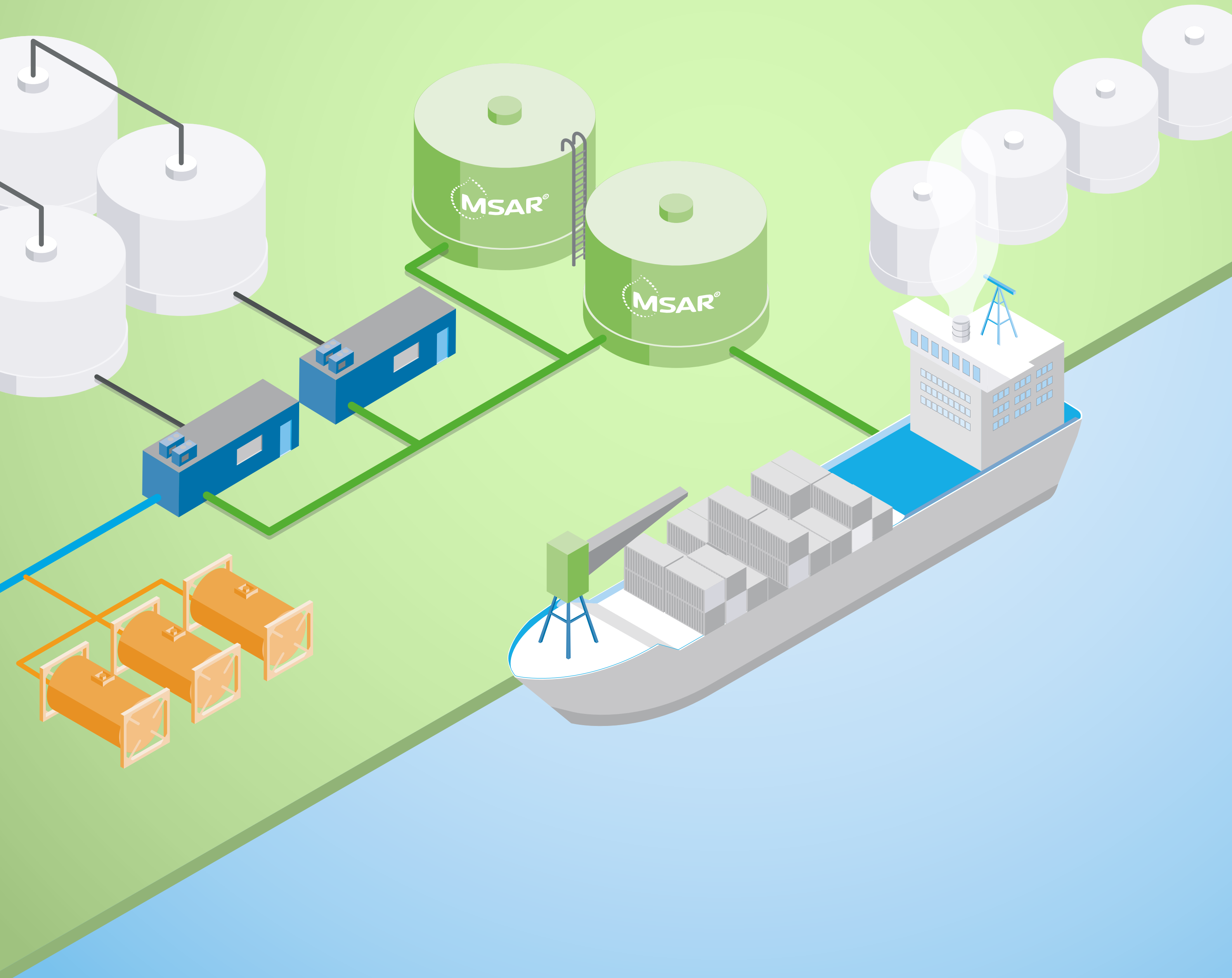
Quadrise
Fuels International plc

ANNUAL REPORT & ACCOUNTS

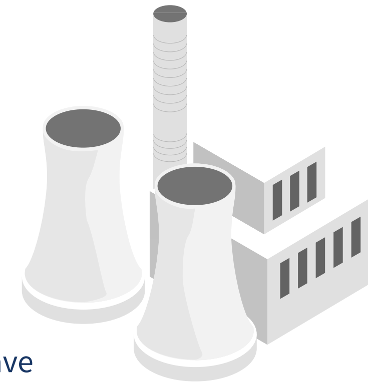
2019



CONTENTS

QUADRISE IS THE INNOVATOR AND GLOBAL SUPPLIER OF A DISRUPTIVE REFINERY UPGRADING TECHNOLOGY THAT ENABLES THE PRODUCTION OF MSAR® (MULTIPHASE SUPERFINE ATOMISED RESIDUE), A SYNTHETIC HEAVY FUEL OIL WHICH HAS SIGNIFICANT ECONOMIC AND ENVIRONMENTAL BENEFITS.

HIGHLIGHTS



2019 has been a hugely important year for Quadrise in which we have made significant progress in implementing our strategy of accessing a broader range of project opportunities. We are now developing momentum in a number of markets in which we are seeking to progress to commercial-scale trials and ultimately supply contracts. With the recently confirmed funding in place, we now have the financial capacity to progress these through 2020 and beyond.

Medium-term Funding Secured

1

First £2m tranche of £4m Bergen Facility received

2 September 2019.

2

Open Offer increased by 20% to £1.8m – fully underwritten, plus £0.7m from subscriptions

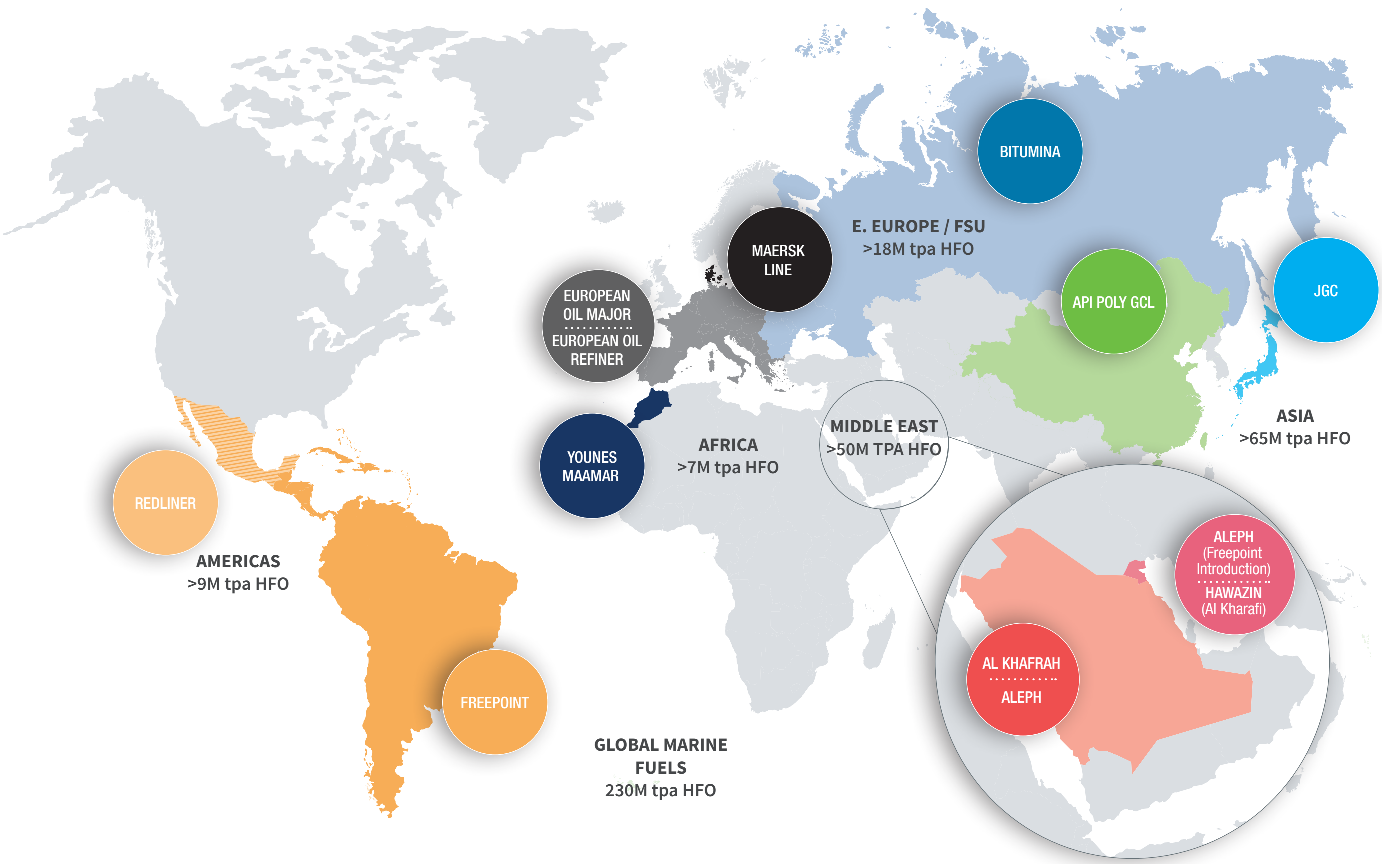
Open Offer take-up 75% at close - an excellent outcome.

3

Total cash funding of £4.5m

Increasing to £6.5m with second tranche of Bergen funding. A further £2.5m available if the warrants relating to the Bergen funding, the open offer and subscription are exercised.

Business Development - Project Opportunity Progression



MSAR®: RELIABLE EMULSION FUEL BLENDING TECHNOLOGY

MSAR® technology draws on over 30 years of experience in the production of oil-in water emulsion-based fuels. MSAR® fuel is a direct substitute for Heavy Fuel Oil (“HFO”) and Quadrise’s MSAR® technology has established a strong reputation with market leading companies.

The global HFO market currently exceeds 400 million tons per annum, with marine bunker fuel oil currently comprising approximately 50% of the total.

MSAR® technology is a potential game-changer for oil refiners. It frees up valuable distillates traditionally used for HFO manufacture and viscosity control, increasing profitability. This is achieved rapidly and without incurring significant expenditure – which differentiates MSAR® from alternative upgrading solutions.

In a refinery producing HFO...

...typically just **50-60%** 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

MSAR® systems are scalable and modular.

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 Refinery Margins

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

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

The MSAR® fuel produced is:

- Extremely stable, with storage and handling possible at ambient conditions.
- Compatible with MSAR® fuels from other refineries and a variety of hydrocarbons.
- Transported to end-users using existing HFO infrastructure.

MSAR®: HOW IT WORKS:

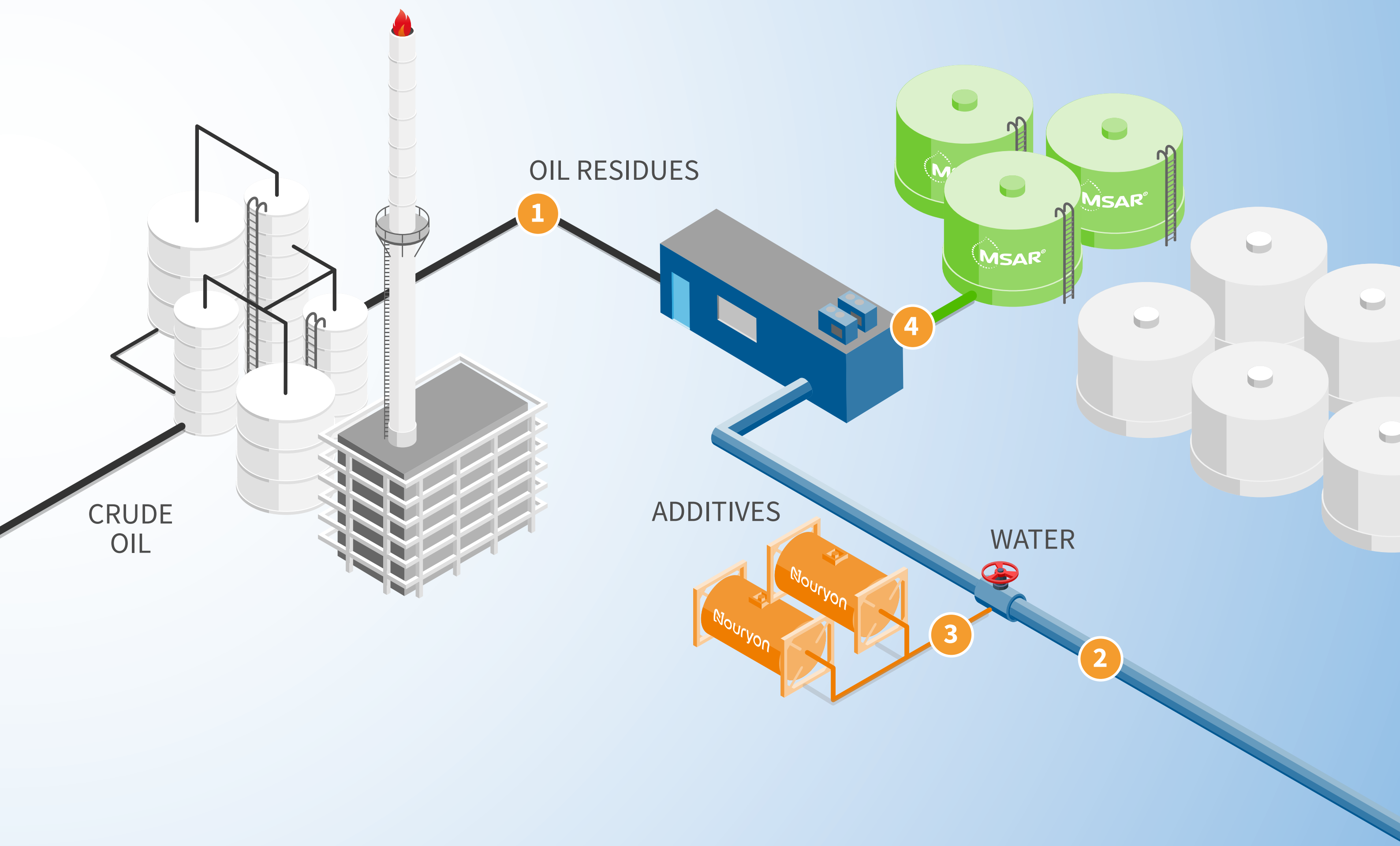
The MSAR® process is simple:

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

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

3. Special additives are included in the water phase to stabilise the emulsion for long-term storage and conventional transport, and to promote complete combustion.

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

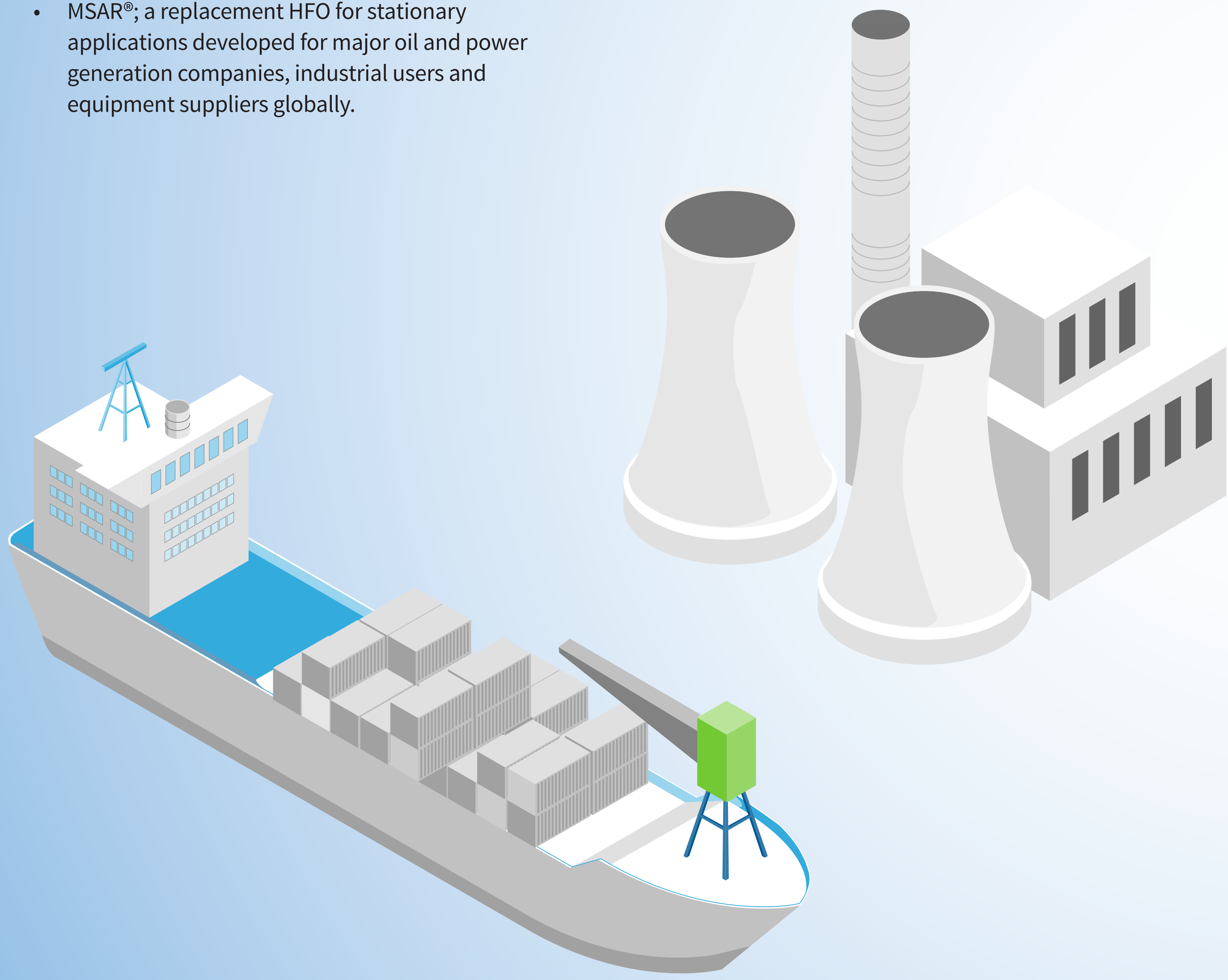


MSAR®: PROVEN FUEL OIL SUBSTITUTE

Quadrise's MSAR® technology is applicable to a wide variety of heavy oils and refinery residue streams and end-user applications. Whilst the process is specific to each refinery/ residue stream, the low-cost MSAR® fuel is generally supplied as one of two products:

- Marine MSAR®; a replacement bunker fuel, developed with A.P. Møller-Maersk and major diesel engine companies. This requires much higher dynamic stability and much tighter limits on the water quality (de-mineralised).
- MSAR®; a replacement HFO for stationary applications developed for major oil and power generation companies, industrial users and equipment suppliers globally.

Compared with HFO, MSAR® fuel offers consumers typically 10–20% lower energy costs due to the distillate savings made at the refinery.



MSAR® AND THE ENVIRONMENT

MSAR® offers significant environmental advantages which are of increasing importance to consumers:

Lower Energy Consumption Costs

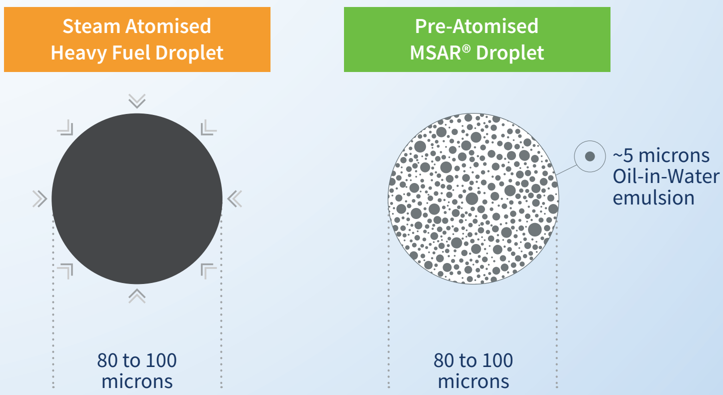
The MSAR® process transforms hydrocarbons that are solid at room temperatures into a product that can be stored and transported at ambient temperatures of 20-30°C. As a result, the energy requirements for handling and transporting MSAR® are lower than HFO (which is handled at 50-100°C).

Lower NOx & 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 “Soot” or “Black Carbon”) and nitrogen oxide (“NOx”) emissions during combustion.

The micron-sized MSAR® fuel droplets burn more efficiently than HFO and result in high conversion of fuel to energy with virtually no Soot. The 30% water in MSAR® fuel immediately evaporates, causing secondary atomisation and reducing combustion temperatures, typically reducing NOx emissions by 20-30%. NOx gases are significant atmospheric pollutants that contribute to the formation of smog and related health issues.

Black Carbon results from the incomplete combustion of hydrocarbon, which increases the total amount of PM produced and is estimated to be 5–15% of shipping particulate emissions. It absorbs heat in the atmosphere and reduces the ability, on deposition, for snow and ice to reflect sunlight. Studies indicate that Black Carbon is a major contributor to global warming.



*Burn occurs on droplet surface

*MSAR® droplets have 17 times the surface area per mass of Heavy Fuel

Lowest Cost Solution To Meet Current And Future Environmental Regulations For Fuel Oil

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 adopted a global cap for marine fuel sulphur of no more than 0.5% by weight from 1st January 2020. For shipowners the choice is either to use higher cost compliant fuels (with fuel already a large portion of the ship’s operating cost) or to install exhaust gas cleaning systems (“scrubbers”) on their vessels to use higher sulphur HFO. This regulation will increase the demand and cost of low sulphur distillate fuels relative to HFO, it also reduces the cost of MSAR® and improves the investment case.

The business case for most refiners to invest in the necessary equipment to make compliant fuels is not clear cut, especially as the financial returns for these billion dollar investments are uncertain and the overall environmental impact (including increased CO2 emissions) is worse when compared over the life-cycle with the status quo of HFO plus scrubbing.

At a macro level, refineries that produce MSAR® also sell more higher value distillates, with some of the savings shared with the consumer to invest in scrubbers, enabling affordable compliance for all.

CHAIRMAN'S STATEMENT

Overview of the 2019 Financial Year and substantial post year-end events

The 2019 financial year was one in which we made concrete steps to implement our strategy of developing a wider range of MSAR® project and commercial opportunities. We have demonstrated staged progress in a number of important markets for Quadrise and are, therefore, well positioned to advance these opportunities with our commercial partners in the relevant countries/regions. This provides, we believe, firm foundations for the Company's future growth. The recently completed up to £6.5m funding (£4.5m of which is in place now) secures the Company's financial position in enabling the Company to continue to operate and advance its business development initiatives at current levels of expenditure until 31 December 2020.

The £2m Bergen funding and proposed open offer was announced on 23 August 2019. We felt it was important to demonstrate that we value our long-term and very supportive retail shareholders by offering them the opportunity to participate in the funding on substantially the same terms as Bergen. We were, therefore delighted to announce on 9 September 2019 that we had increased the scale of the open offer by 20% to £1.84m and to have had this fully underwritten by Peel Hunt. In addition, we had been able to raise a further £0.72m via subscription. The results of the open offer announced on 30 September 2019 showed that take-up was 75% which we and our advisors regarded as an excellent outcome in challenging stock-market conditions.

Business Development

As noted in the Company's interim results to 31 December 2018, we are very clear on the requirement to deliver near-term business development milestones and secure additional funding to progress to sustainable commercial revenues and we have been actively engaged in delivering on both fronts during 2019. Important developments during (and immediately after) the period included:

November 2018

- Co-Marketing and Project Development Agreement ("CMPDA") with Freepoint Commodities LLC ("Freepoint")
- Memorandum of understanding ("MoU") and MSAR® test programme with a European oil major.

February/March 2019

- Agreement with Aleph Commodities ("Aleph") covering Kuwait (a territory under the CMPDA with Freepoint), which builds on Quadrise's earlier work to demonstrate the feasibility of MSAR opportunities in the country.
- Agreement with Younes Maamar, former CEO of the Moroccan state-owned power and water utility, ONEE.

May/June 2019

- Agency Agreement with Hawazin (Ahmad Al Otaibi and Faisal Al-Kharafi) in Kuwait – delivery of the first milestone with Aleph triggering the award of 5 million warrants to them.
- Memorandum of Agreement ("MoA") with our new partner, Al Khafrah Holding Group, to accelerate the substantial opportunities in the Kingdom of Saudi Arabia ("KSA").
- Services Agreement with Aleph covering KSA, to work in collaboration with Quadrise and Al Khafrah to accelerate our access to this major market opportunity.
- Other agreements to enable access to markets in China and Mexico.

August 2019

- MoA with a European Oil Refiner to evaluate and develop a potential MSAR® project at one of their refineries, including proof of concept testing and project scoping activities.
- MoU with Merlin Energy Resources to evaluate, develop and promote upstream heavy-oil projects using MSAR® as a cost-effective solution to unlock value.

We now have a much broader pipeline of activities and opportunities that we will continue to progress during 2019-2020. The use of relevant local partners to assist in this activity enables Quadrise to access these markets in a cost and time effective manner and to align our internal resources appropriately to projects that present the most immediate opportunities. These priorities are reviewed regularly with resources reallocated appropriately. Progress on individual projects varies over time, with periods of relatively little apparent activity suddenly transforming into intense project-based activity, or vice versa, primarily due to external circumstances outside of Quadrise's control.

Delivery of Key Business Objectives

With this broad spread of activities and the progress achieved in core markets, we believe that we have delivered strong progress on one of our key objectives for the year; to rebuild shareholder confidence and demonstrate that their long-term support continues to be justified.

We were delighted to secure the fundings announced on 23 August and 9 September 2019, the combination of which will be fundamental to the Company being able to advance towards material commercial revenues and profitability.

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 rebuild investor confidence and deliver long term shareholder value.

MSAR® Market Background

As stated in the interim results, the positive shifts in the liquid fuel markets continued throughout 2018 and this trend has been maintained through 2019. This trend is a combination of strong MSAR® economics, driven by the widening Heavy Fuel Oil ("HFO") and distillate fuels spread, together with increasing acceptance in the market that there will continue to be a significant demand for high sulphur HFO post the implementation of the International Maritime Organisation ("IMO") 2020 regulations. Marine operators, including Maersk, are accelerating plans for Exhaust Gas Cleaning System ("EGCS" or "scrubbers") installations as retrofits on existing vessels and on newbuilds. This should provide a stable platform for Quadrise to work with refiners and fuel consumers in the power, marine and industrial markets to progress MSAR® projects over the next year.

Power Generation Opportunities

In Kuwait, our agreements with Aleph and Hawazin have positioned Quadrise to build on the work we had already concluded successfully in 2018 to demonstrate our technology to key participants in the local refining market. We are jointly building on this strong base and look forward to demonstrating substantial progress during 2019. In Morocco, we are making good progress with Younes Maamar whilst the power market may provide further complimentary supply opportunities.

KSA still offers a very large market opportunity and we have put in place material changes to better address this. We amicably exited our long-term relationship with Rafid and established a new agreement with Al Khafrah to act as our local agent, supplemented by a further services agreement with Aleph. Through these actions we expect to develop broad and influential relationships that will enable us to reengage in the country and accelerate plans to develop the substantial opportunities for fuel oil substitution with MSAR®.

The agreements that we have reached with agents generally include a success-based incentive structures, with material rewards only due upon the delivery of relevant disclosable project milestones and contracts that lead to the establishment of MSAR® projects and commercial sales. This ensures that the interests of all parties are aligned to bring projects and commercial opportunities at pace.

We continue to pursue power market opportunities in other regions through existing relationships with major stakeholders, though in the near-term our focus will be on Europe, the Middle East and Morocco opportunities.

Marine MSAR® Opportunities

The impending implementation of the IMO 2020 sulphur regulations has provided an increasingly positive market background for Quadrise across all markets. In the marine market in particular, the increasing uptake of scrubbers combined with the continued use of high sulphur fuel oil is widely regarded as the lowest cost compliance option for ship owners and operators in all major segments including the container, tanker and dry bulk markets. Although there remains some limited debate in the market regarding open-loop scrubbers and resulting seawater discharge, this is now widely regarded as proven technology. We believe that any coastal water or port authority bans on open loop discharge will have a minimal impact on the overall economic viability of scrubber installation, with rapid investment payback of one to two years for most installations.

Quadrise is benefiting from this market dynamic and remains in discussions with a number of market participants to progress trials ahead of making decisions on the adoption of MSAR® alongside existing scrubber installation. However, capacity within the technical teams at shippers is at a premium, given the impending IMO deadline of 1st January 2020, so engagement and resourcing remains challenging. Maersk has now reversed its previous policy decision to only use compliant fuels and will now be installing scrubbers on some of its fleet. We have continued our discussions with Maersk in relation to the Royalty Agreement and related future MSAR® opportunities.

RDI and Operations Activities

We have maintained investment in our Research, Development and Innovation ("RDI") activities and have hosted a number of investor and client visits during the year to demonstrate the high-quality team and facilities at QRF, which remain central to our technology-led offering and the provision of operational project support, that includes bespoke equipment manufacture and supply. We continue to develop our pilot production facilities at QRF to handle the more challenging residues from complex refineries. These residues need to be emulsified at much higher temperatures and pressures and this capability will be increasingly important to support our broader business development activities. The ability of Quadrise to manufacture small volumes of MSAR® at QRF could play a vital role in expediting future trial activities.

PR/IR Activities

Our close control of costs has continued without impacting our business development and PR/IR activities that are essential to the development of our business. Targeted investment during the period has included continued development of the website, more active use of other media such as Proactive Investors to reinforce the value of the positive news-flow that our business development activities have generated and increased use of investor conference calls to engage directly with our shareholders on a regular basis.

Results for the Year

The consolidated after-tax loss for the year to 30 June 2019 was £3.0m (2018: £3.3m). This included production and development costs of £1.5m (2018: £2.0m), administration expenses of £1.5m (2018: £1.5m), a share option charge of £0.2m (2018: £0.1m), interest income of £3k (2018: £18k) and a tax credit of £184k (2018: £294k).

Basic and diluted loss per share was 0.34p (2018: 0.38p).

Statement of Financial Position

At 30 June 2019, the Group had total assets of £5.1m (2018: £6.5m). The most significant balances were intangible assets of £2.9m (2018: £2.9m), property, plant and equipment of £0.7m (2018: £1.0m), and cash of £1.1m (2018: £2.2m). Further information on intangible assets is provided in note 11 to the Group Financial Statements.

Cash Flow

The Group ended the year with £1.1m of cash and cash equivalents (2018: £2.2m) with £1.5m having been raised through the open offer in January 2019, and £2.7m having been utilised in its operating activities during the year (2018: £3.0m).

Capital Structure

The Company had 862,204,976 ordinary shares of 1p each in issue at 31 December 2018. As announced on 21 January 2019, the Company issued 60,506,919 new ordinary shares raising a total of £1.51m (before expenses). On 30 August 2019, 8,388,889 new ordinary shares were issued as part of the Convertible Security transaction announced on 23 August 2019. A further 64,656,049 new ordinary shares were issued on 1 October 2019 as a result of the Open Offer and Subscription announced on 9 September 2019.

The Company's current issued share capital stands at 995,756,835 ordinary shares of 1p each all with voting rights.

Taxation

The Group has tax losses arising in the UK of approximately £51.0m (2018: £49.5m) that are available, under current legislation, to be carried forward against future profits. £23.5m (2018: £21.5m) of the tax losses carried forward represent trading losses within Quadrise Fuels International plc, £25.8m (2018: £25.8m) represent non-trade deficits arising on intangible assets within Quadrise International Limited, £0.9m (2018: £1.3m) represent pre-trading losses incurred by subsidiaries, £0.8m (2018: £0.8m) represent management expenses incurred by Quadrise International Limited, and £0.1m (2018: £0.1m) represent capital losses within Quadrise Fuels International plc.

Outlook – Current trading and prospects

We are now building significant momentum across a broad range of opportunities in the power and marine markets, and our efforts remain focused on moving these forwards at pace through the remainder of 2019 and into 2020, now that we have secured substantial funding. Our evolved business development approach is reducing risk through having a broader portfolio of opportunities supported by our partners. Alongside this, our proven project management and RDI expertise enhances our ability to engage with leading companies and reduces the delivery risk to our project activities.

Though progress remains subject to potential delays and challenges, we have made substantive progress so far in 2019. We are well positioned to capitalise on the significant opportunities that we have secured to date, and to manage the risk that we still face – though we believe that these risks have reduced materially during the year.

We will continue to invest in PR/IR activities to ensure that there is a broad and deep understanding of Quadrise among our current and potential shareholders and customers. As part of this process, we have continued to upgrade the website and have most recently included an animated video which we will also be using at relevant industry events and meetings. We will also be investing in enhancing our capabilities to better support our loyal and longstanding shareholder base.

With 2020 approaching we firmly believe that MSAR® technology has significant commercial potential, and our recent announcements demonstrate that an increasing number of participants in the energy, power and marine markets are aligned to this view and are incentivised to deliver value for Quadrise and our shareholders. As a result, the Directors have a high degree of confidence that Quadrise will be in a position to demonstrate that material progress has been made which will provide the pathway to commercial revenues. We look forward to being able to provide timely updates as we progress through the current financial year.

QFI comprises a small, but very capable team and the progress that we have made, and that is still to be delivered, is only possible through the significant contribution of everyone working within the business and I would like to thank all for their continued dedication and professionalism. Finally, I would like to thank our shareholders once again for their support through some challenging times. This support has been, and will remain, fundamental to the long-term success of Quadrise.

Mike Kirk
Executive Chairman
4 October 2019

STRATEGIC REPORT

For the year ended 30 June 2019

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, industrial applications 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 partners and 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 £1.1m as at 30 June 2019. As set out in note 27, funds of £4.5m (gross) were raised during the period following year end. Having conducted a full review of the updated business plan, budgets and associated commitments, the Directors have concluded that the Group has sufficient financial resources to continue in operational existence for at least the forthcoming year and therefore continues to adopt the going concern basis in preparing the accounts. Note 3 contains further details in this respect.

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 required 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 its 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.

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 Nouryon 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 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 expose 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 of its business. 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 company requires compliance with the 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
4 October 2019

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 chairman of the QFI Audit and Funding committees and a member of the Compensation and Nominations committees.

Bryan Sanderson
Non-Executive Director

Bryan has spent more than 35 years with BP in senior executive positions, latterly as Managing Director from 1991 to 2000 and as Chief Executive of BP Chemicals from 1990 to 2000. Since retiring from BP in 2000, Bryan has held the position of Chairman at Standard Chartered Bank, BUPA and Northern Rock amongst others. Bryan was also previously a non-executive director of Corus/British Steel, Six Continents and Argus Media. He is currently Interim Chairman of the UK Government's Low Pay Commission and holds a number of other board positions. Bryan holds a BSc in Economics from the London School of Economics, where he is currently an Emeritus Governor, as well as Honorary Doctorates from the University of York and the University of Sunderland. He is also an Honorary Fellow of the Institution of Chemical Engineers.

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 and Nominations committees.

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 2018, Hemant serves on the QFI Audit, Funding 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 2019.

Results and Dividends

The consolidated loss from continuing operations after taxation for the year ended 30 June 2019 was £3.0m (2018: £3.3m). The Directors do not recommend the payment of any dividend for the year (2018: £nil).

Directors

Those who served as Directors during the year are:

- Mike Kirk (Executive Chairman)
- Jason Miles (Chief Operating Officer)
- Laurence Mutch (Non-executive Director)
- Bryan Sanderson (Non-executive Director – appointed 23 April 2019)
- Dilipkumar Shah (Non-executive Director)
- Philip Snaith (Non-executive Director)
- Hemant Thanawala (Non-executive Director)

Resolutions to re-appoint Mike Kirk and Dilipkumar Shah as Directors, who retire by rotation, will be proposed at the Annual General Meeting. A resolution to re-appoint Bryan Sanderson, who was appointed as a Director of the Company by the Board with effect from 23 April 2019 will also be proposed at the Annual General Meeting.

Directors' Interests

The interests of the Directors holding office at 30 June 2019 were as follows:

Number of Shares held:

Directors	30 June 2019 Ordinary Shares of 1p each	30 June 2018 Ordinary Shares of 1p each
Hemant Thanawala[1]	29,239,579	29,039,579
Jason Miles	3,580,633	3,180,633
Mike Kirk	600,000	500,000
Laurence Mutch	365,000	150,000
Philip Snaith	350,000	150,000
Dilipkumar Shah	170,000	100,000
Bryan Sanderson	-	-

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 2019 Share options	30 June 2018 Share options	Exercisable up to
Mike Kirk	3,000,000	3,000,000	1 April 2024
	3,000,000	-	27 June 2029
Hemant Thanawala	3,500,000	3,500,000	1 April 2022
	500,000	500,000	22 March 2024
	2,000,000	-	27 June 2027
Jason Miles	5,000,000	5,000,000	1 April 2022
	1,500,000	1,500,000	22 March 2024
	3,551,122	-	27 June 2029
	1,448,878	-	27 June 2027
Laurence Mutch	3,500,000	3,500,000	1 April 2022
	2,000,000	-	27 June 2027
Dilipkumar Shah	500,000	500,000	1 April 2022
	500,000	-	27 June 2027
Philip Snaith	2,000,000	-	27 June 2027
Bryan Sanderson	500,000	-	27 June 2027

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	60,812,495	6.11%
Phibatec Limited	Direct	51,562,500	5.18%
Intertrust Trustees Limited	Direct	46,081,160	4.63%
Anthony Lowrie	Indirect	31,521,705	3.17%

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 22.

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 6-9 of this report.

Future Developments

Further information regarding the future developments of the Group is contained in the Chairman's Statement on pages 6-9 of this report.

Directors' Liabilities

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

Disclosure of Information to Auditors

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

Re-appointment of Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution to re-appoint Crowe 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 19-28.

Annual General Meeting

The Annual General Meeting will be held on Friday 29 November 2019 as stated in the Notice, which accompanies this Annual Report.

By order of the Board.

MSP Corporate Services Limited
Company Secretary
4 October 2019

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
Chairman
4 October 2019

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 2019 were as follows:

Director	Short-term employee benefits – as paid £'000s	Short-term employee benefits – deferred[1] £'000s	Post-employment benefits £'000s	Total 2019 £'000s	Total 2018 £'000s
Mike Kirk	255	(56)	14	213	207
Jason Miles	206	-	12	218	216
Hemant Thanawala	36	(3)	-	33	115
Philip Snaith	46	(8)	-	38	41
Laurence Mutch	46	(8)	-	38	39
Bryan Sanderson	5	-	-	5	-
Dilipkumar Shah	-	-	-	-	-
Total	**594**	**(75)**	**26**	**545**	**718**

[1] With effect from 1 September 2017 to 31 December 2018, 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 deferred balance was repaid in March 2019. An uplift of 25% due on the deferred balance is included within the 2018 and 2019 totals and remains as a potential future payment.

Reconciliation of Share Options Granted to Directors

	30 June 2019 Number of share options	30 June 2018 Number of share options
As at 1 July	17,500,000	17,500,000
Granted during the year by QFI	15,000,000	-
Exercised during the year	-	-
Expired during the year	-	-
As at 30 June	**32,500,000**	**17,500,000**

No gain was realised on the exercise of share options by Directors during the year (2018: £nil).

The market price of the Company's shares at the end of the reporting period was 6.70p (2018: 3.55p) and the range during the year was 2.05p to 7.40p (2018: 2.48p to 14.13p) per share.

Philip Snaith
Chairman of the Compensation Committee
4 October 2019

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 27 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 resolved to adopt) which apply to Quadrise Fuels International plc are set out below.

Principles of the UK Corporate Governance Code

Board Leadership & Company Purpose

1. Effective and entrepreneurial board promoting sustainable success, generating value for shareholders and contributing to wider society.
2. Establish the company's purpose, values & strategy. Directors to act with integrity and promote the desired culture.
3. Ensure necessary resources to meet objectives and measure performance. Establish framework of controls which enable risk to be assessed and managed.
4. Ensure effective engagement with and encourage participation from shareholders and stakeholders.
5. 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

6. 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.
7. 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.
8. Non-exec directors to have sufficient time to meet responsibilities and provide constructive challenge, strategic guidance, specialist advice and hold executive management to account.
9. Ensure policies, processes, information, time and resources required to function effectively and efficiently.

Composition, Succession and Evaluation

10. 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.
11. Board and committees to have a combination of skills, experience and knowledge. Review length of service of the board with membership regularly refreshed
12. 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

13. 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.
14. Present a fair, balanced and understandable assessment of company's position and prospects.
15. Establish procedures to manage risk, oversee internal controls and determine nature and extent of principal risks in achieving its long-term strategic objectives.

Remuneration

16. 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.
17. A formal and transparent procedure for developing policy on executive remuneration should be established. No director involved in deciding their own remuneration.
18. Directors to exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance and wider circumstances.

Chairman's Corporate Governance Statement

Dear Shareholders,

Since its original listing in April 2006, Quadrise Fuels International 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 that year. We have provided 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.

Following the disappointments of last year, the 2018-19 financial year was one in which we implemented the new strategy of developing a wider range of MSAR® projects and commercial opportunities. In this regard, we have already demonstrated excellent progress in a number of important markets for Quadrise and are well positioned to action these projects with our commercial partners in the relevant countries/regions. This provides, we believe, firm foundations for the Company's future growth. The announcement on 23 August 2019 of £2m funding and the subsequent announcement on 9 September 2019 of the fully underwritten open offer raising a further £1.8m (gross) together with the £0.75m (gross) subscription ensures that we now have the ability to convert these opportunities to substantive commercial ventures during the coming 18 months.

Through a series of meetings with major shareholders, and the introduction of investor conference calls (1 August and 18 December 2018, and 20 May and 28 August 2019), as well as the General Meeting on 27 September 2019, 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, compensation and funding 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 enjoyed meeting you at the General Meeting on 27 September 2019 and look forward to meeting with shareholders at the AGM on 29 November 2019. We plan to hold further investor conference calls during the latter half of 2019 and would be delighted to discuss any element of our governance standards on these calls.

Mike Kirk
Executive Chairman
4 October 2019

Application of the Code

In accordance with AIM Rule 26, the following describes how the Company complies with the Code and where it departs from the Code together with an explanation of the reasons for doing so.

Board Leadership and Company Purpose

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

The Quadrise Board met formally on 15 occasions during the year ending 30 June 2019 in its endeavours to progress the announced relationships and potential projects with Freepoint Commodities LLC and with a European oil major (announced November 2018), with Aleph Commodities (“Aleph”) covering Kuwait and Younes Maamar, former CEO of the Moroccan state-owned power and water utility, ONEE (February 2019/March 2019), with the Kharafi Group in Kuwait, and Al Khafrah Group and Aleph Commodities, to accelerate opportunities in the Kingdom of Saudi Arabia (announced in May and June 2019

More recently, in August 2019, the Company announced a Memorandum of Understanding with Merlin Energy Resources Limited- an upstream oil and gas consultancy.

The Board, both directly and through the Funding committee has also allocated considerable time to developing an appropriate medium term strategy to secure funding for the Company, the elements of which were announced on 23 August and 9 September 2019, with all of the elements crystallising after the relevant authorities were approved by shareholders at the General Meeting on 27 September.

Given the above progress, the opportunity for the Company to generate future value for shareholders remains sound in our view. Refer to further information under Provisions 1 and 14, and Principles F, G and H (Board effectiveness, Independence).

The MSAR® technology has many environmental benefits as reported elsewhere, and on the company’s website https://www.quadrisefuels.com/msar-technology/the-benefits-of-msar and in this way has considerable potential to contribute to wider society.

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

Our mission is to be the world’s leading oil-in-water emulsion fuels company, providing best available technology, solutions, services and MSAR® synthetic fuel oil products for our major, market-leading customers.

Our strategy is to work with global and regional companies in the refining, shipping and power-generation markets to develop, simultaneously, the capacity to both produce and consume MSAR® emulsion fuels on a commercial scale and world-wide.

The Quadrise team of twelve employees and directors are highly cohesive and motivated with a clear sense of purpose. The Company is privileged to have a highly experienced Board, setting values and strategy in our annual Business Plan, and adopting the highest standards of integrity whilst promoting a hands-on, friendly but professional culture. For further information refer to Provisions 2 and 8.

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

We will continue to reduce costs where this is sensible within the business, without impacting our ability to deliver our business development plans, including the essential research and development support. This includes changes to the executive structure where appropriate.

Refer to Provisions 28: Assessment of Risks, and 29: Internal Controls, as well as the disclosures under Principles I and O.

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

A successful AGM was held on 30 November 2018 with some 70 shareholders in attendance. During 2018-19, through a series of meetings with major shareholders, and the introduction of investor conference calls (1 August and 18 December 2018, and 20 May and 28 August 2019) with in excess of 100 shareholders on each call, the executive team has endeavoured to keep shareholders fully informed (within the usual disclosure constraints) on the Company’s strategic development plans. Refer to Provisions 4, 5, 6 and 7 for further information. The Company held a General Meeting on 27 September 2019, to seek approval for its funding plans.

Principle 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.

As a small and cohesive organisation, the Company is quickly alerted to any practices that are inconsistent with our values and determination to achieve long-term sustainable success. The Company nevertheless prides itself in having in place all of the standard procedures of a much larger corporation, together with a wealth of experience on the Board to address any workforce concerns. During the induction programme, new employees are encouraged to bring forward any concerns at any time including use of a Whistleblowing Policy. Refer to further disclosures in Provisions 2, 5 and 6.

Provision 1: Opportunities and risks to future success.

The Chairman's Statement in the 2019 Annual 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 prior terminated trial project in KSA, and the marine fuel trial by Maersk. Principal Business Risks are more fully covered on Page 5 in the Annual Report. 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. 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 cohesive 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

Refer to Disclosure under Principle D and Provision 7.

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

At the 2018 AGM, five ordinary resolutions and one special resolution were carried by at least 84% voting in favour. At the General Meeting in September, one ordinary resolution and one special resolution were carried by 100% voting in favour, This provision did not therefore apply.

Provision 5: Stakeholder engagement mechanisms

Being a small organisation with 12 employees, the Company can readily consider and respond to views put forward by 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 6: A means for the workforce to raise concerns

During the induction programme and subsequently, employees are encouraged to bring forward any concerns at any time including use of a Whistleblowing Policy. If appropriate the chairman of the compensation committee would be asked to investigate and seek external advice should this be necessary.

Provision 7: Identify and manage conflicts of interest

Both executive and non-executive directors meet and consult major shareholders within the usual disclosure constraints to surface and manage any potential conflicts of interest. Any related party transactions are reported in Note 23 to the financial results.

Provision 8: Board Minutes to record issues that cannot be resolved

The Board works hard to resolve any concerns about the management of the company and the operation of the Board. On occasions a director will request that the Board minutes record his divergent opinion from the majority view. A resigning non-executive director would be encouraged to provide a written statement to the chair if his resignation resulted from such a concern.

Division of Responsibilities

Principles F, G & H: 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. 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.

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

Quadrise is privileged to have a highly qualified and practiced Board of directors of an unusual level of seniority and standing given the Company's moderate size and still early stage of development. For example, the Company was privileged to have Byran Sanderson CBE, former Managing Director and member of the Executive Committee at BP, join the Board in April. Refer to Director Profiles on pages 12-13 of the Annual Report. The non-executive directors have a level of experience and gravitas that ensures a culture of openness and debate and provide the necessary challenge, guidance and advice. Detailed board papers are prepared a week ahead of meetings. For further information refer to Provision 8: Divergent opinions, Provision 10: Independence, Provision 15: Demands on time, and Provisions 16: Company Secretary.

With an Executive Chairman, there is not a clear division between board and company leadership. This is seen as appropriate for the Company at this time, though this will be reviewed as the Company progresses its development plans. Refer to Provision 9.

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

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 keep current. 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. Refer to Provision 29. QFI has a comprehensive disaster recovery plan which is tested on a regular basis.

Expenditure and other authorities are subject to a tight Authorities Matrix, reviewed regularly by the Audit Committee.

The Company has implemented a GDPR policy and has online training facilities for Bribery and Corruption, GDPR and General Data Protection. Completion of this training is compulsory for all employees and directors.

Provision 9: The roles of chair and chief executive

Mike Kirk is Executive Chairman of the Company and therefore the roles of chair and senior executive of the company are exercised by the same individual. 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 pages 12-13 of the Annual 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 Bryan Sanderson's independence or that of Mr Philip Snaith, who has the appropriate experience as a former senior executive of the Royal Dutch Shell Group to chair the compensation and nominations committees.

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 was an executive director of the Company from 2006 to 2017. As a result, Mr Thanawala cannot be formally considered independent. However, Mr Thanawala provides input to the company and the board in a manner consistent with being an independent director. He retired by rotation at the 2018 AGM and was re-elected.

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 2019 financial year amounted to £nil (2018: £nil). 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 concurs with this view and believes him to be independent. He was a former senior finance director of the Royal Dutch Shell Group, and has current financing, corporate governance and regulatory experience. He thus has the experience to chair the audit and funding committees. Mr Mutch retired by rotation at the 2018 AGM and was re-elected.

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 13: Appointing and Removing Executive Directors

On the appointment of Executive Directors refer to Principle J. As discussed under Provision 41, the Compensation Committee annually reviews the performance of the Company and that of the Executive Chairman against previously determined corporate performance targets adopted by the Board. The non-executive directors meet frequently without the Executive Chairman to discuss any performance concerns.

Provision 14: Meetings of the Board

During the 2019 financial year, the Board comprised the Executive Chairman, Chief Operating Officer as executive Directors and three non-executive Directors (four from 23 April 2019) 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 a total of 15 times during the 2018/19 financial year, including four formal quarterly meetings to discuss a 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	15	100%
Jason Miles	14	93%
Laurence Mutch	15	100%
Dilip Shah	5	33%
Philip Snaith	14	93%
Hemant Thanawala	11	73%
Bryan Sanderson[1]	3	100%

[1] Bryan Sanderson appointed 23 April 2019

Provision 15: Demands on Directors' time

In addition to his role as Executive Chairman, Mike Kirk is Chairman of Portsmouth Water and Chair of VIVID Housing. Laurence Mutch is also a non-executive director and chairman of the audit committee at Georgian Mining, an AIM company. Hemant Thanawala and Dilip Shah have other disclosed external appointments. These positions have been disclosed to the Board and do not, of themselves, impact the time they need to commit to the Company.

Provision 16: Advice from the Company Secretary

In Ian Farrelly the Company has a highly experienced Company Secretary and, for example, both the chairman of the compensation committee and the chairman of the audit committee are in regular contact to seek his guidance.

Composition, Succession and Evaluation of the Board

Principle J: A formal, rigorous and transparent procedure to board appointments. 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.

The Board Nominations Committee is chaired by Philip Snaith and comprises Philip Snaith, Mike Kirk and Laurence Mutch. There is indeed a formal, rigorous and transparent procedure to board appointments with the use of external recruitment advisers as may be necessary. Refer to Provision 20. In view of its small size the Board does not have a formal succession plan, and this will be put in place as the Company progresses its development plans. The Board is keen to promote diversity as the Company develops.

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

Refer to Director Profiles in the Annual Report pages 12-13. Each of the members of the Audit Committee has considerable financial experience. The members of the Audit and Compensation Committees formerly held senior executive positions in large organisations. External guidance is used in setting remuneration policy guidelines.

Two of the directors have been on the Board for 13 years (since listing in April 2006). Whilst this is at odds with regularly refreshing the Board, their experience is highly valued by shareholders when the directors retire by rotation and are then re-elected. Refer to Provisions 18 and 19.

Principle 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.

An annual appraisal is undertaken of the contribution of each director, and the effectiveness of the Board and its committees. This involves the completion of a confidential evaluation matrix with 10 contribution attributes, together with an opportunity to propose improvements on board and committee performance. These are returned to the Company's Nomad and a consolidated review is provided to the Executive Chairman for review by the Board. Refer to "Evaluation of the board" under Provisions 21, 22 and 23 below.

The Executive Chairman oversees an annual evaluation of all employees with targets set for the following year. The Compensation Committee undertakes an evaluation of the Company's performance and that of the Executive Chairman. Refer to Provision 41.

Provision 17: The Nominations Committee

Refer to Principle J.

Provision 18: Re-election of Directors

In accordance with the Company's Articles of Association, 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.

Provision 19: Nine-year limitation of Chairman

Mike Kirk was appointed Executive Chairman on 1 April 2016, having been appointed as a director on 1 December 2015

Provision 20: External search consultant

The Company did not appoint an external search consultant during the year.

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 Audit Committee, the Board during the year 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, Cenkos Securities plc (formerly Smith & Williamson) aggregated the results and have provided a summary to the Executive Chairman.

Audit, Risk and Internal Control

Principle 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.

Refer to the Corporate Governance Statement on pages 19-28 in the Annual Report. In view of its size the Company does not have an internal audit function. However, the Audit Committee was closely consulted on the drafting of the 2019 Annual Report and of course is integral to the preparation of the annual results. The Committee has considerable governance, control and finance experience. Refer to "The work of the Audit Committee" under Provisions 24, 25 and 26.

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

Refer to the Chairman's Statement in the Annual Report, and to Provision 24, 25 and 26: The work of the audit committee, Provision 27: Board responsibility in preparing the accounts, Provision 30: Going Concern and Provision 31: The prospects of the Company.

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

QFI performs a structured risk assessment on an annual basis. This involves a review of the probability and impact of adverse events across operational regions and at corporate level. This culminates in the preparation of a risk dashboard for consideration by the Board. This is followed by a documented risk mitigation strategy that is subsequently incorporated into the annual Business Plan. Refer also to Provision 28: Assessment of the Company's Risks and Provision 29: Risk Management and Internal Control systems.

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 twice 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 2019 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 pages 10-11 in the Annual Report, in the Auditors Report on pages 29-32 and in Note 3 to the Financial Statements. The Valuation of Intangible Assets is addressed in the Auditors Report on pages 29-32 and in Note 11 to the Financial Statements.

No Internal Audit function

An internal audit function is not appropriate at this time given the Company's current size, and in view of this, the Audit Committee and the Auditors consider 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 by the board as auditors in 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 considers 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 operational region 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 remain current. 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 implemented a GDPR policy and has online training facilities for Bribery and Corruption, GDPR and General Data Protection. Completion of this training is compulsory for all employees and directors.

Provision 30: Going Concern

The subject of Going Concern is covered in the Strategic Report on pages 10-11 of the Annual Report, in the Auditors Report on pages 29-32 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 6-9 of the Annual Report

Principles P, Q & R: Remuneration

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.

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

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

Refer to the Report on Directors' Remuneration on page 18.

With reference to Provision 41, the Compensation Committee reviews remuneration policy on an annual basis to assess its effectiveness, and on behalf of the Board conducts performance appraisals of the Company and the Executive Chairman each year. External guidance is sought as necessary in setting the terms of senior executive compensation. Refer to Provision 35: Remuneration Consultant. In consultation with the Executive Chairman, the committee prepares corporate targets for formal adoption by the Board to determine the award of bonuses and / or options. These are clearly linked to the delivery of long-term objectives and corporate strategy. Refer also to Provision 37: Compensation Committee discretion.

Provision 32: Appointment of the 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. Philip Snaith served on the committee prior to taking over as chairman.

Provision 33: Remuneration Policy

Refer to Provision 41

Provision 34: Remuneration of Non-executive Directors

The Board determines the remuneration of the non-executive directors and no Director participates in discussions about his own remuneration. Hemant Thanawala holds share options resulting from his prior role as Finance Director. On 27 June, Laurence Mutch, Philip Snaith, and Hemant Thanawala were each granted 2 million share options for exceptional services to the Company given their roles on the Audit, Compensation, Nominations and Funding Committees. Dilip Shah and Bryan Sanderson were each granted 500,000 share options. These options vest 25% on date of grant and 25% on each annual anniversary thereafter. Provision 34 of the Code states that remuneration for non-executive directors should not include share options or other performance-related elements. However as stated above, the Company's non-executive directors are of an unusual level of seniority and standing given the Company's moderate size and still early stage of development. The Company has a small full-time team and therefore the non-executive directors are more closely engaged in the strategic development of the Company than is normally the case, and their fee compensation is low given their seniority.

Provision 35: Remuneration Consultant

At this time the committee does not make use of a remuneration consultant, but the committee does make use of independent remuneration surveys when these become readily available.

Provision 36: The award of share options to Executive Directors

Options are granted by board resolution in line with one or more of the three QFI Share Option Schemes, a Schedule 5 Enterprise Management Incentive Share Option Plan ("EMIP"), a Schedule 4 Company Share Option Plan ("CSOP") and an Unapproved Share Option Plan ("USOP"). The award of options is tightly linked to the delivery of long-term objectives and corporate strategy. The views of shareholders are taken into consideration.

Provision 37: Compensation Committee discretion

The committee retains an attitude of applying discretion when this is applicable in regard to outstanding individual performance.

Provision 38: Only basic salary to be pensionable

Only basic salary is pensionable and pension contribution rates for executive directors are in line with those for other staff.

Provision 39: Contract periods and no reward for disappointing performance

The contracts for executive directors have no fixed end date. No bonuses were awarded to the Executive Directors in 2018/19.

Provision 40: Remuneration Policy Principles

Refer to Provision 41.

Provision 41: The work of the Compensation Committee

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.

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 challenging issues of the past year, no bonuses were awarded to the Executive Directors. 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 Report on Directors' Remuneration is on page 18.

Laurence Mutch
Chairman of the Audit Committee
4 October 2019

INDEPENDENT AUDITOR’S 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 2019, which comprise:

- the Group statement of comprehensive income for the year ended 30 June 2019;
- the Group and Parent Company statements of financial position as at 30 June 2019;
- 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 2019 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.

Conclusions relating to going concern

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

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

Overview of our audit approach

Materiality

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF QUADRISE FUELS INTERNATIONAL PLC (CONTINUED)

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £230,000, based on approximately 8% of the Group's estimated loss before tax at the planning stage and we did not consider it necessary to change that assessment.

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.

We 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
Going concern	
The Group continues to be loss making and at 30 June 2019 held cash of £1,060,000 which was not sufficient to support the production, development and administrative costs of the Group for 12 months. The going concern basis of preparation of the financial statements may not be appropriate	We reviewed management's process for considering going concern. We obtained management's assessment of going concern, comprising cash flow and profit and loss forecasts for at least 12 months from the date at which the financial statements were approved and a summary of the funding available to the Group to cover that period. Our procedures included, but were not limited to: • Identifying the key assumptions included within the forecasts which we discussed with management and, where appropriate, challenged the appropriateness of; • Performing sensitivity analysis on the projections; and • Reviewing relevant documentation in relation to funds raised by the Parent Company after the reporting date and described in note 27. We also assessed the adequacy of disclosures made in the financial statements in relation to going concern

Carrying value 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;
- Considering 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF QUADRISE FUELS INTERNATIONAL PLC (CONTINUED)

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 Parent 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

4 October 2019

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 2019

	Notes	Year ended 30 June 2019 £'000s	Year ended 30 June 2018 £'000s
Continuing operations			
Revenue		22	9
Production and development costs		(1,475)	(2,002)
Other administration expenses		(1,462)	(1,518)
Share option charge	17	(154)	(53)
Warrant charge	18	(105)	-
Foreign exchange gain/(loss)		10	(3)
Operating loss	5	**(3,164)**	(3,567)
Finance costs		(6)	(7)
Finance income		3	18
Loss before tax		**(3,167)**	(3,556)
Taxation	8	184	294
Loss and total comprehensive loss for the year from continuing operations		**(2,983)**	(3,262)
Loss per share – pence			
Basic	9	(0.34)p	(0.38)p
Diluted	9	(0.34)p	(0.38)p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

Company No. 05267512

	Notes	As at 30 June 2019 £'000s	As at 30 June 2018 £'000s
Assets			
Non-current assets			
Property, plant and equipment	10	730	961
Intangible assets	11	2,924	2,924
Non-current assets		**3,654**	3,885
Current assets			
Cash and cash equivalents	14	1,060	2,229
Trade and other receivables	15	169	188
Prepayments		106	122
Stock		61	61
Current assets		**1,396**	2,600
TOTAL ASSETS		**5,050**	6,485
Equity and liabilities			
Current liabilities			
Trade and other payables	16	288	400
Current liabilities		**288**	400
Equity attributable to equity holders of the parent			
Issued share capital	19	9,227	8,622
Share premium		74,438	73,642
Share option reserve	20	3,455	3,432
Warrant reserve		105	-
Reverse acquisition reserve	20	522	522
Accumulated losses		(82,985)	(80,133)
Total shareholders' equity		**4,762**	6,085
TOTAL EQUITY AND LIABILITIES		**5,050**	6,485

The financial statements, accompanying policies and notes 1 to 28 (forming an integral part of these financial statements), were approved and authorised for issue by the Board on 4 October 2019 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 2019

	Issued capital £'000s	Share premium £'000s	Share option reserve £'000s	Warrant reserve £'000s	Reverse acquisition reserve £'000s	Accumulated losses £'000s	Total £'000s
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**
1 July 2018	8,622	73,642	3,432	-	522	(80,133)	6,085
Loss and total comprehensive loss for the year	-	-	-	-	-	(2,983)	(2,983)
Share option charge	-	-	154	-	-	-	154
Transfer of balances relating to expired share options	-	-	(131)	-	-	131	-
Warrant charge	-	-	-	105	-	-	105
New shares issued net of costs	605	796	-	-	-	-	1,401
30 June 2019	**9,227**	**74,438**	**3,455**	**105**	**522**	**(82,985)**	**4,762**

For an explanation of the nature and purpose of other reserves refer to note 20.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Notes	Year ended 30 June 2019 £'000s	Year ended 30 June 2018 £'000s
Operating activities			
Loss before tax from continuing operations		(3,167)	(3,556)
Depreciation	10	230	230
Loss on disposal of fixed assets		25	-
Finance costs paid		6	7
Finance income received		(3)	(18)
Share option charge	17	154	53
Warrant charge		105	-
Working capital adjustments			
Decrease in trade and other receivables	15	19	114
Decrease in prepayments		16	31
(Decrease)/increase in trade and other payables	16	(112)	153
Cash utilised in operations		**(2,727)**	(2,986)
Finance costs paid		(6)	(7)
Taxation received	8	184	294
Net cash outflow from operating activities		**(2,549)**	(2,699)
Investing activities			
Finance income received		3	18
Purchase of property, plant and equipment	10	(24)	(135)
Net cash outflow from investing activities		**(21)**	(117)
Financing activities			
New shares issued net of issue costs		1,401	-
Net cash inflow from financing activities		**1,401**	-
Net decrease in cash and cash equivalents		(1,169)	(2,816)
Cash and cash equivalents at the beginning of the year		2,229	5,045
Cash and cash equivalents at the end of the year	14	**1,060**	2,229

COMPANY STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

Company No. 05267512

	Notes	As at 30 June 2019 £'000s	As at 30 June 2018 £'000s
Assets			
Non-current assets			
Property, plant and equipment	10	10	42
Investments in subsidiaries	13	32,441	29,783
Non-current assets		**32,451**	29,825
Current assets			
Cash and cash equivalents	14	460	1,709
Trade and other receivables	15	121	113
Prepayments		79	73
Current assets		660	1,895
TOTAL ASSETS		**33,111**	31,720
Equity and liabilities			
Current liabilities			
Trade and other payables	16	169	287
Current liabilities		**169**	287
Equity attributable to equity holders of the parent			
Issued capital	19	9,227	8,622
Share premium		74,438	73,642
Share option reserve	20	3,455	3,432
Warrant reserve		105	-
Accumulated losses		(54,283)	(54,263)
Total shareholders' equity		**32,942**	31,443
TOTAL EQUITY AND LIABILITIES		**33,111**	31,720

The loss for the year dealt with in the accounts of Quadrise Fuels International plc was £151,000 (2018: £63,000).

The financial statements, accompanying policies and notes 1 to 28 (forming an integral part of these financial statements), were approved and authorised for issue by the Board on 4 October 2019 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 2019

	Issued capital £'000s	Share premium £'000s	Share option reserve £'000s	Warrant reserve £'000s	Accumulated losses £'000s	Total £'000s
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**
1 July 2018	8,622	73,642	3,432	-	(54,263)	31,443
Loss and total comprehensive loss for the year	-	-	-	-	(151)	(151)
Share option charge	-	-	154	-	-	154
Transfer of balances relating to expired share options	-	-	(131)	-	131	-
Warrant charge	-	-	-	105	-	105
New share issued net of costs	605	796	-	-	-	1,401
30 June 2019	**9,227**	**74,438**	**3,455**	**105**	**(54,283)**	**32,942**

COMPANY STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Notes	Year ended 30 June 2019 £'000s	Year ended 30 June 2018 £'000s
Operating activities			
Loss before tax from continuing operations		(151)	(63)
Depreciation	10	32	39
Finance costs paid		1	1
Finance income received		(2)	(18)
Share option charge	17	154	53
Warrant charge		105	-
Working capital adjustments			
(Increase)/decrease in trade and other receivables	15	(8)	26
(Increase)/decrease in prepayments		(6)	25
(Decrease)/increase in trade and other payables	16	(118)	173
Cash generated by operations		**7**	236
Finance costs paid		(1)	(1)
Net cash inflow from operating activities		**6**	235
Investing activities			
Finance income received		2	18
Purchase of property, plant and equipment	10	-	-
Loan to subsidiary	13	(2,658)	(3,364)
Net cash outflow from investing activities		**(2,656)**	(3,346)
Financing Activities			
Issue of Ordinary Share Capital		1,401	-
Net cash inflow from financing activities		**1,401**	-
Net decrease in cash and cash equivalents		(1,249)	(3,111)
Cash and cash equivalents at the beginning of the year		1,709	4,820
Cash and cash equivalents at the end of the year	14	**460**	1,709

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 16 (leases) requires 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.

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 2019.

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 became applicable to QFI from 1 July 2018. The Group did not record any revenue in the year and the adoption of IFRS 15 has not therefore had any impact on its financial statements.

IFRS 9 Financial Instruments

IFRS9 became applicable to QFI from 1 July 2018 when the Group adopted it with retrospective effect in accordance with the transitional provisions. IFRS 9 supersedes IAS 39 Financial Instruments: Recognition and Measurement with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. IFRS 9 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in IAS 39. This determines the recognition of impairment provisions as well as interest revenue.

The Group's principal financial assets are cash and cash equivalents and receivables. As set out in note 15 there were no receivables past due at the reporting date. The adoption of IFRS9 has not therefore had a material impact on the financial statements of the Group and no adjustments were required as a result of the adoption of IFRS 9.

IFRS 16 Leases

IFRS16 became applicable to QFI on 1 July 2019. IFRS 16 supersedes IAS 17 Leases and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. IFRS 16 requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be amortised and the lease liabilities will be measured at amortised cost.

QFI has elected no to apply the requirements of paragraphs 22 to 49 of IFRS16 in relation to short term leases and has only one material operating leases which is other than short term, that in relation to its office premises. The minimum future lease payments on the Group's office premises at 30 June 2019 were £151,000.

Other

A number of other new standards and amendments to standards and interpretations have been issued but are not yet effective and, in some cases, have not yet been adopted by the EU. Other than IFRS 16, the Directors do not expect that the adoption of new standards will have a material impact on the financial statements of the Group in future periods.

(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 2019 is determined to be £2.9m (2018: £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 2019)	Statement of Comprehensive Income (average rate throughout the financial year)
USA	USA	1.269	1.293
Europe	EUR	1.116	1.133

(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

The measurement at initial recognition did not change on adoption of IFRS 9. Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method. Available-for-sale financial assets are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised in profit or loss.

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.

Equity instruments

Following the introduction of IFRS 9, the Group subsequently measures all equity investments at fair value. Changes in the fair value of financial assets is recognised in the statement of profit or loss as applicable.

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 £1.1m as at 30 June 2019. As set out in note 27, on 22 August 2019 the Group issued the first tranche of a convertible security, for which proceeds of £2m were received in exchange. On 9 September 2019 the Group announced a fully underwritten open offer to raise a further gross £1.8 million, as well as a subscription to raise further gross proceeds of £0.7m. The open offer and subscription were conditional on shareholder approval of resolutions at the General Meeting of 27 September 2019, which was duly granted.

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

4. Segmental Information

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

Geographical Segments

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

5. Operating Loss

Operating loss is stated after charging:

	Year ended 30 June 2019 £'000s	Year ended 30 June 2018 £'000s
Fees payable to the Company's auditor for the audit of the Company's annual accounts.	16	15
Fees payable to the Company's auditor and its associates for other services:		
Audit of accounts of subsidiaries	16	15
Tax compliance services	5	8
Consultants and other professional fees (including legal)	238	269
Depreciation of property, plant and equipment	230	230
Research and development costs	178	296

6. Staff Cost

Head count	Year ended 30 June 2019 Number	Year ended 30 June 2018 Number
Average number of employees of the Group (including executive Directors employed by the Company) during the year was:		
Management	2	2
Technical staff / support / other	9	10

Staff costs	Year ended 30 June 2019 £'000s	Year ended 30 June 2018 £'000s
Wages and salaries	1,081	1,316
Social security costs	140	162
Pension costs	71	84
Total	**1,292**	1,562

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

Director	Year ended 30 June 2019 £'000s	Year ended 30 June 2018 £'000s
Mike Kirk		
Wages and salaries - as paid	255	102
Wages and salaries – deferred[1]	(56)	91
Pension costs	14	14
Total	**213**	207
Jason Miles		
Wages and salaries – as paid	200	200
Pension costs	18	16
Total	**218**	216

Director	Year ended 30 June 2019 £'000s	Year ended 30 June 2018 £'000s
Hemant Thanawala		
Wages and salaries - as paid	-	102
Wages and salaries – deferred[1]	-	5
Pension costs	-	8
Total	**-**	115
Total	**431**	538

Aggregate emoluments of the Directors of the Company (excluding social security costs) were as follows:

Salaries and fees – as paid	594	458
Salaries and fees – deferred[1]	(75)	122
Share option expense	122	42
Pension costs	26	38
Total	**667**	660

1 With effect from 1 September 2017 to 31 December 2018, 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 deferred balance was repaid in March 2019. An uplift of 25% due on the deferred balance is included within the 2018 and 2019 totals and remains a potential future payment.

Non-executive Directors fees for the year amounted to £115k (2018: £80k), this is net of the release of £18k of deferred from the prior year (2018: deferment of £26k).

The highest paid Director's remuneration totalled £218k (2018: £216k), represented by all aggregate emoluments.

Refer to the Report of Directors' Remuneration (on page 11) 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 23 – 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 2019 £'000s	Year ended 30 June 2018 £'000s
UK corporation tax credit	(184)	(294)
Total	**(184)**	(294)

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

Tax Reconciliation	Year ended 30 June 2019 £'000s	Year ended 30 June 2018 £'000s
Loss on continuing operations before taxation	(2,983)	(3,262)
Loss on continuing operations before taxation multiplied by the UK corporation tax rate of 19% (2018: 19%)	(567)	(620)
Effects of:		
Non-deductible expenditure	40	51
R&D tax credit	(184)	(294)
Tax losses carried forward	528	569
Total taxation credit on loss from continuing operations	**(184)**	(294)

The Group has tax losses arising in the UK of approximately £51.0m (2018: £49.5m) that are available, under current legislation, to be carried forward against future profits. £23.5m (2018: £21.5m) of the tax losses carried forward represent trading losses within Quadrise Fuels International plc, £25.8m (2018: £25.8m) represent non-trade deficits arising on intangible assets within Quadrise International Limited, £0.9m (2018: £1.3m) represent pre-trading losses incurred by subsidiaries, £0.8m (2018: £0.8m) represent management expenses incurred by Quadrise International Limited, and £0.1m (2018: £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 £8.7m (2018: £8.4m) 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 2019	Year ended 30 June 2018
Loss for the year (£'000s)	(2,983)	(3,262)
Weighted average number of shares:		
Basic	888,728,557	862,204,976
Diluted	888,728,557	862,204,976
Loss per share:		
Basic	(0.34)p	(0.38)p
Diluted	(0.34)p	(0.38)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 23.1m dilutive share options and the 5m dilutive warrants 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 2018	166	91	43	16	1,428	1,744
Additions	15	-	-	-	9	24
Disposals	-	-	-	-	(47)	(47)
Closing balance – 30 June 2019	**181**	**91**	**43**	**16**	**1,390**	**1,721**
Depreciation						
Opening balance – 1 July 2018	(109)	(63)	(36)	(16)	(559)	(783)
Depreciation charge for the year	(57)	(15)	(5)	-	(153)	(230)
Disposals	-	-	-	-	22	22
Closing balance – 30 June 2019	**(166)**	**(78)**	**(41)**	**(16)**	**(690)**	**(991)**
Net book value at 30 June 2019	**15**	**13**	**2**	**-**	**700**	**730**

Company

	Leasehold Improvements £'000s	Computer Equipment £'000s	Software £'000s	Office Equipment £'000s	Plant and machinery £'000s	Total £'000s
Cost						
Opening balance – 1 July 2018	107	68	44	16	-	235
Additions	-	-	-	-	-	-
Closing balance – 30 June 2019	**107**	**68**	**44**	**16**	**-**	**235**
Depreciation						
Opening balance – 1 July 2018	(90)	(51)	(36)	(16)	-	(193)
Depreciation charge for the year	(17)	(10)	(5)	-	-	(32)
Closing balance – 30 June 2019	**(107)**	**(61)**	**(41)**	**(16)**	**-**	**(225)**
Net book value at 30 June 2019	**-**	**7**	**3**	**-**	**-**	**10**

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**

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 2018 and 30 June 2019	7,686	3,100	25,901	36,687
Amortisation and Impairment				
Balance as at 1 July 2018 and 30 June 2019	(7,686)	(176)	(25,901)	(33,763)
Net book value as at 30 June 2019	**-**	**2,924**	**-**	**2,924**
Cost				
Balance as at 1 July 2016 and 30 June 2018	7,686	3,100	25,901	36,687
Amortisation and Impairment				
Balance as at 1 July 2016 and 30 June 2018	(7,686)	(176)	(25,901)	(33,763)
Net book value as at 30 June 2018	**-**	**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% (2018: 20%) and the growth rate used for the extrapolation of cash flows beyond budgeted projections is 0% (2018: 0%).

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 2019.

12. 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 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 2019. The shares in each of these companies were valued at CAD $nil on 1 July 2018. Shareholder communications received during the year to 30 June 2019 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 2019.

13. Investments in Subsidiaries

	Company 30 June 2019 £'000s	Company 30 June 2018 £'000s
Direct Investment		
Opening balance	29,783	26,419
Long term loans advanced	2,658	3,364
Closing balance	**32,441**	29,783

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 2019 by assessing the probability weighted 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 2019. Holdings in subsidiaries are detailed in note 25.

14. Cash and Cash Equivalents

	Consolidated 30 June 2019 £'000s	Consolidated 30 June 2018 £'000s	Company 30 June 2019 £'000s	Company 30 June 2018 £'000s
Cash at bank	1,060	2,229	460	1,709
Total	**1,060**	2,229	**460**	1,709

15. Trade and Other Receivables

	Consolidated 30 June 2019 £'000s	Consolidated 30 June 2018 £'000s	Company 30 June 2019 £'000s	Company 30 June 2018 £'000s
Trade receivables	7	11	-	-
Other receivables	96	96	91	91
Other taxes	66	81	30	22
Total	**169**	188	**121**	113

Group receivables of £nil (2018: £nil) and Company receivables of £nil (2018: nil) were past due at year-end.

16. Trade and Other Payables

	Consolidated 30 June 2019 £'000s	Consolidated 30 June 2018 £'000s	Company 30 June 2019 £'000s	Company 30 June 2018 £'000s
Trade payables	90	106	30	55
Other taxes	51	44	36	24
Accruals	147	250	103	208
Total	**288**	400	**169**	287

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 2019 amount to 24 days (2018: 23 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 (2018:£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 2019	WAEP (pence) 30 June 2019	Number 30 June 2018	WAEP (pence) 30 June 2018
Outstanding as at 1 July	22,500,000	26.90	24,000,000	27.41
Granted during the year	19,150,000	7.29	-	-
Repurchased by grantor during the year	-	-	-	-
Expired during the year	(2,250,000)	17.35	(1,500,000)	35.16
Exercised during the year	-	-	-	-
Options outstanding as at 30 June	**39,400,000**	17.91	22,500,000	26.90
Exercisable as at 30 June	23,149,719	25.39	22,000,000	27.30

The weighted average remaining contractual life of the 39.4 million options outstanding at the statement of financial position date is 6.07 years (2018: 4.23 years). The weighted average share price during the year was 3.15p (2018: 5.55p) 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 19.15m share options to directors and employees during the year (2018: nil) with a weighted average exercise price of 7.29p and the weighted average fair value of 4.60p.

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

	2019	2018
Stock price:	6.29p	-
Exercise Price	7.29p	-
Interest Rate	0.75%	-
Volatility	113.4%	-
Expected term	4 years	-

18. Warrants

Movement in the year:

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

	Number 30 June 2019	WAEP (pence) 30 June 2019	Number 30 June 2018	WAEP (pence) 30 June 2018
Outstanding as at 1 July	-	-	-	-
Granted during the year	5,000,000	3.16	-	-
Exercised during the year	-	-	-	-
Warrants outstanding as at 30 June	**5,000,000**	3.16	-	-
Exercisable as at 30 June	5,000,000	3.16	-	-

The weighted average remaining contractual life of the 5 million warrants outstanding at the statement of financial position date is 1.66 years. The weighted average share price during the year was 3.15p (2018: 5.55p) per share.

The expected volatility of the warrants reflects the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The expected life of the warrants 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 warrants are equity settled warrants, and fair value is measured at the grant date of the option. The warrants vest immediately on grant date The Company issued 5 million warrants during the year (2018: nil) with a weighted average subscription price of 3.16p and the weighted average fair value of 2.1p.

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

	2019	2018
Stock price:	3.38p	-
Exercise Price	3.16p	-
Interest Rate	0.75%	-
Volatility	129%	-
Expected term (years)	1.75	-

19. Share Capital

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

	2019 £	2018 £
Issued and fully paid:		
922,711,895 (2018: 862,204,976) Ordinary shares of £0.01 each	9,227,119	8,622,050

20. 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.

Warrant reserve

The warrant reserve is used to record the cumulative fair value of warrants granted by the Company net of lapsed and exercised warrants.

21. Pension Commitments

For direct employees of Quadrise Fuels International plc, the Company contributes between 7% and 20% of salary to a defined contribution pension scheme. Pension cost to the Company for the year amounted to £70k (2018: £84k).

22. Derivatives and Other Financial Instruments

The Group's principal financial instruments comprise 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 2019 £'000s	Consolidated 30 June 2018 £'000s	Company 30 June 2019 £'000s	Company 30 June 2018 £'000s
Financial assets				
Loans and receivables - Cash and cash equivalents	1,060	2,229	460	1,709
Loans and receivables - Trade and other receivables	169	188	121	113
Financial liabilities				
Other financial liabilities - Trade and other payables	288	400	169	287

All receivables and payables are current and are 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 2019 were assets of US$43k (2018: US$48k) and €28k (2018: €99k).

A 10% strengthening of Sterling against the Euro at the statement of financial position date would have increased loss for the year by £4k (2018: £9k) whilst a 10% weakening of Sterling against the Euro would have reduced loss for the year by £4k (2018: £10k). 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 £3k (2018: £4k) whilst a 10% weakening of Sterling against the US$ would have reduced loss for the year by £3k (2018: £5k). 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 £9k (2018: £21k) per annum. A decrease in interest rates of 1% will increase loss for the year by approximately £3k (2018: £6k) 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 £169k at 30 June 2019 (2018: £188k), of which £nil (2018: £nil) was receivable from related parties. Receivables of £169k 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 2019.

23. Related Party Transactions

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.

24. 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.

25. Subsidiaries

The financial statements include the financial statements 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.

26. Commitments and Contingencies

The Group and the Company have entered into commercial leases for the rental of operational and office premises. The leases earliest expiry dates are 28 February 2020 and 28 September 2020, 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 2019 £'000s	Consolidated 30 June 2018 £'000s	Company 30 June 2019 £'000s	Company 30 June 2018 £'000s
Operational and office premises				
One year	136	96	121	81
Two to five years	30	-	30	-

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

27. Events After the end of the Reporting Period

On 22 August 2019, the Company entered into an agreement with Bergen Global Opportunity Fund LP ('the Investor') whereby the Investor will provide up to £4.0 million of interest free unsecured funding, provided in two tranches through the issue by the Company of Convertible Securities with a nominal value of up to £4.3 million, convertible into Ordinary Shares.

An initial tranche of Convertible Securities with a nominal value of £2.15 million was subscribed for by the Investor for £2.0 million 30 August 2019. A second tranche of Convertible Securities, with a nominal value of up to £2.15 million is conditionally available to the Company with a subscription price of up to £2.0 million. Both tranches have 24 month maturity dates from the dates of their respective issuance, and any Convertible Securities not converted prior to such dates will automatically convert into Ordinary Shares at such time.

The Company also issued 4.9 million 36 month warrants to subscribe for new Ordinary Shares to the Investor by way of a Warrant Instrument initially exercisable at 5.78 pence per Ordinary Share, subject to anti-dilution and exercise price reduction provisions.

In connection with the Agreement, on 30 August 2019 the Company also issued to the Investor 3,888,889 new Ordinary Shares in settlement of a commencement fee of £140,000 and a further 4,500,000 new Ordinary Shares to collateralize the Agreement subscribed for at nominal value by the Investor.

The Convertible Securities are only converted to the extent that the Company has corporate authority to do so, and it is a term of the agreement that the Company must retain sufficient authority to issue and allot (on a non-pre-emptive basis) a sufficient number of Ordinary Shares potentially required to be issued under the terms of the Agreement (and the Warrant Instrument).

Pursuant to the terms of the Agreement, the Company is required to obtain and maintain sufficient non-pre-emptive share issuance authority from its shareholders in relation to the Ordinary Shares that may be required to be issued pursuant to the Agreement and Warrant Instrument.

The Agreement was completed and the Initial Tranche funded to the Company on the basis of the remaining current Authority from the 2018 annual general meeting, and also on the basis that an updated authority must be obtained at a General Meeting of shareholders. Such authority was obtained at a General Meeting held on September 27 2019.

On 9 September 2019 the Company announced a fully underwritten open offer to raise up to approximately £1.8 million through the issue of up to 46,555,039 Open Offer Shares at the Issue Price of 3.96 pence per Open Offer Share on the basis of 1 Open Offer Share for every 20 Existing Ordinary Shares held on the Record Date (the "Open Offer").

The Company announced that it had entered into conditional binding agreements with the Subscribers to raise additional gross proceeds of £716,800 through the issue of an aggregate 18,101,012 Subscription Shares at 3.96 pence per Subscription Share, with 9,050,506 Subscription Warrants attached. *inter alia*, on the Resolutions being passed at the General Meeting.

The Open Offer and Subscription were conditional upon Shareholder approval of the Resolutions at the General Meeting of 27 September 2019, which was duly granted.

28. Copies of the Annual Report

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

CORPORATE INFORMATION

Registered Office

Gillingham House
38-44 Gillingham Street
London
SW1V 1HU

Company Secretary

Ian Farrelly
MSP Corporate Services Ltd
27-28 Eastcastle Street
London
W1W 8DH

Nominated Adviser

Cenkos Securities plc
6.7.8 Tokenhouse Yard
London
EC2R 6AS

Broker

Peel Hunt
Moor House
120 London Wall
London
EC2Y 5ET

Broker

Shore Capital
Cassini House,
57-58 St. James's Street
London
SW1A 1LD

Solicitors

BDB Pitmans LLP
50 Broadway
London
SW1H 0BL

Registrars

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

Auditors

Crowe U.K. LLP
St Bride's House
10 Salisbury Square
London EC4Y 8EH

Bankers

Coutts & Co
440 Strand
London
WC2R 0QS

Quadrise Fuels International plc

Gillingham House | 38-44 Gillingham Street | London SW1V 1HU
T +44 (0) 20 7031 7321 | F +44(0) 20 7031 7339
www.quadrisefuels.com