POWERHOUSE ENERGY GROUP PLC

COMPANY NUMBER 03934451

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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COMPANY INFORMATION

Directors	Robert Keith Allaun (Executive Chairman) Nigel Brent Fitzpatrick (Non-Executive Director) James John Pryn Greenstreet (Non-Executive Director) David Ryan
Company secretary	Nigel Brent Fitzpatrick
Company number	03934451
Registered office	10b Russell Court Woolgate Cottingley Business Park Bingley BD16 1PE
Website	www.powerhouseenergy.net
Bankers	HSBC 79 Piccadilly London W1J 8EU, United Kingdom
Nominated Adviser and Broker	WH Ireland 11 St James's Square Manchester M2 6WH United Kingdom
Registrar	Neville Registrars Limited Neville House, 18 Laurel Lane Halesowen B63 3DA, United Kingdom
Auditor	Deloitte LLP Statutory Auditor 1 City Square Leeds LS1 2AL, United Kingdom

CHAIRMAN'S REPORT

Dear Shareholders

Engineering is an exacting, demanding, and precise science. Designing from first principles, constructing from scratch, and commissioning the only modular ultra-high temperature gasification reactor system available is a time-consuming process. For our company 2016 was taken up almost exclusively by this effort.

I am therefore pleased to report success with both product development and funding in the year under review. This momentum has continued into the first few months of 2017 leaving our Company stronger, commercially and financially, than it has been in the past 5 years.

Waste market Background
According to a World Bank study, it is anticipated that the amount of waste we generate will double from 2013 to 2025. The MacArthur Foundation reports that by 2050 the plastic waste in our Oceans will weigh more than all of the fish combined. We are beginning to do a better job at managing that waste through rigorous recycling and reuse efforts. But more must be done in order to avert an ecological crisis in our children's lifetimes.

Energy recovery has been a major objective of waste management for over 50 years. PowerHouse is taking energy recovery to the next level. We believe that with traditionally difficult-to-manage or hazardous waste, and certainly with non-recyclable plastics - the plastics ending up in our Oceans – our Distributed Modular Gasification© ("DMG") technology allows us to recover the energy value of the waste stream in the most efficient, and environmentally rigorous, manner available.

We do not pretend to be all things to all people and DMG is part of a waste management ecosystem with numerous components, each playing a valuable role. For example, there is anaerobic digestion, composting combined with methane recovery, other thermal conversion technologies, and of course, recycling and re-use wherever possible. We applaud all innovators who are, like us, doing their part to make waste management as green as possible. DMG is however, in our opinion, the best option in many cases.

The waste-to-energy landscape continues to be an evolving and growing market. According to a just-released report by Global Market Insights, it is expected that the waste-to-energy market will grow from $20.6bn in 2015 to over $35.5bn in 2024. Demand in the market for alternatives to incineration and landfill is increasing significantly.

In addition to the EU landfill directive, 18 countries are implementing stringent landfill taxes immediately. These taxes are already high (c£85 per tonne in the UK) and are expected to continue to grow making alternatives like ultra high temperature DMG very attractive. While incinerators are still being approved in some geographies, deployment of that aging technology is slowing as more environmentally friendly alternatives (such as the G3-UHt unit) are coming to market.

Our opportunity
Distributed Modular Gasification© is, in our estimation, a truly disruptive technology - philosophy even - that will fundamentally change the waste-to-energy market.

Local waste, local energy…
DMG enables the thermal molecular conversion of waste into an energy-rich, non-polluting, synthesis gas ("syngas"). The syngas is used immediately to generate emission-free energy which can be utilised locally, thereby leveraging private line or micro-grid connections on-site. If appropriate, it can be sold into the National Grid.

Importantly, not only can DMG utilise a range of waste – including that which would normally head to landfill – by siting a G3-UHt unit where the waste is located, it removes the need to transport it over long distances to either a processing plant (or to landfill).

CHAIRMAN'S REPORT (CONTINUED)

…and clean energy with a lower CO_2 footprint

The advantages of DMG are multiple. In addition to a reduced carbon dioxide footprint compared to incineration, ultra high temperature DMG can result in no leachable residue or ash - a significant problem faced by pyrolysis and lower temperature combustion-based systems. Low temperature alternatives produce significant levels of highly toxic and potentially carcinogenic cyclic molecules. Those toxins are imbued in the residues and ashes of lower temperature systems and require that the ash and residue be land-filled for hygiene and safety.

Our ultra high temperature DMG is designed to completely decompose the complex molecules in the waste-stream, capture the vast majority of the calorific value therein, detoxify or sequester the residue, and allow us to capture and recycle components of the waste-stream like sulphur, zinc, or other minerals or metals

Local hydrogen "on tap" is a game changer

The conversion of waste to hydrogen is a cornerstone for any future hydrogen economy. Some think this is "blue sky thinking", however, we have already demonstrated our ability to generate a syngas that is nearly 70% hydrogen.

This nearly pure hydrogen can be diverted from the syngas with existing, off-the-shelf technology, compressed, stored at site and delivered to appropriate infrastructure in what is perhaps the single most economical, and environmentally responsible manner possible. For example, by generating hydrogen in multiple locations, from a feedstock for which we are paid, we can use it to recharge fuel cells and become the road fuel of the future in fuel cell vehicles.

With this in mind, we announced earlier in 2017 that we expected the delivery of an AFC Fuel Cell unit to our Thornton Facility. We are confident that our G3-UHt unit will perform as it has in the past, and that our unique ability to generate a hydrogen-rich gas will lead to a successful trial of the fuel cell.

Major energy and transportation companies have made public commitments to significantly expanding the hydrogen infrastructure, with Shell stating recently that they expect 400 hydrogen filling stations in the UK by 2023. Toyota – which has developed the Mirai - has opened its hydrogen-filling related patent portfolio to all comers in its commitment to driving forward the nascent hydrogen economy. Fuel cell vehicles are proven to be more robust than current battery powered vehicles; they can travel much greater distances between refuellings, and are not simply shifting the CO_2 impact from the vehicle back to the ultimate source of electrical generation.

We are convinced that DMG will be able to play a role, and possibly a major role, in the creation of ubiquitous Hydrogen filling stations across the nation.

We believe this is the future and is the pinnacle for which we are striving.

Our technology's progress

During 2016, the Company successfully completed the development of the Company's G3-UHt unit and undertook its initial testing program in Brisbane, Australia. The work was carried out through the work-for-hire program by OrePro pty Ltd ("OrePro"), a company associated with one of our shareholders Hillgrove. Consistent with research and market analysis it became clear during 2016 that due to a variety of competitive and political reasons, the Company's ideal initial target markets are located in the UK and Europe. In continuing our engineering and R&D efforts exclusively in Australia, too great a stress was placed on the limited resources of the Company. After assessing the most appropriate course of action we determined to relocate the preponderance of our R&D, engineering, development, design, and Corporate operations to the UK.

I am pleased to report – in April 2017 - the safe arrival, reassembly, and initial phase of re-commissioning of the G3-UHt reactor at the prestigious Thornton Science Park, in Chester, in the North West of England. This will be the new base of technical operations and process demonstration for PowerHouse.

CHAIRMAN'S REPORT (CONTINUED)

The PowerHouse team has been working diligently to build a gasification system from first principals; one that could stand up to the rigors of real-world operation, and one that could be easily, and modularly deployed.

While the demonstration G3-UHt unit is a nominal 1-3 tonne per day ("tpd") system, scaling it up is, to a large degree, a linear step function.

The benefits of scale

Historically, scaling a system from demonstration and pilot size has posed significant risks for technology developers. However, we have actual experience with our previous 25tpd unit. In dismantling the G3-UHt unit, we were able to clearly identify the specific components that made it non-viable as a commercial unit.

The G3-UHt unit was designed with expansion in mind. Effectively interlocking and leveraging both front-end and back-end balance of plant components, the latest designs of the G3-UHt system allow us to scale with reduced risk. We know that the 25tpd redesign works, and we are in the process of initiating the engineering work for our first commercial DMG system, based on the success of the G3-UHt.

With the advent of significant advances in material science, our revised heating design is substantially more efficient - improving the thermal efficacy of the system as a whole. The specially formulated and manufactured reactor chambers are immune to the corrosive threats previous technologies faced- thus increasing the lifespan of a reactor vessel.

The simplification of the control systems, using advances in programmable logic controller knowledge, and the understanding of total system operation, has led to a dramatic reduction in manufacturing expense. This has also led to an increased ease of operation, the elimination of potential points of failure, and enhanced safety features for the system as a whole.

The modular G3UHt units, with smaller footprints than other commercial technologies, remain ideally suited for local, or neighbourhood, transfer stations, and are appropriately sized for integration into the community and the expansion of the distributed Grid, and the unlocking of the hydrogen economy.

The Directors are enthusiastic about the DMG technology and recognize that the G3-UHt system has the potential to be one of the most robust, cost-effective, operationally efficient, and flexible gasification systems on the market.

Project Development

PowerHouse is not only a technology company - we have developed a technology that we believe is superior to others in the market. However, we are project developers and it is our intent to develop long-term projects in partnership with others, like Waste2tricity, and to build annuity streams of income, year on year. Our intent is not to sell or license our technology, but to integrate it into a partnership that continues to deliver revenue streams for years to come. Unique opportunities may present themselves over time in which we may consider a unit-sales model, however, our latest economic models have convinced us that owning and operating the facility is the most lucrative option in both the near and long-term.

Upon completion of the UK certification process we will be ready for launch. We are confident that the demonstrations which we intend to undertake will lead to significant commercial opportunities for PowerHouse.

It is likely that as commercial engineering and business development continues we will choose to pursue additional funding options including equity, debt, or possible project financing models.

CHAIRMAN'S REPORT (CONTINUED)

Strategic alliances
Hillgrove
Hillgrove Investments Pty Ltd ("Hillgrove") has been a key partner to the Company since 2010. Hillgrove was responsible for funding all Company operations for over a three-year period from mid-2012 to 2016 and providing personnel for the design, development, engineering, construction, and testing of the system in Brisbane, Australia. In addition, much of the development work on the G3-UHt system was undertaken by OrePro pty Ltd, an associate of Hillgrove.

Inevitably that reliance on Hillgrove's financial and operational support resulted in a substantial financial commitment on the part of the Company, which was threatening to become inappropriate in the context of a publicly quoted entity.

We were therefore delighted to announce the restructuring of these arrangements in February 2017, with the assistance of Hillgrove, as detailed below under Funding. We look forward to working together with Hillgrove in the future development of the Company.

Peel Environmental
The Company remains in active discussions with Peel Environmental regarding potentially siting our first commercial facility at Protos, their energy park adjacent to the Thornton Science Park.

Waste2tricity
PowerHouse stands today upon a wealth of information that is being put to good use by world-class professionals in a growing team. Our partnership with Waste2tricity has led to tremendous opportunities, several of which are at a scale never before envisaged by the Company. The synergy present across the team is beginning to generate the results that we've been predicting for years - and it all starts with Distributed Modular Gasification©.

Yady
Yady Worldwide, S.A. ("Yady"), an investor in the Company, has further supported PowerHouse with the contribution of £500,000 in the fundraise announced in February 2017. Yady also agreed to a 12 month lock-in period with the Company.

AFC Energy
In March 2017, PowerHouse confirmed its order of a small-scale fuel cell system originally ordered in 2014 from AFC Energy plc ("AFC") but delayed awaiting the completion of the construction and testing of the G3-UHt Unit. Upon delivery of the fuel cell, expected in Q4 2017, PowerHouse anticipates having a high quality hydrogen stream (a component of the syngas produced) from the G3-UHt to successfully integrate with the fuel cell, to provide production of electrical power. Receipt of the fuel cell is contingent upon the G3-UHt unit being capable of producing a hydrogen stream compatible with the fuel cell.

Having seen AFC's commitment to developing the "Hydrogen Economy" in Germany and elsewhere, PowerHouse is delighted to work closely with AFC in the development of DMG to deliver hydrogen where, and when, it is needed. The successful integration of these two technologies could create significant new markets in clean distributed power generation and continue to grow the increasing prominence of the hydrogen economy in the UK and overseas.

Nominated Advisor
In March of 2016, WH Ireland was appointed the Company's new Nominated Advisor. The Company continues to work closely and cooperatively with WHI to ensure the highest standards of Corporate Governance and AIM Regulation Compliance.
Board appointments

Executive Directors / Management
One is a lonely number. I was therefore delighted in February 2017 to be joined by David Ryan as Executive Director for Programme Development.

CHAIRMAN'S REPORT (CONTINUED)

David has over 30 years of increasingly complex engineering, business development, and project management experience. He is an expert in sophisticated design engineering and will bring a breadth of project delivery, international business management, and general engineering acumen to the management team.

Previously David was the CEO and Managing Director of Thyssenkrupp Industrial Solutions' Oil & Gas Business Unit for the UK. Prior to his employment with Thyssenkrupp, he founded and built a successful engineering consulting organisation, Energy & Power Limited, which was acquired by Thyssenkrupp in 2012.

In March 2017 Chris Vanezis joined the management team as Chief Financial Officer. Chris trained with Deloitte and Coopers & Lybrand, qualifying as a chartered accountant in 1990. He has over 15 years' experience in the energy sector, with a strong track record in Waste-to-Energy, and major infrastructure projects both in the UK and internationally.

Prior to joining PowerHouse, Chris worked as an independent consultant, providing his expertise to a number of companies in renewable energy. Chris will take the lead in implementing strong financial controls at a time of planned growth.

Together this team is driving the UK Health, Safety and Environmental certification process as well as initiating the commercial development and engineering process for the building of our first 25 tonne per day unit at a site currently being negotiated.

Additionally we have begun the recruitment and interviewing process for our first team hires to fully staff our Thornton Science Park offices.

Non-executive directors

In May 2016 Clive Carver, was appointed to the board as a non-executive director. Clive is a Chairman / non-executive director of a number of AIM companies and has spent many years advising and fund raising in the AIM market. Clive completed his service with the Company in May of 2017 to pursue other endeavours. We appreciate the contribution he made during his time on the Board.

As always, Brent Fitzpatrick, MBE and James Greenstreet have continued to guide the Company's development as non-executives throughout the year under review and subsequently providing wise and timely advice to the board.

To raise the profile of the Company, help maintain the pace of development and in keeping with the best principles of Corporate Governance, the Board has decided to separate the role of Chairman and CEO at an appropriate time. We expect to announce the appointment of a leading figure in the Waste-to-Energy sector in the coming months.

Recently, the Company announced the formation of a Commercial, Scientific, and Engineering Advisory Panel. The Advisory Panel currently consists of industry stalwarts Peter Jones OBE, Keith Riley, Miles Kitcher, Howard White, and Rudi Baroudi. It should be noted that none of the Advisory Panellists are Directors of the Company, and while Management, and the Board, may well seek their counsel on particular matters pertaining to their individual expertise, the governance and decision making authority for the Company rests solely with the Board of Directors.

Funding

During 2016 and to date in 2017 the Company has raised a total of £3.3 million.

In February 2017, the Company raised £2.5 million through the issue of 312,500,000 new ordinary shares. The placing was completed at a price of 0.8p per Share and was in conjunction with the partial conversion of the loan note signed between the Company in Hillgrove in October 2012 (the "Note").

CHAIRMAN'S REPORT (CONTINUED)

The terms of the Hillgrove Note were such that the Company was accruing 15% interest against the loan. Hillgrove had extended a total of £3,402,155 to the Company, including accrued interest, and accepted a £2 million cash pay-out, and conversion of the remaining £1,402,155 into newly issued share capital of the Company at the previously agreed 0.5p conversion price, amounting to 280,430,920 shares. Hillgrove now holds a total of 300,430,920 ordinary shares in the Company. Hillgrove has committed to a 12 month lock-in period for its newly issued shares.

The proceeds have been used principally to repay the balance of the Note not otherwise converted to shares, and for operating capital. By virtue of the conversion and pay-out, the Company will eliminate the Hillgrove Note, and the Debenture over the Company's assets, held by Hillgrove, will be released, pending receipt by Hillgrove of £2m and 280,430,920 Shares. A further announcement regarding the elimination of the Hillgrove Note and release of the debenture is expected in due course.

Yady Worldwide, SA also invested £500,000 to the equity fundraise in February 2017, having previously invested £250,000 in January 2017.

Other fundraisings in 2016 amounted to £700,512.

Financial results
The Company financial statements for the year ended 31 December 2016 are set out on pages 18 to 29. The Company loss for the year after taxation amounted to £1,334,009 (2015: Loss of £781,647).

Current Trading
The Company is on a firm footing for the foreseeable future. Cash-on-hand as at the date of this report is approximately £235,000, with an additional approximate £60,000 in VAT and Customs Duties recovery. This represents sufficient resources to enable the Company to meet its obligations as they fall due. Our relationship with Waste2tricity is based on payment converted to equity and is therefore not a drain on the Company's cash resources. Similarly, no member of the Advisory Panel is receiving any cash compensation for their participation with the company.

Outlook
Through the creation of DMG, PowerHouse is not only on the cusp of redefining the waste-to-energy industry - we believe we also hold one of the keys to unlocking the hydrogen economy.

The Company has been making tremendous strides as a newly minted, commercial, entity. The G3-UHt technology is, in our opinion, unparalleled in its capability, its efficiency, its economy, and its environmental contribution.

We now have the technology, we are building the team necessary to achieve our commercial endeavours and we are eager to begin growing our office at Thornton, and demonstrating our technology, with the conversion and repayment of the Hillgrove convertible note, the Company is now fully focused on moving forward aggressively with its commercialisation phase.

DMG is a disruptive philosophy – PowerHouse has created it, and now is the time to disrupt.

As always, we are grateful for your continued support.

Keith Allaun
Chairman

15 June 2017

DIRECTORS' REPORT

The Directors present their annual report along with the Company's financial statements and the consolidated financial statements for the year ended 31 December 2016. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and will be laid before the shareholders of the Company at the Annual General Meeting.

The subsidiary companies owned by the Company are in the process of being liquidated. Although the subsidiary companies had all ceased operating by the end of 2014, consolidated accounts are required to be prepared as the Company still owns them at the year end prior to their liquidation. The Company's investments in the subsidiary companies were written down prior to the start of the financial year and there is no financial recourse to the Company expected as a result of their future liquidation.

Principal activities
The principal activity of the Group is to continue the development of the newly developed PHE G3-UHt Waste-to-Energy System in order to achieve its full commercial roll-out. The system's gasification reactor converts waste materials such as non-recyclable plastic, biomass, and other waste streams into a high-quality, clean, synthesis gas composed primarily of hydrogen and carbon monoxide. The newly engineered, designed, and constructed, PHE G3-UHt demonstration system is completed and operational. Demand for our technology is increasing, with Europe and the UK considered ideal markets given the focus on reducing waste to landfill.

A more thorough review of the development of the business together with an indication of future proposed developments is included in the Chairman's Report set out on pages 4 to 9.

The Company financial statements for the year ended 31 December 2016 are set out on pages 18 to 29. The Company loss for the year after taxation amounted to £1,334,009 (2015: Loss of £781,647). The Group financial statements are set out on pages 32 to 44. The Group loss for the year after taxation amounted to £1,334,009 (2015: Profit of £315,780). The net liabilities of the Company are £3,226,564 (2015: £2,960,219) with the movement in the year set out on page 18. The net liabilities of the Group are £3,226,564 (2015: £2,960,219) with the movement in the year set out on page 33.

The Directors do not recommend the payment of a dividend (2015: £nil).

Principal risks and uncertainties are discussed in note 13 to the Company financial statements.

There have been no significant events since the balance sheet date other than those discussed in this Directors' Report, the Strategic Report and note 16 to the Company financial statements.

Research and development
The Group and Company incurred no research and development related costs during the year (2015: £nil).

Substantial shareholdings
Shareholders holding in excess of 3 per cent of the issued share capital of the Company as at 12 April 2017, which the Company was aware of were as follows;

	Number of ordinary shares of 0.5p each	Percentage of voting rights
Hargreaves Landsdown (Nominees) Limited	145,276,094	23.9
Pershing Nominees Limited	103,281,141	17.0
Ferlim Nominees Limited	59,682,961	9.8
Linc Energy Limited (in liquidation)	28,350,000	4.7
TD Direct Investing Nominees (Europe) Limited	21,561,862	3.5
Vidacos Nominees Limited	21,455,447	3.5
Hillgrove Investments Pty Limited	20,000,000	3.3
Investor Nominees Limited	19,220,192	3.2

DIRECTORS' REPORT (CONTINUED)

Directors
The Directors, who served during the year, and subsequently, were as follows:

Robert Keith Allaun	Executive Chairman
Nigel Brent Fitzpatrick	Non-Executive Director
James John Pryn Greenstreet	Non-Executive Director
Clive Nathan Carver	Non-Executive Director (appointed 17 May 2016, resigned 22 May 2017)
David Ryan	Executive Director (appointed 21 February 2017)

Corporate Governance
The Company complies with the AIM Rules for Companies, including AIM Rule 26, concerning the disclosure of information. More details are available on the Company website.

Payment to suppliers
The Group does not have a standard or code which deals specifically with the payment of suppliers. Total creditor days for the Company for the year ended 31 December 2016 were 19 days (2015: 82 days) and for the Group 19 days (2015: 82 days).

Going concern basis
The Directors have considered all available information about the future events when considering going concern including their review of cash flow forecasts for 12 months following the date of these Financial Statements.

The cash balance held at 31 December 2016 of £148,151 together with fund raises completed after year end is considered sufficient to ensure the company can pay its debts as they fall due over the forthcoming 12 month period Based on this, the Directors believe it is appropriate to continue to adopt the going concern basis of accounting for the preparation of the annual financial statements.

Additionally, Hillgrove Investments Pty Limited, as the holder of Convertible Loan Agreement, has agreed full and final settlement of its loan by way of a share and cash settlement. This was approved and agreed after the balance sheet date.

Auditor
Each of the persons being a Director at the date of approval of this report confirms that:

- So far as the director is aware there is no relevant audit information of which the Company's auditor is unaware; and
- The Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of s.418 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board on 15 June 2017.

Keith Allaun
Director

STRATEGIC REPORT

The Directors present their strategic report on the Group for the year ended 31 December 2016.

This strategic report comprises: the Group's objectives; the Group's strategy; the Group's business model; and a review of the Group's business using key performance indicators.

The Chairman's statement, which also forms the main part of the strategic review, contains a review of the development and performance of the Group's business during the financial year, and the position of the Group's business at the end of that year.

Additionally, a summary of the principal risks and uncertainties facing the business is set out in note 13 to the Company's financial statements..

Objectives
The Group's primary objective is to create shareholder value from the development of projects to convert waste to energy (Syngas, Hydrogen, and Electricity) using proprietary gasification technology and processes as well as the potential sale of gasification reactors, or the licence of our technology to third parties.

The Group has a number of secondary objectives, including promoting the highest level of health and safety standards, developing our staff to their highest potential and being a good corporate citizen in our chosen countries of operations.

Strategy
The Group's long-term strategy is to build an attractive portfolio of profitable waste eradication, energy recovery, and distributed electrical and hydrogen production operations utilising the Company's proprietary gasification technology in conjunction with a variety of industry partners, including Material Recovery Facilities, landfill operators, additional technology providers, and other project development partners.

Additionally, the Group will seek to exploit associated opportunities where the board believes it can add significant value and contribute towards the success of the Group as a whole.

At present the Group's principal asset is its development G3-UHt prototype, currently located at the University of Chester Thornton Science Park.

Business Model
PowerHouse intends to further develop the Company's G3-UHt prototype into a fully operational commercial unit capable of processing a nominal 25 tonnes per day of waste. It is expected that activities will commence in the UK in partnership with Waste2tricity, Ltd, an experienced Waste-to-Energy project development organization. The Company has entered into an MOU with Peel Environmental to negotiate the siting of its first commercial facility at Protos - the large Energy Park being developed by Peel near Chester and adjacent to the Thornton Science Park.

Over the longer term the Company will look to exploit its proprietary know-how, technology developments and other processes to develop economical, environmentally sound, and efficient solutions to capture even more energy from the growing waste-steam generated by humanity. Operations will be rolled-out beyond the UK as opportunities present themselves.

STRATEGIC REPORT (CONTINUED)

Key performance indicators
Review of the Group's business using key performance indicators

The Directors consider the following to be the key performance indicators:

- Operational
    - Full commissioning of the G3-UHt demonstration unit at the Thornton Science Park with the ability to operate the unit on an on-going basis.
    - Pre-Feasibility study developed regarding the roll-out of G3-UHt systems with a minimum nominal capacity of 25 tonnes per day throughput, coupled with the generation of electricity through any mechanism: steam boiler/turbine, reciprocal gas engines, gas turbine, or fuel cell.
    - Demonstration of the ability to sequester adequately pure Hydrogen for use in either road fuel or other fuel cell applications.

- Financial
    - Adequate working capital measured in number of months available for the Company's needs.
    - Achievement of cash-flow to meet company operational needs
    - Profitability when successfully and fully commercialized
    - Growing Return on capital
    - Growing market capitalisation

The principal and other risks and uncertainties facing the business
The Company and the Group are subject to various risks relating to political, economic, legal, social, industry, business and financial conditions. Risk assessment and evaluation is an essential part of the Group's planning and an important aspect of the Group's internal control system. The following risk factors, which are not exhaustive, are particularly relevant to the Company and the Group's business activities:

Financing risks
The Group continually monitors its financial position to ensure the continuation of the operational activities and expects to fund the costs of its planned development programme over the next 12 months from existing funds in addition to, when appropriate, from the acquisition of new equity capital, project financing, or the assumption of alternative debt.

Environmental and other regulatory risks
While there is always the possibility of a changing regulatory landscape, the Company is confident that it will achieve both regulatory and environmental certification for the operation of its zero-emission gasification systems, as similar thermal conversion technologies have previously achieved such certification. Additionally, the Company had previously achieved both CE Certification and Environmental permissions to operate in Munich, Germany and California, USA with previous generations of its systems. To date, there have been no adverse environmental incidents, or any adverse regulatory action taken against the Company.

Operational risks
The thermal conversion technology employed by PowerHouse utilises ultra-high temperature heating elements in the operation of its G3-UHt unit. The G3 has been subjected to a robust Hazard and Operability study and a Hazard Identification study, both of which will inform the development of the Company's Health & Safety protocols. To date, there have been no adverse Health or Safety incidents involving the G3 platform.

Political risk
The regulatory landscape may be subject to change with a new government and in differing geographies. PowerHouse actively monitors and keeps up to date with the regulatory schemes of all geographies in which it anticipates developing projects to be in a position to adapt to any, and all, emerging regulations as required.

STRATEGIC REPORT (CONTINUED)

Competitive risk
There are a number of thermal conversion and waste management technology operators world-wide. Another company may launch a less costly or more efficient analogue to PowerHouse's technology. At present the Company is not aware of any such technology currently under development, however, the Company is protected by years of specialized know-how, processes, and intellectual property. Given the robust manner in which the company has developed its design and engineering philosophies over the past 10 years, it is unlikely that a more economical and efficient process than that of the Company will be developed in the near-term. Additionally, the Company's intended business model of the development of multiple projects in multiple locations, each generating revenue, will provide a greater level of protection than if the Company was relying on the sale of individual units into the market.

Take-Over Risk
The Company may become the target of a take-over bid by any number of larger entities in the waste management, energy recovery, or energy production industries. It is expected that any take-over bid or attempted acquisition would be to the benefit of shareholders and the Board would work diligently to ensure that would be the case. The Board believes that this risk will be mitigated by successfully growing our commercial operations and increasing the market capitalisation.

Other Risks
The Company may be subject to other risks of which it is not currently aware. The Board and Management operate to ensure that the Company is able to react to any unforeseen risks rapidly and appropriately. Through regular communication with industry bodies, peers, attending conferences and other industry events, the Board and Management work to maintain awareness of any potential threats or risks the Company might encounter and take appropriate action in a timely manner.

Approved by the Board of Directors and signed on behalf of the Board on 15 June 2017.

Keith Allaun
Director

DIRECTORS RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement
We confirm that to the best of our knowledge:
- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

BY ORDER OF THE BOARD

Keith Allaun
Director
15 June 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POWERHOUSE ENERGY GROUP PLC

We have audited the financial statements of PowerHouse Energy Group Plc for the year ended 31 December 2016 which comprise the Company Statement of Comprehensive Income, Company Statement of Changes in Equity and Company Statement of Financial Position, Company Statement of Cash flows and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2016 and the company's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the 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 Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POWERHOUSE ENERGY GROUP PLC

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

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Kate Darlison (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Leeds
15 June 2017

COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	**31 December 2016 £**	31 December 2015 £
Revenue		**-**	-
Administrative expenses	2	**(851,903)**	(397,022)
Operating loss		**(851,903)**	(397,022)
Finance costs	3	**(482,106)**	(384,625)
Loss before taxation		**(1,334,009)**	(781,647)
Income tax expense	4	**-**	-
Total comprehensive loss		**(1,334,009)**	(781,647)
Loss per share (pence)	5	**(0.24)**	(0.20)
Diluted loss per share (pence)	5	**(0.24)**	(0.20)

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £	**Share premium £**	**Deferred shares (0.5p) £**	**Deferred shares (4.0p) £**	**Deferred shares (4.5p) £**	**Retained earnings £**	**Total £**
Balance at 1 January 2015	3,884,965	46,898,113	-	781,808	389,494	(54,364,352)	(2,409,972)
Transactions with equity participants:							
- Shares reorganisation	(1,942,483)	-	1,942,483	-	-	-	-
- Shares issued	208,333	23,067					231,400
- Total comprehensive loss						(781,647)	(781,647)
Balance at 31 December 2015	2,150,815	46,921,180	1,942,483	781,808	389,494	(55,145,999)	(2,960,219)
Transactions with equity participants:							
- Shares issue	45,455	4,545			-		50,000
- Share issue	178,571	56,429			-		235,000
- Share issue	17,857	7,143			-		25,000
- Share issue	192,308	42,692	-		-		235,000
- Share issue	454,664	-	-		-		454,664
- Share based payment	-				-	68,000	68,000
- Total comprehensive loss		-			-	(1,334,009)	(1,334,009)
Balance at 31 December 2016	3,039,670	47,031,989	1,942,483	781,808	389,494	(56,412,008)	(3,226,564)

The notes 1 to 16 are an integral part of the financial information.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	**2016**	2015
		£	£
ASSETS			
Non-current assets			
Property, plant and equipment	0	**2,424**	-
Investments	7	**-**	-
Total non-current assets		**2,424**	-
Current Assets			
Trade and other receivables	8	**6,336**	1,451
Cash and cash equivalents		**148,151**	175,750
Total current assets		**154,487**	177,201
Total assets		**156,911**	177,201
LIABILITIES			
Non-current liabilities			
Loans	10	**-**	(2,938,636)
Current liabilities			
Trade and other payables	9	**(51,183)**	(198,784)
Loans	10	**(3,332,292)**	-
Total current liabilities		**(3,383,475)**	(198,784)
Net liabilities		**(3,226,564)**	(2,960,219)
EQUITY			
Share capital	11	**3,039,670**	2,150,815
Share premium		**47,031,989**	46,921,180
Deferred shares		**3,113,785**	3,113,785
Accumulated losses		**(56,412,008)**	(55,145,999)
Total deficit		**(3,226,564)**	(2,960,219)

The financial statements of PowerHouse Energy Group Plc, Company number 03934451, were approved by the board of Directors and authorised for issue on 15 June 2017 and signed on its behalf by:

Keith Allaun
Director

The notes numbered 1 to 16 are an integral part of the financial information.

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	£	£
Cash flows from operating activities		
Operating Loss	**(851,903)**	(397,022)
Adjustments for:		
- Share based payment	**68,000**	-
- Renewme settlement	**299,152**	-
Changes in working capital:		
- (Increase)/Decrease in trade and other receivables	**(4,885)**	4,390
- (Decrease) in trade and other payables	**(147,601)**	(36,050)
Net cash used in operations	**(637,237)**	(428,682)
Cash flows from investing activities		
- Purchase of fixed assets	**(2,424)**	-
Cash flows from financing activities		
Proceeds on issue of shares	**700,512**	231,400
Finance costs	**(482,106)**	(384,625)
New loans raised	**577,567**	757,632
Loans repaid	**(183,911)**	-
Net cash flows from financing activities	**612,062**	604,407
Net (decrease)/increase in cash and cash equivalents	**(27,599)**	175,725
Cash and cash equivalents at beginning of year	**175,750**	25
Cash and cash equivalents at end of year	**148,151**	175,750

The notes numbered 1 to 16 are an integral part of the financial information.

NOTES TO THE COMPANY ACCOUNTS

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information.

1.1. Basis of preparation

This financial information is for the year ended 31 December 2016 and has been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted for use by the European Union and the Companies Act 2006. These accounting policies and methods of computation are consistent with the prior year.

1.2. Judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements.

The component parts of compound instruments (convertible bonds) have a high degree of complexity. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument, the residual equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. These are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. In classifying the instruments it has been assessed that there is no equity element in relation to the convertible loan notes.

Other areas involving a higher degree of judgements or complexity, or areas where assumptions or estimates are significant to the financial statements such as the impairment of investments and going concern are disclosed within the relevant notes

1.3. Going concern

The Directors have considered all available information about the future events when considering going concern including their review of cash flow forecasts for 12 months following the date of these Financial Statements.

The cash balance held at 31 December 2016 of £148,151 together with fund raises completed after year end is considered sufficient to ensure the company can pay its debts as they fall due over the forthcoming 12 month period. Based on this, the Directors believe it is appropriate to continue to adopt the going concern basis of accounting for the preparation of the annual financial statements.

Additionally, Hillgrove Investments Pty Limited, as the holder of Convertible Loan Agreement, has agreed full and final settlement of its loan by way of a share and cash settlement. This was approved and agreed after the balance sheet date.

1.4. Foreign currency translation

The financial information is presented in sterling which is the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are revalued to the exchange rate at date of settlement or at reporting dates (as appropriate). Exchange gains and losses resulting from such revaluations are recognised in the Statement of Comprehensive Income.

Foreign exchange gains and losses are presented in the Statement of Comprehensive Income within administrative expenses.

1.5. Revenue

Revenue represents the amounts (excluding VAT) derived from the supply of goods.

1.6. Employee costs

The Company has no employees (2015: nil).

1.7. Operating Leases

The Company has no operating leases (2015: nil).

NOTES TO THE COMPANY ACCOUNTS (CONTINUED)

1.8. Finance expenses
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

1.9. Income tax expense
The tax expense for the period comprises current and deferred tax.

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Temporary differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

1.10. Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation. Cost represents the cost of acquisition or construction, including the direct cost of financing the acquisition or construction until the asset comes into use.

Depreciation on property, plant and equipment is provided to allocate the cost less the residual value by equal instalments over their estimated useful economic lives of 3 years, once the asset is complete.

The expected useful lives and residual values of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful life or residual value are accounted for prospectively.

1.11. Other non-current assets
Other non-current assets represent investments in subsidiaries. The investments are carried at cost less accumulated impairment. Cost was determined using the fair value of shares issued to acquire the investment.

1.12. Trade and other receivables
Trade receivables are recognised at fair value. Subsequently they are carried at amortised cost less any impairment losses.

1.13. Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits and are recognised and subsequently carried at fair value.

1.14. Trade and other payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE COMPANY ACCOUNTS (CONTINUED)

1.15. Loans

Loans are financial obligations arising from funding received and used to support the operational costs of the Company. These are initially recognised at fair value. Loans are subsequently carried at amortised cost using the effective interest method.

1.16. Adoption of new and revised standards

New and revised standards adopted during the year and those standards and interpretations in issue but not yet effective are shown in note 1.21 to the Group financial statements.

1.17. Impairment

(i) Impairment review

At each balance sheet date, the carrying amounts of assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. A cash generating unit is the group of assets identified on acquisition that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of assets or cash generating units is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

(ii) Reversals of impairments

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2. Administrative expenses

Included in administrative expenses are:

	2016	2015
	£	£
Directors' fees (note 14)	**126,602**	66,928
Net foreign exchange profit/(loss)	**-**	15,934
Auditor's remuneration – Company's audit	**12,000**	10,000

	2016	2015
Auditor's remuneration for audit services:	**£**	**£**
Fees payable to the company's auditor for the audit of the company's annual financial statements	12,000	10,000
Fees payable to the company's auditor and their associates for other services to the group:	-	-
The audit of the company's subsidiaries pursuant to legislation	-	-
Auditor's remuneration for non-audit services:	-	-
	-	-

There are no other fees paid to the Company's auditor other than in respect to the statutory audit disclosed above.

NOTES TO THE COMPANY ACCOUNTS (CONTINUED)

3. Finance costs

	2016	2015
	£	£
Shareholder loan interest	**482,106**	384,625
	482,106	384,625

4. Income tax

As the Company incurred a loss, no current tax is payable (2015: £nil). In addition, there is no certainty about future profits from which accumulated tax losses could be utilised and accordingly no deferred tax asset has been recognised. Accumulated tax losses amount to £6,213,344 (2015: £5,178,487). The tax charge is lower (2015: lower) than the standard rate of tax. Differences are explained below.

	2016	**2015**
	£	**£**
Current tax		
Loss before taxation	1,334,009	781,647
Tax credit at standard UK corporation tax rate of 20% (2015 – 20.25%)	266,802	158,284
Effects of:		
Expenses not deductible for tax purposes	(73,430)	-
Deferred tax not recognised	(193,372)	(158,284)
Income tax expense	-	-

5. Loss per share

	2016	2015
Total comprehensive loss (£)	**(1,334,009)**	(781,647)
Weighted average number of shares	**551,433,936**	390,094,921
Loss per share in pence	**(0.24)**	(0.20)
Diluted loss per share in pence	**(0.24)**	(0.20)

The following instruments were excluded from the diluted loss per share calculation due to being anti-dilutive but could be dilutive in the future and are therefore disclosed in accordance with IAS 33.

Directors' share options – exercisable at 2.5p per option	11,000,000	11,000,000
Directors' share options – exercisable at 0.75p per option	15,000,000	15,000,000
Hillgrove Loans convertible at 0.5p	£3,332,292	£2,938,636

NOTES TO THE COMPANY ACCOUNTS (CONTINUED)

6. Property, plant and equipment

	Office equipment £
Opening carrying value	**-**
Additions in year	**2,424**
Depreciation	**-**
Net carrying value	**2,424**

The cost value of fixed assets is £5,626 (2015: £3,202; 2014: £3,202).
Accumulated depreciation is £3,202 (2015: £3,202; 2014: £3,202).
Net book value is £2,424 (2015: £nil, 2014: £nil).

The office equipment has not been depreciated in the year as it was not available for use until after the year end.

7. Investments

Other non-current assets consist of the investments in PowerHouse Energy, Inc and Pyromex AG. PowerHouse Energy, Inc. is incorporated in California in the United States of America and the Company holds 100 per cent of the common stock and voting rights of the subsidiary. Pyromex AG is based in Zug, Switzerland and the Company holds 100 per cent of the shares and voting rights of the subsidiary.

	2016 £	2015 £
Investment - Cost	**48,947,154**	48,947,154
Accumulated impairment	**(48,947,154)**	(48,947,154)
	-	-

The cost of the PowerHouse Energy Inc investment was determined using an issue price of 17.5 pence (the price of the Company's shares on re-listing after the reverse takeover) for the 273,766,456 shares issued to acquire PowerHouse Energy, Inc.
The registered address of PowerHouse Energy Inc is 145 N Sierra Madre Blvd Pasadena, CA 91107, USA.
The registered address of Pyromex AG is Chollerstrasse 3, CH-6300, Zug, Switzerland.

8. Trade and other receivables

	2016 £	2015 £
Other receivables	**6,336**	1,451
	6,336	1,451

9. Trade and other payables

	2016 £	2015 £
Trade payables	**34,183**	28,182
RenewMe Limited	**-**	155,513
Other accruals	**17,000**	15,089
	51,183	198,784

NOTES TO THE COMPANY ACCOUNTS (CONTINUED)

RenewMe Limited had been granted exclusive rights by Pyromex to use, own, assemble and install and operate Pyromex AG systems in territories also licensed to the Company's subsidiary PowerHouse Energy, Inc. The Company entered into a settlement agreement with RenewMe whereby the parties agreed to change the respective exclusive rights pertaining to the Pyromex technology. Under the original settlement agreement PowerHouse Energy, Inc. had the obligation to pay five instalments of EUR 200,000 annually beginning 30 June 2011. The Company guaranteed the obligations under the agreement of PowerHouse Energy, Inc. As PowerHouse Energy, Inc was unable to meets its obligations, all remaining amounts (EUR 800,000) due under the original settlement agreement were recognised as a liability.

On 3 March 2014 the Company announced that a settlement had been reached with RenewMe to release its claimed geographical licenses to use the Company's technology under a disputed royalty agreement with Pyromex and other claims against the Company in return for €211,000 and the issue of 18,331,996 new Ordinary Shares in the Company.

On 29 April 2016 the Company announced that a full and final settlement had been reached with RenewMe to settle the remaining balance in exchange for the issue of 90,932,961 new Ordinary shares. This released the Company from any and all previously disputed issues with RenewMe.

Capital commitments not accrued for at the year end amounted to £nil (2015: £Nil).

10. Loans

	2016	2015
	£	£
Shareholder loan	**3,332,292**	2,938,636
	3,332,292	2,938,636
Classified as:		
- Current	3,332,292	-
- Non-current	-	2,938,636

Hillgrove Investments Pty Limited ("Hillgrove") has provided the Company with a convertible loan agreement, the amount of which has increased from time to time at Hillgrove's option and based upon Company needs. The loan is secured by a debenture over the assets of the company, and carries interest of 15 per cent per annum. Hillgrove has the option at any time to convert the loan in part or whole at a conversion price of 0.5p per share.

After the year end Hillgrove has accepted a settlement of this loan for a £2 million cash pay-out, and conversion of the residual balance of £1,402,155 into newly issued share capital of the Company at the previously agreed 0.5p conversion price, amounting to 280,430,920 shares. These shares are yet to be issued. Hillgrove will hold a total of 300,430,920 shares of the enlarged issued share capital of the Company. Hillgrove has committed to a 12 month lock-in period for its newly issued shares. Hillgrove is a related party as defined by the Aim Rules for Companies and accordingly the Hillgrove Note payout and share conversion is deemed a Related Party Transaction.

NOTES TO THE COMPANY ACCOUNTS (CONTINUED)

11. Share capital

	1.0 p Ordinary shares	0.5 p Ordinary shares	0.5 p Deferred shares	4.5 p Deferred shares	4.0 p Deferred shares
Shares at 1 January 2015	388,496,594	-	-	17,373,523	9,737,353
Share reorganisation	(388,496,594)	388,496,594	388,496,594	-	-
Issue of shares	-	41,666,667	-	-	-
Shares at 31 December 2015	**-**	**430,163,261**	**388,496,594**	**17,373,523**	**9,737,353**
Share reorganisation					
Issue of shares	-	177,771,275	-	-	-
Shares at 31 December 2016	**-**	**607,934,536**	**388,496,594**	**17,373,523**	**9,737,353**

On 3 December 2015 the company approved a share reorganisation, whereby each of the ordinary 1p shares would be subdivided into one new Ordinary 0.5p share and one Deferred share of 0.5p. The new ordinary shares have the same rights as are attached to the previous ordinary shares.

On 14 December 2015 the company issued 41,666,667 new ordinary 0.5p shares for a consideration of 0.6p per share.

The deferred shares have no voting rights and do not carry any entitlement to attend general meetings of the Company. They will carry only a right to participate in any return of capital once an amount of £100 has been paid in respect of each ordinary share. The Company will be authorised at any time to affect a transfer of the deferred shares without reference to the holders thereof and for no consideration.

On 26 January 2016 the Company issued 9,090,909 ordinary shares of 0.5p each at a price of 0.55p each, totalling £50,000.

On 23 February 2016 the Company issued 35,714,285 ordinary shares of 0.5p each at a price of 0.7p each, totalling £250,000, before issue costs.

On 3 March 2016 the Company issued 3,571,419 ordinary shares of 0.5p each at a price of 0.7p each, totalling £25,000.

On 15 July 2016 the Company issued 38,461,538 ordinary shares of 0.5p each at a price of 0.65p each, totalling £250,000, before issue costs.

On 29 April 2016 the Company announced that a full and final settlement had been reached with Renewme to settle the remaining balance in exchange for the issue of 90,932,961 new Ordinary shares. This settlement released the Company from any and all previously disputed issues with Renewme.

NOTES TO THE COMPANY ACCOUNTS (CONTINUED)

12. Convertible instruments

12.1 Warrants
No warrants are held (2015: nil).

12.2 Hillgrove
Hillgrove has the option at any time to convert its loan of £3,332,292 in part or whole at a conversion price of 0.5p per share. After the year end Hillgrove exercised the right to convert its loan to shares, further details are detailed in note 16.

12.3 Directors
On 8 December 2014, PowerHouse Energy Group plc granted 11,000,000 options over ordinary shares to the Board, under the PowerHouse Energy Group plc Unapproved Share Option Plan 2011. The options may be exercised between the Grant date and the tenth anniversary of the Grant date and will lapse if not exercised during that period. The options have an exercise price of 2.5p per share.

The options were granted as follows:

Mr Keith Allaun	– 5,000,000
Mr Brent Fitzpatrick	– 3,000,000
Mr James Greenstreet	– 3,000,000

On 7 March 2016, PowerHouse Energy Group plc granted 11,000,000 options over ordinary shares to the Board, under the PowerHouse Energy Group plc Unapproved Share Option Plan 2011. The options may be exercised between the Grant date and the fifth anniversary of the Grant date and will lapse if not exercised during that period. The options vested immediately. The fair value of the options granted during the year was determined using the Black Scholes valuation model. The model takes into account a volatility rate of 127.56%, which has been derived from historical experience. A weighted average risk-free interest rate of 2.0% has been applied. The share price was 0.55 pence and the options have an exercise price of 0.75p per share.

The options were granted as follows:

Mr Keith Allaun	– 6,000,000
Mr Brent Fitzpatrick	– 5,000,000
Mr James Greenstreet	– 4,000,000

These options have incurred a charge of £68,000 in the current year.

13. Material risks
Requirement for further funds
In assessing the going concern, the Directors have reviewed cash flow forecasts for 12 months following the date of these accounts. The cash flow forecasts assumed no further funding of PowerHouse Energy, Inc. and Pyromex. The current cash reserves are considered sufficient to enable the Company to meet its liabilities as they fall due.

In the event the Company requires other equity financing, or the conversion option in the Hillgrove loan is exercised, remaining shareholders will be diluted see note 16.

NOTES TO THE COMPANY ACCOUNTS (CONTINUED)

14. Directors' Remuneration

The Directors who held office at 31 December 2016 had the following interests, including any interests of a connected person in the ordinary shares of the Company:

	Number of ordinary shares of 0.5p each	Percentage of voting rights
Nigel Brent Fitzpatrick	103,459	<0.1

The remuneration of the Directors of the Company paid for the year or since date of appointment, if later, to 31 December 2016 is:

	2016 £ Salary/Fee	2016 £ Pension	2016 £ Benefits	2016 £ Total	2015 £ Total
Nigel Brent Fitzpatrick	15,275	-	-	15,275	8,250
James John Pryn Greenstreet	9,000	-	-	9,000	-
Robert Keith Allaun	66,327	-	-	66,327	58,678
Clive Carver	36,000	-	-	36,000	-

Share options held by the directors are detailed in note 12.3

Service contracts

Brent Fitzpatrick and James Greenstreet have service contracts which can be terminated by providing three months' written notice.

15. Related Parties

Hillgrove Investments Pty Limited is a related party by virtue of its shareholding in the Company.

During the year Hillgrove Investments Pty Limited loans increased by a net £393,656 and £482,106 of loan interest was settled by way of further loans. The balance outstanding at the year-end was £3,332,292 (2015: £2,938,636).

Transactions with other related parties were conducted on an arms' length basis and totalled £NIL (2015: £NIL).

16. Post balance sheet event

After the year end Hillgrove has accepted a settlement of its outstanding loan balance for a £2 million cash pay-out, and conversion of the residual balance of £1,402,155 into newly issued share capital of the Company at the previously agreed 0.5p conversion price, amounting to 280,430,920 shares. Hillgrove will hold a total of 300,430,920 shares of the enlarged issued share capital of the Company once the shares are issued. Hillgrove has committed to a 12 month lock-in period for its newly issued shares. Hillgrove is a related party as defined by the Aim Rules for Companies and accordingly the Hillgrove Note payout and share conversion is deemed a Related Party Transaction.

After the year end the Company announced that it had entered into an agreement to raise gross proceeds of £250,000 via a placing of 35,714,285 ordinary shares of 0.5p each in the Company ("Ordinary Shares") at a price of 0.7p per share ("Placing"). The new Ordinary Shares will be placed with Yady Worldwide S.A.

After the year end the Company announced that it had entered into an agreement to raise gross proceeds of £2,500,000 via a placing of 312,500,000 ordinary shares of 0.5p each in the Company ("Ordinary Shares") at a price of 0.8p per share ("Placing"). The new Ordinary Shares are to be issued in 2 tranches with the first for 250,000,000 shares and the second for 62,500,000. Yady Worldwide SA participated in the placing (£500,000) and has agreed to a 12 month lock in for its shares.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POWERHOUSE ENERGY GROUP PLC

We were engaged to audit the Group financial statements of PowerHouse Energy Group plc for the year ended 31 December 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flow and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of Directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. Because of the matter described in the basis for disclaimer of opinion on financial statements paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

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

The audit of financial statements includes the performance of procedures to assess whether the revisions made by the directors are appropriate and have been properly made.

Basis for disclaimer of opinion on financial statements
The audit evidence available to us was limited because we were unable to obtain accounting records in respect of PowerHouse Energy, Inc. and Pyromex Holding AG. As a result of this we have been unable to obtain sufficient appropriate audit evidence concerning the state of the Group's affairs as at 31 December 2016 and of its loss of the year then ended.

Disclaimer of opinion on financial statements
Because of the significance of the matter described in the basis for disclaimer of opinion on financial statements paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on the original and Group financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POWERHOUSE ENERGY GROUP PLC (continued)

Opinion on other matters prescribed by the Companies Act 2006
Notwithstanding our disclaimer of an opinion on the financial statements, in our opinion:

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

Matters on which we are required to report by exception
Arising from the limitation of our work referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

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:

- certain disclosures of Directors' remuneration specified by law are not made.

Other matter
We have reported separately on the parent Company financial statements of PowerHouse Energy Group plc for the year ended 31 December 2016. The opinion in that report is unmodified.

Kate Darlison (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom

15 June 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	**Year ended 31 December 2016 £**	Year ended 31 December 2015 £
Revenue		**-**	-
Cost of sales		**-**	-
Gross loss		**-**	-
Administrative expenses	2	**(851,903)**	(397,022)
Write down of subsidiary balances		**-**	1,097,427
Operating (Loss) / Profit		**(851,903)**	700,405
Finance income		**-**	-
Finance expenses	3	**(482,106)**	(384,625)
(Loss) / Profit before taxation		**(1,334,009)**	315,780
Income tax credit	4	**-**	-
(Loss) / Profit after taxation		**(1,334,009)**	315,780
Total comprehensive (Loss) / Profit		**(1,334,009)**	315,780
Total comprehensive (Loss) / Profit attributable to:			
Owners of the Company		**(1,334,009)**	315,780
Loss & diluted loss per share (£)	5	**(0.24)**	<0.1

The notes numbered 1 to 14 are an integral part of the financial information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Shares and stock £	Accumulated losses £	Share premium £	Total £
Balance at 1 January 2015	5,056,267	(55,461,779)	46,898,113	(3,507,399)
Transactions with equity participants:				
- Share issued	208,333	-	23,067	231,400
Total comprehensive income:				
- Profit after taxation	-	315,780	-	315,780
Balance at 31 December 2015	**5,264,600**	**(55,145,999)**	**46,921,180**	**(2,960,219)**
Transactions with equity participants				
- Share issued	45,455	-	4,545	50,000
- Share issued	178,571	-	56,429	235,000
- Share issued	17,857	-	7,143	25,000
- Share issued	192,308	-	42,692	235,000
- Share issued	454,664	-	-	454,664
- Share based payments	-	68,000	-	68,000
Total comprehensive loss	-	(1,334,009)	-	(1,334,009)
Balance at 31 December 2016	**6,153,455**	**(56,412,008)**	**47,031,989**	**(3,226,564)**

The notes numbered 1 to 14 are an integral part of the financial information.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	31 December 2016 £	31 December 2015 £
ASSETS			
Non-current assets			
Intangible assets	6	**-**	-
Property, plant and equipment	7	**2,424**	-
Total non-current assets		**2,424**	-
Current Assets			
Trade and other receivables	8	**6,336**	1,451
Cash and cash equivalents		**148,151**	175,750
Total current assets		**154,487**	177,201
Total assets		**156,911**	177,201
LIABILITIES			
Non-current liabilities			
Loans	10	**-**	(2,938,636)
Total non-current liabilities		**-**	(2,938,636)
Current liabilities			
Loans	10	**(3,332,292)**	-
Trade and other payables	11	**(51,183)**	(198,784)
Total current liabilities		**(3,383,475)**	(198,784)
Total liabilities		**(3,383,475)**	(3,137,420)
Net liabilities		**(3,226,564)**	(2,960,219)
EQUITY			
Share capital		**3,039,670**	2,150,815
Share premium		**47,031,989**	46,921,180
Deferred shares		**3,113,785**	3,113,785
Accumulated losses		**(56,412,008)**	(55,145,999)
Total deficit		**(3,226,564)**	(2,960,219)

The financial statements were approved by the board of Directors and authorised for issue on 15 June 2017 and signed on its behalf by:

03934451

Keith Allaun
Director

The notes numbered 1 to 14 are an integral part of the financial information.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
Cash flows from operating activities		
Operating loss	**(851,903)**	700,405
Adjustments for:		
- Share based payments	**68,000**	-
- Renewme settlement	**299,152**	-
- Write down of subsidiary balances	**-**	(1,097,427)
Changes in working capital:		
- (Increase)/Decrease in trade and other receivables	**(4,885)**	4,390
- (Decrease) in trade and other payables	**(147,601)**	(36,050)
Net cash used in operations	**(637,237)**	(428,682)
Cash flows from investing activities		
Purchase of fixed assets	**(2,424)**	-
Cash flows from financing activities		
Proceeds on issue of shares	**700,512**	231,400
Finance costs	**(482,106)**	(384,625)
New loans raised	**577,567**	757,632
Loans repaid	**(183,911)**	-
Net cash flows from financing activities	**612,062**	604,407
Net (decrease)/increase in cash and cash equivalents	**(27,599)**	175,725
Cash and cash equivalents at beginning of year	**175,750**	25
Cash and cash equivalents at end of year	**148,151**	175,750

The notes numbered 1 to 14 are an integral part of the financial information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group financial information.

1.1. Basis of preparation

This consolidated financial information is for the year ended 31 December 2016 and has been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted for use by the European Union and the Companies Act 2006. These accounting policies and methods of computation are consistent with those used in prior years.

1.2. Consolidation

Pyromex

On 8 August 2013, the Company acquired the remaining 70% interest in Pyromex. Pyromex is accounted as a wholly owned subsidiary of the Group. The original 30 per cent was held as an investment which had been impaired to nil due to the uncertainties surrounding the technology.

During 2015 the group started the process of liquidating its subsidiary undertakings and any values have been impaired to nil. The winding up process is in progress but as at the signing of these financial statements not fully completed. No further costs are expected to arise to the Parent from the liquidation process.

1.3. Judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgements or complexity, or areas where assumptions or estimates are significant to the financial statements such as the impairment of assets and going concern are disclosed with the notes

1.4. Foreign currency translation

The financial information is presented in GBP.

1.5. Going concern

The Directors have considered all available information about the future events when considering going concern. The Directors have including their review of cash flow forecasts for 12 months following the date of these Financial Statements.

The cash balance held at 31 December 2016 of £148,151 together with fund raises completed after year end is considered sufficient to ensure the company can pay its debts as they fall due over the forthcoming 12 month period. A further fundraise has been completed post year end increasing cash reserves. Based on this, the Directors believe it is appropriate to continue to adopt the going concern basis of accounting for the preparation of the annual financial statements.

Additionally, Hillgrove Investments Pty Limited, as the holder of Convertible Loan Agreement, has agreed full and final settlement of its loan by way of a share and cash settlement. This was approved and agreed after the balance sheet date.

1.6. Employee costs

The group has no employees (2015: nil).

1.7. Operating Leases

The Group has no operating leases (2015: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.8. Finance income and expenses

Finance income and expenses are recognised as they are incurred or as a result of financial assets or liabilities being measured at amortised cost using the effective interest method. No finance expenses were incurred in the production of a qualifying asset.

1.9. Income tax expense

The tax expense for the period comprises current and deferred tax.

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Temporary differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

1.10. Goodwill

Goodwill arose on the acquisition of Pyromex and represents the excess of the consideration transferred over the fair value of the net identifiable assets, liabilities and contingent liabilities acquired. Goodwill is stated at cost less any impairment losses recognised.

1.11. Intangible assets

Intangible assets arose on the acquisition of Pyromex and include trademarks and intellectual property related to the Pyromex technology. These were recognised at fair value at the acquisition date and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the fair value of the intangible assets over their estimated useful lives of 3 years.

1.12. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Cost represents the cost of acquisition or construction, including the direct cost of financing the acquisition or construction until the asset comes into use.

Depreciation on property, plant and equipment is provided to allocate the cost less the residual value by equal instalments over their estimated useful economic lives of 3 to 7 years.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss is included in the Statement of Comprehensive Income.

The expected useful lives and residual values of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful life or residual value are accounted for prospectively.

1.13. Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads. It excludes borrowing costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.14. Trade and other receivables

Trade receivables are recognised at fair value. Subsequently they are carried at their initial recognition value less any impairment losses.

1.15. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.16. Deferred taxation

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date except as otherwise required by IAS 12.

A deferred tax asset is recognised where, having regard to all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements.

Deferred tax assets or liabilities are not recognised if they arise from the initial recognition of goodwill or from initial recognition of an asset or liability that at the time of the transaction affects neither accounting nor taxable profit nor loss. Except, however, where an asset or a liability is initially recognised from a business combination a deferred tax asset or liability is recognised as appropriate.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

1.17. Loans

Loans are financial obligations arising from funding received from financiers and the founding stockholders. These were recognised at fair value, net of any transaction costs incurred. Loans are subsequently carried at amortised cost using the effective interest method.

1.18. Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.19. Share capital and share premium

Proceeds from the issue of common stock or ordinary and deferred shares have been classified as equity. Costs directly attributable to the issue of these equity instruments are shown as a deduction, net of tax, from the proceeds.

1.20. Share based payments

The Group has used share-based compensation, whereby the Group receives services from employees or service providers in exchange for consideration for options in the share capital or shares of the Group. The fair value of the services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the services received, unless that fair value cannot be reliably measured, in which case the fair value of the of the stock and shares issued is used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

1.21. Adoption of new and revised standards

There have been no standards or interpretations that have been adopted that have affected the amounts reported in these financial statements. As at the date of approval of the financial information, the following standards and interpretations were in issue but not yet effective:

IFRS 2 (amended)	Classification and Measurement of share based payments
IFRS 9	Financial instruments
IFRS 10 (amended)	Consolidated Financial Statements
IFRS 11 (amended)	Joint Arrangements
IFRS 12 (amended)	Disclosure of Interests in Other Entities
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IAS 1 (amended)	Presentation of Items of Other Comprehensive Income
IAS 16 (amended)	Property, Plant and Equipment
IAS 19 (revised)	Employee Benefits
IAS 27 (amended)	Separate Financial Statements
IAS 28 (amended)	Investments in Associates and Joint Ventures
IAS 38 (amended)	Intangible assets

In addition, there are certain requirements of Improvements to IFRSs which are not yet effective.

The Directors are still assessing the impact of the adoption of these standards on the Group's results but do not anticipate that there will be a material impact on the Group's results.

2. Administrative expenses

Included in administrative expenses are;

	2016	2015
	£	£
Directors' fees	**126,602**	66,928
Auditor's remuneration – Company's audit	**12,000**	10,000
Net foreign exchange	**-**	15,934

At 31 December 2016, the Group had no employees (2015: nil).

	2016	2015
Auditor's remuneration for audit services:	**£**	£
fees payable to the company's auditor for the audit of the company' annual financial statements	12,000	10,000
Fees payable to the company's auditor and their associates for other services to the group:	-	-
The audit of the company's subsidiaries pursuant to legislation	-	-
Auditor's remuneration for non-audit services:	-	-
	-	-

There are no other fees paid to the Company's auditor other than in respect to the statutory audit disclosed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Finance expenses

	2016 £	2015 £
Shareholder loan interest	**482,106**	384,625
Total finance expenses	**482,106**	384,625

4. Income tax

	2016 £	2015 £
Current taxation	**-**	-
Deferred taxation	**-**	-
Total taxation credit	**-**	-

As the Company incurred a loss, no current tax is payable (2015: £nil). In addition, there is no certainty about future profits from which accumulated tax losses could be utilised and accordingly no deferred tax asset has been recognised. Tax losses amount to £5,960,134 (2015: £5,178,487). The tax (credit)/charge is lower (2015: lower) than the standard rate of tax. Differences are explained below.

	2016 **£**	**2015** **£**
Current tax		
(Loss)/profit before taxation	(1,334,009)	315,780
Tax (credit)/charge at standard UK corporation tax rate of 20% (2015 – 20.25%)	(266,802)	63,945
Effects of:		
Income not chargeable for tax purposes	-	(222,229)
Expenses not deductible for tax purposes	73,430	-
Deferred tax not recognised	193,372	158,284
Income tax expense	-	-

5. Loss per share

	2016	2015
Total comprehensive (loss)/profit (£)	**(1,334,009)**	315,780
Weighted average number of shares	**551,433,936**	390,094,921
Loss per share in pence	**(0.24)**	<0.1
Diluted loss per share in pence	**(0.24)**	<0.1

Instruments that were excluded from the diluted loss per share calculation due to being anti-dilutive but which could be dilutive in the future are disclosed in accordance with IAS 33 in Note 5 to the Company's Accounts on page 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Intangible assets

	Goodwill	Pyromex technology	Licence agreements	Total
At 1 January 2015				
Cost	4,035,356	2,087,081	990,840	**7,113,277**
Accumulated amortisation and impairment	(4,035,356)	(2,087,081)	(990,840)	**(7,113,277)**
Net carrying value	-	-	-	**-**
	-	-	-	**-**
Closing carrying value				
At 31 December 2015				
Cost	4,035,356	2,087,081	990,840	**7,113,277**
Accumulated amortisation and impairment	(4,035,356)	(2,087,081)	(990,840)	**(7,113,277)**
At 1 January 2016	-	-	-	**-**
Closing carrying value				
At 31 December 2016				
Cost	-	-	-	**-**
Accumulated amortisation and impairment	-	-	-	**-**
	-	-	-	**-**

Goodwill was recognised as the excess of the fair value of the consideration paid over the fair value of the net liabilities acquired in accordance with IFRS 3.

Licence agreements represented the capitalised licence fees paid by PowerHouse Energy, Inc. to Pyromex and RenewMe for rights associated with the Pyromex technology.

7. Property, plant and equipment

	Office equipment £
Opening carrying value	**-**
Additions in year	**2,424**
Depreciation	**-**
Net carrying value	**-**

The cost value of fixed assets is £5,626 (2015: £3,202; 2014: £3,202).
Accumulated depreciation is £3,202 (2015: £3,202; 2014: £3,202).
Net book value is £2,424 (2015: £nil, 2014: £nil).

The office equipment has not been depreciated in the year as it was not available for use until after the year end.

8. Trade and other receivables

	2016 £	2015 £
Other receivables	**6,336**	1,451
Total trade and other receivables	**6,336**	1,451

9. Deferred taxation

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets in respect of losses.

10. Loans

	2016	2015
	£	£
Shareholder loan	**3,332,292**	2,938,636
	3,332,292	2,938,636
Classified as:		
- Current	3,332,292	-
- Non-current	**-**	2,938,636

Hillgrove Investments Pty Limited ("Hillgrove") has provided the Company with a convertible loan agreement, the amount of which has increased from time to time at Hillgrove's option and based upon Company needs. The loan is secured by a debenture over the assets of the company, and carries interest of 15 per cent per annum. Hillgrove has the option at any time to convert the loan in part or whole at a conversion price of 0.5p per share.

After the year end Hillgrove has accepted a settlement of this loan for a £2 million cash pay-out, and conversion of the residual balance of £1,402,155 into newly issued share capital of the Company at the previously agreed 0.5p conversion price, amounting to 280,430,920 shares. These shares are yet to be issued. Hillgrove will hold a total of 300,430,920 shares of the enlarged issued share capital of the Company. Hillgrove has committed to a 12 month lock-in period for its newly issued shares. Hillgrove is a related party as defined by the Aim Rules for Companies and accordingly the Hillgrove Note payout and share conversion is deemed a Related Party Transaction.

11. Trade and other payables

	2016	2015
	£	£
Trade creditors	**34,183**	28,182
RenewMe	**-**	155,513
Other accruals	**17,000**	15,089
Total trade and other payables	**51,183**	198,784
Trade and other payables are classified as:		
- Current	**51,183**	198,784
- Non-current	**-**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

RenewMe

RenewMe Limited had been granted exclusive rights by Pyromex to use, own, assemble and install and operate Pyromex AG systems in territories also licensed to the Company's subsidiary PowerHouse Energy, Inc. The Company entered into a settlement agreement with RenewMe whereby the parties agreed to change the respective exclusive rights pertaining to the Pyromex technology. Under the original settlement agreement PowerHouse Energy, Inc. had the obligation to pay five instalments of EUR 200,000 annually beginning 30 June 2011. The Company guaranteed the obligations under the agreement of PowerHouse Energy, Inc. As PowerHouse Energy, Inc was unable to meets its obligations, all remaining amounts (EUR 800,000) due under the original settlement agreement were recognised as a liability.

On 29 April 2016 the Company announced that a full and final settlement had been reached with RenewMe to settle the remaining balance in exchange for the issue of 90,932,961 new Ordinary shares. This released the Company from any and all previously disputed issues with RenewMe.

Capital commitments not accrued for at the year end amounted to £nil (2015: £Nil).

12. Seasonality

The Group's business is not subject to any consistent seasonal fluctuations.

13. Directors' Remuneration and share interests

The Directors who held office at 31 December 2016 had the following interests, including any interests of a connected person in the ordinary shares of the Company:

	Number of ordinary shares of 0.5p each	**Percentage of voting rights**
Nigel Brent Fitzpatrick	103,459	<0.1

The remuneration of the Directors of the Company paid for the year or since date of appointment, if later, to 31 December 2016 is:

	2016 £ Salary/Fee	**2016 £ Pension**	**2016 £ Benefits**	**2016 £ Total**	**2015 £ Total**
Nigel Brent Fitzpatrick	15,275	-	-	15,275	8,250
James John Pryn Greenstreet	9,000	-	-	9,000	-
Robert Keith Allaun	66,327	-	-	66,327	58,678
Clive Carver	36,000	-	-	36,000	-

Service contracts

Brent Fitzpatrick and James Greenstreet have service contracts which can be terminated by providing three months' written notice.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Post balance sheet event

After the year end Hillgrove has accepted a settlement of its outstanding loan balance for a £2 million cash pay-out, and conversion of the residual balance of £1,402,155 into newly issued share capital of the Company at the previously agreed 0.5p conversion price, amounting to 280,430,920 shares. Hillgrove will hold a total of 300,430,920 shares of the enlarged issued share capital of the Company once the shares are issued. Hillgrove has committed to a 12-month lock-in period for its newly issued shares. Hillgrove is a related party as defined by the Aim Rules for Companies and accordingly the Hillgrove Note payout and share conversion is deemed a Related Party Transaction.

After the year end the Company announced that it had entered into an agreement to raise gross proceeds of £250,000 via a placing of 35,714,285 ordinary shares of 0.5p each in the Company ("Ordinary Shares") at a price of 0.7p per share (“Placing”). The new Ordinary Shares will be placed with Yady Worldwide S.A.

After the year end the Company announced that it had entered into an agreement to raise gross proceeds of £2,500,000 via a placing of 312,500,000 ordinary shares of 0.5p each in the Company ("Ordinary Shares") at a price of 0.8p per share (“Placing”). The new Ordinary Shares are to be issued in 2 tranches with the first for 250,000,000 shares and the second for 62,500,000. Yady Worldwide SA participated in the placing (£500,000) and has agreed to a 12 month lock in for its shares.

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