management and Internal Control systems.

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.

The Company has a digital Policies and Procedures Directory comprising some 100 policies in 22 business categories. The Policies and Procedures are intentionally kept short so that these are easy to refer to and are "living" documents. Of note, each of these is reviewed and signed off by at least one nominated director (executive or non-executive) who is required to have considerable prior experience of the subject matter. Expenditure and other authorities are subject to a tight Authorities Matrix, reviewed regularly by the Audit Committee. QFI has a comprehensive disaster recovery plan which is tested on a regular basis.

The Board has established a Bribery Policy, signed by all Directors and employees, to achieve compliance with the UK Bribery Act 2010, which came into effect on 1st July 2011. 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. The Company has recently implemented a GDPR policy and has online training facilities for Bribery and Corruption, GDPR and General Data Protection. Completion of this training is encouraged for all employees and directors.

Provision 30: Going Concern

The subject of Going Concern is covered in the Strategic Report on Page 11, in the Auditors Report on Page 30 and in Note 3 to the Financial Statements.

Provision 31: The prospects of the company

The Outlook for the Company is addressed as part of the Chairman's Statement on Pages 6–10.

Provision 41: Compensation Committee

The Compensation Committee is chaired by Philip Snaith and comprises Philip Snaith, Laurence Mutch and Hemant Thanawala. 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 committee works within the framework of a regularly reviewed compensation policy approved by the Board. It meets at least twice a year and conducts performance appraisals of the Company and the Executive Chairman against previously determined corporate performance targets adopted by the Board. External guidance is sought as necessary in setting the terms of senior executive compensation including the award of bonuses and / or 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.

In determining executive director compensation, the committee places considerable importance on proportionality, clearly linking remuneration to the delivery of long-term objectives and corporate strategy. In view of the disappointing performance of the past year, no bonuses or share options were awarded to the Executive Team. In designing remuneration policy, the committee has endeavoured to incorporate the principles of clarity, simplicity, and predictability. As an external measure, the committee refers to remuneration surveys of AIM companies of similar size and complexity, when these are readily available. Shareholder views on compensation have been expressed at the AGM and in other meetings, and the committee has taken these and the company's performance into account in its deliberations. The committee nevertheless retains an attitude of applying discretion when this is applicable in regard to outstanding individual performance.

The Report on Directors' Remuneration is on Page 20.

Laurence Mutch
Chairman of the Audit Committee
21 September 2018

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

Opinion

We have audited the financial statements of Quadrise Fuels plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 30 June 2018, which comprise:

- the Group statement of comprehensive income for the year ended 30 June 2018;
- the Group and Parent Company statements of financial position as at 30 June 2018;
- the Group and Parent Company statements of cash flows for the year then ended;
- the Group and Parent Company statements of changes in equity for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the 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 2018 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 3 of the financial statements which indicates further funding will be required to finance the Group's and Parent Company's operations. The Directors are confident that the Parent Company will be able to raise these funds however there is no binding agreement in place at the date of this report.

These conditions indicate the existence of a material uncertainty and may cast doubt on the ability of the Group and Parent Company to continue as a going concern. Our opinion is not modified in respect of this matter. The financial statements do not include the adjustments that would result if the Group and Parent Company were unable to continue as a going concern.

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 £230,000, based on 7% of the 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 £7,000. 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.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. 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, which 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 Group and the Parent Company and their 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.

Use of our report

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.

Stephen Bullock
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor, London

21 September 2018

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 2018

	Notes	Year ended 30 June 2018 £'000s	Year ended 30 June 2017 £'000s
Continuing operations			
Revenue		**9**	126
Production and development costs		**(2,002)**	(2,367)
Other administration expenses		**(1,518)**	(1,818)
Share option charge	17	**(53)**	(242)
Foreign exchange loss		**(3)**	(10)
Operating loss	5	**(3,567)**	(4,311)
Finance costs		**(7)**	(10)
Finance income		**18**	19
Loss before tax		**(3,556)**	(4,302)
Taxation	8	**294**	213
Loss and total comprehensive loss for the year from continuing operations		**(3,262)**	(4,089)
Loss per share – pence			
Basic	9	**(0.38)p**	**(0.48)p**
Diluted	9	**(0.38)p**	**(0.48)p**

Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	As at 30 June 2018 £'000s	As at 30 June 2017 £'000s
ASSETS			
Non-current assets			
Property, plant and equipment	10	**961**	1,056
Intangible assets	11	**2,924**	2,924
Non-current assets		**3,885**	3,980
Current assets			
Cash and cash equivalents	14	**2,229**	5,045
Trade and other receivables	15	**188**	302
Prepayments		**122**	153
Stock		**61**	61
Current assets		**2,600**	5,561
TOTAL ASSETS		**6,485**	9,541
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	16	**400**	247
Current liabilities		**400**	247
Equity attributable to equity holders of the parent			
Issued share capital	18	**8,622**	8,622
Share premium		**73,642**	73,642
Share option reserve	19	**3,432**	3,704
Reverse acquisition reserve	19	**522**	522
Accumulated losses		**(80,133)**	(77,196)
Total shareholders' equity		**6,085**	9,294
TOTAL EQUITY AND LIABILITIES		**6,485**	9,541

The financial statements, accompanying policies and notes 1 to 26 (forming an integral part of these financial statements), were approved and authorised for issue by the Board on 21 September 2018 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 2018

	Issued Capital £'000s	Share Premium £'000s	Share Option Reserve £'000s	Reverse Acquisition Reserve £'000s	Accumulated Losses £'000s	Total £'000s
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
1 July 2017	8,622	73,642	3,704	522	(77,196)	9,294
Loss and total comprehensive loss for the year	-	-	-	-	(3,262)	(3,262)
Share option charge	-	-	53	-	-	53
Transfer of balances relating to expired share options	-	-	(325)	-	325	-
30 June 2018	**8,622**	**73,642**	**3,432**	**522**	**(80,133)**	**6,085**

For an explanation of the nature and purpose of other reserves refer to note 19.

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	Notes	Year ended 30 June 2018 £'000s	Year ended 30 June 2017 £'000s
Operating activities			
Loss before tax from continuing operations		**(3,556)**	(4,302)
Depreciation	10	**230**	211
Finance costs paid		**7**	10
Finance income received		**(18)**	(19)
Share option charge	17	**53**	242
Working capital adjustments			
Decrease/(increase) in trade and other receivables	15	**114**	(5)
Decrease/(increase) in prepayments		**31**	(33)
Increase/(decrease) in trade and other payables	16	**153**	(329)
Increase in stock		**-**	(61)
Cash utilised in operations		**(2,986)**	(4,286)
Finance costs paid		**(7)**	(10)
Taxation received	8	**294**	213
Net cash outflow from operating activities		**(2,699)**	(4,083)
Investing activities			
Finance income received		**18**	19
Purchase of property, plant and equipment	10	**(135)**	(111)
Net cash outflow from investing activities		**(117)**	(92)
Financing activities			
New shares issued net of issue costs		**-**	4,952
Net cash inflow from financing activities		**-**	4,952
Net (decrease)/increase in cash and cash equivalents		**(2,816)**	777
Cash and cash equivalents at the beginning of the year		**5,045**	4,268
Cash and cash equivalents at the end of the year	14	**2,229**	5,045

Company Statement of Financial Position

As at 30 June 2018

	Notes	As at 30 June 2018 £'000s	As at 30 June 2017 £'000s
ASSETS			
Non-current assets			
Property, plant and equipment	10	**42**	81
Investments in subsidiaries	13	**29,783**	26,419
Non-current assets		**29,825**	26,500
Current assets			
Cash and cash equivalents	14	**1,709**	4,820
Trade and other receivables	15	**113**	139
Prepayments		**73**	98
Current assets		**1,895**	5,057
TOTAL ASSETS		**31,720**	31,557
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	16	**287**	114
Current liabilities		**287**	114
Equity attributable to equity holders of the parent			
Issued capital	18	**8,622**	8,622
Share premium		**73,642**	73,642
Share option reserve	19	**3,432**	3,704
Accumulated losses		**(54,263)**	(54,525)
Total shareholders' equity		**31,433**	31,443
TOTAL EQUITY AND LIABILITIES		**31,720**	31,557

The loss for the year dealt with in the accounts of Quadrise Fuels International plc was £63,000 (2017: £330,000).

The financial statements, accompanying policies and notes 1 to 26 (forming an integral part of these financial statements), were approved and authorised for issue by the Board on 21 September 2018 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 2018

	Issued Capital £'000s	Share Premium £'000s	Share Option Reserve £'000s	Accumulated Losses £'000s	Total £'000s
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**
1 July 2017	8,622	73,642	3,704	(54,525)	31,443
Loss and total comprehensive loss for the year	-	-	-	(63)	(63)
Share option charge	-	-	53	-	53
Transfer of balances relating to expired share options	-	-	(325)	325	-
30 June 2018	**8,622**	**73,642**	**3,432**	**(54,263)**	**31,433**

Company Statement of Cash Flows

For the year ended 30 June 2018

	Notes	Year ended 30 June 2018 £'000s	Year ended 30 June 2017 £'000s
Operating activities			
Loss before tax from continuing operations		**(63)**	(330)
Depreciation	10	**39**	44
Finance costs paid		**1**	2
Finance income received		**(18)**	(19)
Share option charge	17	**53**	242
Working capital adjustments			
Decrease in trade and other receivables	15	**26**	29
Decrease/(increase) in prepayments		**25**	(14)
Increase/(decrease) in trade and other payables	16	**173**	(14)
Cash generated by/(utilised in) operations		**236**	(60)
Finance costs paid		**(1)**	(2)
Net cash inflow/(outflow) from operating activities		**235**	(62)
Investing activities			
Finance income received		**18**	19
Purchase of property, plant and equipment	10	**-**	(8)
Loan to subsidiary	13	**(3,364)**	(4,029)
Net cash outflow from investing activities		**(3,346)**	(4,018)
Financing Activities			
Issue of Ordinary Share Capital		**-**	4,952
Net cash inflow from financing activities		**-**	4,952
Net (decrease)/increase in cash and cash equivalents		**(3,111)**	872
Cash and cash equivalents at the beginning of the year		**4,820**	3,948
Cash and cash equivalents at the end of the year	14	**1,709**	4,820

Notes to the Financial Statements

1. General Information

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

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

2. Summary of Significant Accounting Policies

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

(2.1) Basis of Preparation

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

At the date of authorisation of these financial statements, a number of Standards and Interpretations were in issue but not yet effective. IFRS 15 (revenue from contracts with customers), IFRS 9 (financial instruments) and IFRS 16 (leases) require adoption by the Group in the next financial year.

The directors do not conclude 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, would have a material effect on these financial statements. Due to the immateriality of revenues for 2018, adoption of IFRS 15 would have no material effect. IFRS 9 does not apply to the operations of the Group, and as the Group has no material leases as at 30 June 2018, the adoption of IFRS 16 would have no material effect.

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 2018.

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 2018 is determined to be £2.9m (2017: £2.9m). Further details are given in Note 11.

(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.

(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. 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 2018)	Statement of Comprehensive Income (average rate throughout the financial year)
USA	USA	1.315	1.348
Europe	EUR	1.129	1.130

(2.7) Finance Costs

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

(2.8) Business Combinations

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

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

(2.9) Intangible Assets

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

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

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

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

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

(2.10) Property, plant and equipment:

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

Plant and equipment	3 to 15 years

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

(2.11) Financial Instruments

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

(2.12) Investments and other Financial Assets

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

Investments in Subsidiaries

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

Available for Sale Investments

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

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

(2.13) Impairment

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

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

(2.14) Cash and Cash Equivalents

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

(2.15) Trade and Other Receivables and Payables

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

(2.16) 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.

(2.17) Employee Retirement Benefits

The Group maintains a defined contribution pension plan for providing employee retirement benefits. The retirement benefit plan is generally funded by contributions from the Group to an independent entity that operates the retirement benefit schemes. Current service cost for the defined contribution plan 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.

(2.18) 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. 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.

(2.19) 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, 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.

(2.20) 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 a cash balance of £2.2m as at 30 June 2018. The Directors acknowledge that this cash balance will not be sufficient to cover the Group's operating requirements up to 30 June 2019. These conditions indicate the existence of material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern.

The Directors determine that the continuation of the Group as a going concern is dependent upon successfully raising sufficient funds in the short term, and have a reasonable expectation that such funds will be raised, although no binding funding agreement is in place at the date of this report. The Directors therefore have determined that it is appropriate to prepare the financial statements on a going concern basis

The financial statements do not include the adjustment which would result if the Group and Company were unable to continue as a going concern.

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 2018 £'000s	Year ended 30 June 2017 £'000s
Fees payable to the Company's auditor for the audit of the Company's annual accounts.	**15**	17
Fees payable to the Company's auditor and its associates for other services:		
Audit of accounts of subsidiaries	**15**	17
Tax compliance services	**8**	7
Consultants and other professional fees (including legal)	**269**	219
Depreciation of property, plant and equipment	**230**	211

6. Staff Cost

Head count	Year ended 30 June 2018 Number	Year ended 30 June 2017 Number
Average number of employees of the Group (including executive Directors employed by the Company) during the year was:		
Management	**2**	3
Technical staff / support / other	**10**	12

Staff costs	Year ended 30 June 2018 £'000s	Year ended 30 June 2017 £'000s
Wages and salaries	**1,316**	1,530
Social security costs	**162**	193
Pension costs	**84**	97
Total	**1,562**	1,820

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

Director	Year ended 30 June 2018 £'000s	Year ended 30 June 2017 £'000s
Mike Kirk		
Wages and salaries - as paid	**102**	177
Wages and salaries – deferred[1]	**91**	-
Pension costs	**14**	14
	207	191
Hemant Thanawala		
Wages and salaries - as paid	**102**	158
Wages and salaries – deferred[1]	**5**	-
Pension costs	**8**	13
	115	171
Jason Miles		
Wages and salaries – as paid	**200**	229
Pension costs	**16**	15
	216	244
Total	**538**	606
Aggregate emoluments of the Directors of the Company (excluding social security costs) were as follows:		
Salaries and fees – as paid	**458**	676
Salaries and fees – deferred[1]	**122**	-
Share option expense	**42**	193
Pension costs	**38**	42
Total	**660**	911

1 - With effect from 1st September 2017, Mike Kirk agreed to reduce his cash salary by 50% and the Non-executive Directors each agreed to reduce their fees to £24,000 per annum. The unpaid balance has been deferred for potential future payment, with an uplift of 25% due on the unpaid balance which is included above.

Non-executive Directors fees for the year amounted to £80k (2017: £83k), this includes a deferred element of £26k. Consulting fees paid to non-executive Directors for the year amounted to £nil (2017: £30k).

The highest paid Director's remuneration totalled £216k (2017: £244k), represented by all aggregate emoluments.

Refer to the Report of Directors' Remuneration (on page 20) 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 22 – Related Party Transactions.

7. Losses Attributable to Quadrise Fuels International plc

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. Taxation

	Year ended 30 June 2018 £'000s	Year ended 30 June 2017 £'000s
UK corporation tax credit	**(294)**	(213)
Total	**(294)**	(213)

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

Tax Reconciliation	Year ended 30 June 2018 £'000s	Year ended 30 June 2017 £'000s
Loss on continuing operations before taxation	**(3,262)**	(4,302)
Loss on continuing operations before taxation multiplied by the UK corporation tax rate of 19% (2017: 20%)	**(620)**	(860)
Effects of:		
Non-deductible expenditure	**51**	91
R&D tax credit	**(294)**	(213)
Tax losses carried forward	**569**	769
Total taxation credit on loss from continuing operations	**(294)**	(213)

The Group has tax losses arising in the UK of approximately £49.5m (2017: £47.3m) that are available, under current legislation, to be carried forward against future profits. £21.5m (2017: £19.1m) of the tax losses carried forward represent trading losses within Quadrise Fuels International plc, £25.8m (2017: £25.8m) represent non-trade deficits arising on intangible assets within Quadrise International Limited, £1.3m (2017: £1.6m) represent pre-trading losses incurred by subsidiaries, £0.8m (2017: £0.8m) represent management expenses incurred by Quadrise International Limited, and £0.1m (2017: £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 £8.4m (2017: £8.0m) has not been recognised as a result of existing uncertainties in relation to its realisation.

9. Loss Per Share

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

	Year ended 30 June 2018	Year ended 30 June 2017
Loss for the year (£'000s)	**(3,262)**	(4,089)
Weighted average number of shares:		
Basic	**862,204,976**	846,102,956
Diluted	**862,204,976**	846,102,956
Loss per share:		
Basic	**(0.38)p**	(0.48)p
Diluted	**(0.38)p**	(0.48)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 22.0m 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.

10. 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 2017	107	91	43	16	1,352	1,609
Additions	59	-	-	-	76	135
Closing balance – 30 June 2018	166	91	43	16	1,428	1,744
Depreciation						
Opening balance – 1 July 2017	(67)	(47)	(31)	(15)	(393)	(553)
Depreciation charge for the year	(42)	(16)	(5)	(1)	(166)	(230)
Closing balance – 30 June 2018	(109)	(63)	(36)	(16)	(559)	(783)
Net book value at 30 June 2018	**57**	**28**	**7**	**-**	**869**	**961**

Company	Leasehold Improvements £'000s	Computer Equipment £'000s	Software £'000s	Office Equipment £'000s	Plant and Machinery £'000s	Total £'000s
Cost						
Opening balance – 1 July 2017	107	68	44	16	-	235
Additions	-	-	-	-	-	-
Closing balance – 30 June 2018	107	68	44	16	-	235
Depreciation						
Opening balance – 1 July 2017	(68)	(40)	(31)	(15)	-	(154)
Depreciation charge for the year	(22)	(11)	(5)	(1)	-	(39)
Closing balance – 30 June 2018	(90)	(51)	(36)	(16)	-	(193)
Net book value at 30 June 2018	**17**	**17**	**8**	**-**	**-**	**42**

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
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)
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
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)
Closing balance – 30 June 2017	(68)	(40)	(31)	(15)	-	(154)
Net book value at 30 June 2017	39	28	13	1	-	81

11. Intangible Assets

Consolidated	QCC Royalty Payments £'000s	MSAR® Trade Name £'000s	Technology and Know-How £'000s	Total £'000s
Cost				
Balance as at 1 July 2017 and 30 June 2018	7,686	3,100	25,901	36,687
Amortisation and Impairment				
Balance as at 1 July 2017 and 30 June 2018	(7,686)	(176)	(25,901)	(33,763)
Net book value at 30 June 2018	**-**	**2,924**	**-**	**2,924**
Cost				
Balance as at 1 July 2016 and 30 June 2017	7,686	3,100	25,901	36,687
Amortisation and Impairment				
Balance as at 1 July 2016 and 30 June 2017	(7,686)	(176)	(25,901)	(33,763)
Net book value at 30 June 2017	**-**	**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, but the QCC royalty payments intangible asset became fully impaired in 2012.

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 amortised in 2012. The Group does not have any internally generated intangibles.

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 30 June 2035 to ensure the full benefit of all current projects is realised. The rationale for using a timescale up to 2035 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 intangible, the pre-tax discount rate applied to the cash flow projections is 20% (2017: 12%) and the growth rate used for the extrapolation of cash flows beyond budgeted projections is 0% (2017: 2.5%). As a result of the operational developments during the financial year, the Directors have adjusted the rates used in the 2018 'value in use' calculations.

A 5% increase in the discount rate used would result in no impairment charge for the MSAR® trade name intangible.

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 2018.

12 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 2018. The shares in each of these companies were valued at CAD $nil on 1 July 2017. Shareholder communications received during the year to 30 June 2018 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 2018.

13. Investments in Subsidiaries

	Company 30 June 2018 £'000s	Company 30 June 2017 £'000s
Direct Investment		
Opening balance	**26,419**	22,390
Long term loans advanced	**3,364**	4,029
Closing balance	**29,783**	26,419

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 2018 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 2018. Holdings in subsidiaries are detailed in note 24.

14. Cash and Cash Equivalents

	Consolidated 30 June 2018 £'000s	Consolidated 30 June 2017 £'000s	Company 30 June 2018 £'000s	Company 30 June 2017 £'000s
Cash at bank	**2,229**	5,045	**1,709**	4,820
Total	**2,229**	5,045	**1,709**	4,820

15. Trade and Other Receivables

	Consolidated 30 June 2018 £'000s	Consolidated 30 June 2017 £'000s	Company 30 June 2018 £'000s	Company 30 June 2017 £'000s
Trade receivables	**11**	54	**-**	-
Other receivables	**96**	109	**91**	110
Other taxes	**81**	139	**22**	29
Total	**188**	302	**113**	139

Group receivables of £nil (2017: £15k) and Company receivables of £nil (2017: nil) were past due at year-end.

16. Trade and Other Payables

	Consolidated 30 June 2018 £'000s	Consolidated 30 June 2017 £'000s	Company 30 June 2018 £'000s	Company 30 June 2017 £'000s
Trade payables	**106**	107	**55**	33
Other taxes	**44**	68	**24**	40
Accruals	**250**	72	**208**	41
Total	**400**	247	**287**	114

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 2018 amount to 23 days (2017: 17 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 (2017:£nil).

17. 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 2018	WAEP (Pence) 30 June 2018	Number 30 June 2017	WAEP (Pence) 30 June 2017
Outstanding as at 1 July	**24,000,000**	**27.41**	33,133,333	23.60
Granted during the year	-	-	500,000	9.03
Repurchased by grantor during the year	-	-	(5,000,000)	1.00
Expired during the year	**(1,500,000)**	**35.16**	(3,633,333)	32.26
Exercised during the year	-	-	(1,000,000)	0.01
Options outstanding as at 30 June	**22,500,000**	**26.90**	24,000,000	27.41
Exercisable as at 30 June	**22,000,000**	**27.30**	20,583,333	29.95

The weighted average remaining contractual life of the 22.5 million options outstanding at the statement of financial position date is 4.23 years (2017: 5.23 years). The weighted average share price during the year was 5.55p (2017: 9.59p) 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.

The Company issued no share options to employees during the year (2017: 0.5 million). In 2017, the weighted average exercise price of options issued was 9.03p and the weighted average fair value was 2.60p.

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

	2018	2017
Stock price	-	5.94p
Exercise price	-	9.03p
Interest rate	-	0.25%
Volatility	-	72.3%
Expected term	-	4 years

18. Share Capital

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

	2018 £	2017 £
Issued and fully paid:		
862,204,976 (2017: 862,204,976) Ordinary shares of £0.01 each	**8,622,050**	8,622,050

19. 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. .

20. Pension Commitments

For direct employees of Quadrise Fuels International plc, the Company contributes between 7% and 8% of salary to a defined contribution pension scheme. Pension cost to the Company for the year amounted to £84k (2017: £97k).

21. 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 2018 £'000s	Consolidated 30 June 2017 £'000s	Company 30 June 2018 £'000s	Company 30 June 2017 £'000s
Financial assets				
Loans and receivables – Cash and cash equivalents	**2,229**	5,045	**1,709**	4,820
Loans and receivables – Trade and other receivables	**188**	163	**113**	109
Financial liabilities				
Other financial liabilities – Trade and other payables	**150**	178	**79**	74

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 2018 were assets of US$48k (2017: US$19k) and €99k (2017: liabilities of €268k).

A 10% strengthening of Sterling against the Euro at the statement of financial position date would have increased loss for the year by £9k (2017: reduction in loss of £20k) whilst a 10% weakening of Sterling against the Euro would have reduced loss for the year by £10k (2017: increase in loss of £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 £4k (2017: £2k) whilst a 10% weakening of Sterling against the US$ would have reduced loss for the year by £5k (2017: £2k). 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 £21k (2017: £50k) per annum. A decrease in interest rates of 1% will increase loss for the year by approximately £6k (2017: £18k) 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 £188k at 30 June 2018 (2017: £297k), of which £nil (2017: £nil) was receivable from related parties. Receivables of £188k 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 2018.

22. 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 £nil (2017: £30k). The balance payable at the statement of financial position date was £nil (2017: £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.

23. 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. .

24. Subsidiaries

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

Name	Percentage Interest Held and Voting Rights	Class of Share Held
Quadrise International Limited	100%	Ordinary
Quadrise Limited	100%	Ordinary
Quadrise KSA Limited	100%	Ordinary
Quadrise Marine Limited	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.

25. Commitments and Contingencies

The Group and the Company have entered into commercial leases for the rental of operational and office premises. The leases expire on 28 February 2019 and 25th March 2019, and there are no restrictions placed on the Group or Company by entering into these leases. The minimum future lease payments for non-cancellable leases are as follows:

	Consolidated 30 June 2018 £'000s	Consolidated 30 June 2017 £'000s	Company 30 June 2018 £'000s	Company 30 June 2017 £'000s
Operational and office premises				
One year	**96**	106	**81**	106
Two to five years	**-**	81	**-**	81

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

26. Copies of the Annual Report

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

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