Inspirit Energy Holdings plc

Annual Report and Financial Statements

for the year ended 30 June 2016

Company Registration no: 05075088

COMPANY INFORMATION

DIRECTORS :	J Gunn (Chairman and CEO) N Jagatia N Luke
COMPANY SECRETARY :	N Jagatia
REGISTERED OFFICE :	2nd Floor 2 London Wall Buildings London EC2M 5PP
COMPANY REGISTRATION NUMBER :	05075088
REGISTRAR AND TRANSFER OFFICE :	Share Registrars Limited The Courtyard 17 West Street Farnham Surrey GU9 7DR
SOLICITORS :	Nabarro LLP Lacon House 84 Theobald's Road London WC1X 8RW
INDEPENDENT AUDITOR :	Welbeck Associates Statutory Auditor 30 Percy Street London W1T 2DB
NOMINATED ADVISOR AND BROKER:	Stockdale Securities Limited Beaufort House 15 St Botolph Street London EC3A 7BB
JOINT BROKER	Peterhouse Corporate Finance Limited 3rd Floor New Liverpool House 15 - 17 Eldon Street London EC2M 7LD
BANKERS	Barclays Bank plc 1-3 Haymarket Towers Humberstone Gate Leicester LE1 1WA

CONTENTS

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 30 June 2016

INTRODUCTION

This financial year, Inspirit Energy Holdings plc has maintained its focus and taken important steps forward in the commercialisation of the Company's micro combined heat and power ("mCHP") boilers.

COMMERCIALISATION AND PROGRESS

This has been another progressive year for the Company where our mCHP boiler is getting closer to commercialisation. The Company has during the period widened sales and marketing as part of the process of ensuring that our distribution partners are in place ahead of commercial launch.

The Company has received a UK and EU trademarks to protect the name "INSPIRIT CHARGER" as the name for our mCHP boiler.

The Company also announced it entered into a collaboration agreement with the Chartered Institution of Building Services Engineers (CIBSE) to produce a formal peer review, by evaluating Inspirit's micro-CHP boiler, the "Inspirit Charger", against other micro-CHP products currently available in the market. CIBSE provide project management, execution and implementation in order to gather the data necessary to produce a report. The Company will provide access to its field trial data as well as offering technical and commercial guidance. It is expected that the final report will be published by the end of 2017.

We remain focused on small commercial boiler rooms as our launch market where the Inspirit Charger will have greatest impact in the shortest time and we continue to see substantial interest in adopting our technology amongst key potential customers.

The Inspirit Charger has now completed several internal trials with thousands of hours of rigorous testing and the Company has demonstrated that the appliance will meet not only market requirements, but also our quality objective of creating a product which is "sealed for life". "Sealed for life" means that the Stirling engine, which is at the heart of the unit, requires no maintenance during its lifetime and that the appliance as a whole requires no more servicing than is required on a standard modern gas condensing boiler. This obviates the need to build a significant support infrastructure, being able to rely instead on the existing UK base of some 50,000 Gas Safe accredited gas engineers.

The applicable market for our technology is global, either as a boiler replacement product or as an add-on to an existing commercial plant room. In the UK there are in excess of 20 million gas boilers installed and more than 1.6 million new and replacement domestic gas boilers are installed each year. This is in addition to almost 300,000 commercial boiler installations each year. Europe as a whole has approximately 70 million boilers installed. These are the first markets to which our technology is applicable.

OUTLOOK

The progress over the last year has been extremely positive. We are well positioned at the forefront of mCHP boiler technology and I firmly believe we will continue to make great progress in 2017 and beyond, in achieving our goal of technological commercialisation.

The Board would like to take this opportunity for thanking all of the Company's staff and consultants for their hard work during the year and our shareholders for their support.

J Gunn
Chairman and Chief Executive Officer

30 December 2016

STRATEGIC REPORT
FOR THE YEAR ENDED 30 June 2016

The Directors present their Strategic Report on Inspirit Energy Holdings plc (the "Company") and its subsidiary undertakings (together the "Group") for the year ended 30 June 2016.

REVIEW OF THE BUSINESS

The Company is now exclusively focused on commercialising the Group's unique and highly efficient micro co-generation boiler to generate returns for investors.

Inspirit Energy Limited is currently pursuing the development and commercialisation of a world-leading micro Combined Heat and Power ("mCHP") boiler for use in commercial and residential markets. The mCHP boiler is powered by natural gas and designed to produce hot water (for domestic hot water or central heating) and a simultaneous electrical output that can be used locally or fed back into the National Grid.

Inspirit Energy's new "British Engineered" mCHP boiler is one of the industry's most powerful and energy efficient mCHP appliances for its size with simultaneous generation of up to 15 kilowatts of thermal output and up to 3 kilowatts of electrical output. The mCHP boiler has been designed to be low maintenance and can be installed by a certified gas-safe tradesman. The appliance's patented engine takes the waste heat from the boiler and converts it efficiently into electricity, first supplying the property where it is installed and then feeding surplus electricity into the National Grid.

The developments made in the mCHP boiler show the great progress that the Company has made during the year and the platform for success in the future.

Key Sales and Marketing Directors were appointed at Inspirit Energy Limited, Inspirit Energy Holdings plc's 100% owned operating Company to provide sales and distribution channels for the mCHP boilers.

Inspirit intends to explore opportunities to market and /or licence its technology.

DEVELOPMENTS DURING THE YEAR

In July 2015, the Company announced that trademark applications had been filed in the UK and EU for the product name "INSPIRIT CHARGER" and raised £365,000 (gross) through the issue of 77,659,570 new ordinary shares at a price of 0.47 pence per share.

In December 2015, the Company announced the successful conclusion of operational testing on its first Inspirit Charger microchip appliance for field trial use.

In May 2016 the Company raised £790,000 before expenses through the issue of 158,000,000 new ordinary shares at a price of 0.5 pence per share.

BOARD CHANGES

On 21 December 2015, the Company announced that Mr John Gunn, the Company's CEO, had taken on the role of Chairman and CEO of the Company, replacing Mr David Lenigas as Chairman who retired as a director of the Company to focus on his other business activities.

RESULTS AND DIVIDENDS

The Group made a loss after taxation of £458,000 (2015: loss of £572,000).

The Directors do not propose a dividend for the year to 30 June 2016 (2015: £nil).

STRATEGIC REPORT

FOR THE YEAR ENDED 30 June 2016

KEY PERFORMANCE INDICATORS

The key performance indicators used by the Board to monitor the performance of the Company, are set out below:

PLC STATISTICS	**30 June 2016**	30 June 2015	**Change %**
Net asset value	**£2,597,000**	£1,946,000	+34%
Net asset value – fully diluted per share	**0.28p**	0.28p	-%
Closing share price	**0.38p**	0.48p	-21%
Market capitalisation	**£3,559,866**	£3,366,000	+6%

KEY RISKS AND UNCERTAINTIES

Early stage product development carries a high level of risk and uncertainty, although the rewards can be outstanding. At this stage there is a common risk associated with all pioneering technologically advanced companies in their requirement to continually invest in research and development. The Group has already made significant investments in addressing opportunities in the renewable energy sector.

The Group has raised funds during the period as discussed in the 'Developments during the year' above. The Directors feel that while this is sufficient for operating forecasts, further funding requirements are necessary to expedite the commercialisation of the micro co-generation boiler.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The principal financial risk faced by the Group is liquidity risk. The Group's financial instruments included borrowings and cash which it used to finance its operations. At the year end, borrowings did not include any borrowings supplied from the Group's principal bank, Barclays. More information is given in Note 3 to the Financial Statements. The Group has no significant concentrations of credit risk.

ASSESSMENT OF BUSINESS RISK

The Board regularly reviews operating and strategic risks. The Group's operating procedures include a system for reporting financial and non-financial information to the Board including:

- reports from management with a review of the business at each Board meeting, focusing on any new decisions/risks arising;
- reports on the performance of investments;
- reports on selection criteria of new investments;
- discussion with senior personnel; and
- consideration of reports prepared by third parties.

Details of other financial risks and their management are given in Note 3 to the financial statements.

POST YEAR END EVENTS

There were no material post year end events

STRATEGIC REPORT
FOR THE YEAR ENDED 30 June 2016

GOING CONCERN

As at 30 June 2016 the Company had a cash balance of £250,000 (2015: £1,000), net current liabilities of £178,000 (2015: £481,000) and net assets of £2,261,000 (2015: £1,959,000). The Group continues to incur costs in the development and modification of their products and is pre-revenue.

Therefore the cash flow forecasts for the Group and Company show that further equity and/or borrowings will be required to complete the final development and external testing of the Group's mCHP boilers and bring them into production to get to a cash flow positive position. Although the Directors are confident that further debt or equity can be raised at a valuation acceptable to the Company there is no guarantee this will be the case.

ON BEHALF OF THE BOARD

N Jagatia
Director

30 December 2016

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 June 2016

The Directors present their annual report on the affairs of the Group, together with the audited financial statements for the year ended 30 June 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of development and commercialisation of the mCHP boiler.

Details of the Group's principal activities can be found in the Strategic Report.

DIRECTORS

The Directors who held office in the period up to the date of approval of the Financial Statements and their beneficial interests in the Group's issued share capital at the beginning and end of the accounting year were:

	Number of ordinary shares		Number of share options and warrants	
	30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
J Gunn	**370,029,580**	368,479,632	**-**	-
N Jagatia	**2,000,000**	-	**-**	-
N Luke	**3,300,000**	3,300,000	**-**	-

INDEMNITY OF OFFICERS

The Company maintains appropriate insurance cover against legal action brought against its Directors and officers.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 June 2016

CORPORATE GOVERNANCE

The Board has not adopted the UK Corporate Governance Code; this is only a requirement for premium listed companies and the Board does not consider it appropriate for a company of the size and nature of Inspirit Energy Holdings plc. The Board has, however, adopted the requirements of the Corporate Governance Guidelines for Smaller Companies published by the Quoted Companies Alliance, although, until an independent non-executive director is appointed, Neil Luke will chair each of the committees.

BOARD OF DIRECTORS

The Board is responsible for strategy and performance, approval of major capital projects and the framework of internal controls. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring the Board procedures, are followed and that applicable rules and regulations are complied with.

AUDIT COMMITTEE

The Audit Committee is currently chaired by Neil Luke and includes Nilesh Jagatia. The committee provides a forum for reporting by the Group's external auditors. The committee is also responsible for reviewing a wide range of matters, including half-year and annual results before their submission to the Board, and for monitoring the controls that are in force to ensure the integrity of information reported to shareholders. The Audit Committee will advise the Board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and will discuss the nature, scope and results of the audit with the external auditors. The committee will keep under review the cost effectiveness and the independence and objectivity of the external auditors.

The Audit Committee is responsible for ensuring the “right tone at the top” and that the ethical and compliance commitments of management and employees are understood throughout the Group.

REMUNERATION COMMITTEE

The Remuneration Committee is chaired by Neil Luke and includes Nilesh Jagatia. The committee is responsible for making recommendations to the Board, within agreed terms of reference, on the Group's framework of executive remuneration and its cost. The Remuneration Committee determines the contract terms, remuneration and other benefits for the executive directors, including performance related bonus schemes and compensation payments. The Board itself determines the remuneration of the non-executive directors.

COMMUNICATIONS WITH SHAREHOLDERS

Communications with shareholders are given a high priority. In addition to the publication of an annual report and an interim report, there is regular dialogue with shareholders and analysts. The Annual General Meeting is viewed as a forum for communicating with shareholders, particularly private investors. Shareholders may question the Executive Chairman and other members of the Board at the Annual General Meeting.

INTERNAL CONTROL

The Directors acknowledge they are responsible for the Group's system of internal control and for reviewing the effectiveness of these systems. The risk management process and systems of internal control are designed to manage rather than eliminate the risk of the Group failing to achieve its strategic objectives. It should be recognised that such systems can only provide reasonable and not absolute assurance against material misstatement or loss. The Group has well established procedures which are considered adequate given the size of the business.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 June 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

- select suitable accounting policies and then apply them consistently
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and 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. The Company is compliant with AIM Rule 26 regarding the Company's website. See www.inspirit-energy.com.

DISCLOSURE OF INFORMATION TO AUDITOR

In the case of each person who was a Director at the time this report was approved:

- so far as that director is aware there is no relevant audit information of which the Company's auditor is unaware: and
- that director has taken all steps that the director ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

INDEPENDENT AUDITOR

The auditors, Welbeck Associates, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

ON BEHALF OF THE BOARD

N Jagatia

Director

30 December 2016

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF INSPIRIT ENERGY HOLDINGS PLC
FOR THE YEAR ENDED 30 June 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INSPIRIT ENERGY HOLDING PLC

We have audited the Financial Statements of Inspirit Energy Holdings Plc for the year ended 30 June 2016 which comprise the Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Company Statement of Cash Flow, the Group and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by 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 state of the Group's and of the Parent Company's affairs as at 30 June 2016 and of the Group's loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company Financial Statements for the 12 months ended 30 June 2016 have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

EMPHASIS OF MATTER – GOING CONCERN

In forming our opinion on the Financial Statements, which is not modified, we have considered the adequacy of the disclosure made in note 4 to the Financial Statements concerning the Group's and Company's ability to continue as going concerns. These conditions, along with the other matters explained in note 4 to the Financial Statements, indicate the existence of a material uncertainty which may cast doubt on the Group's and Company's ability to continue as going concerns. The Financial Statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF INSPIRIT ENERGY HOLDINGS PLC
FOR THE YEAR ENDED 30 June 2016

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and 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.

Rory Heier (**Senior statutory auditor**)
For and on behalf of Welbeck Associates
Statutory auditor

30 Percy Street
London
W1T 2DB

30 December 2016

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 June 2016

	Note	2016 £'000	2015 £'000
CONTINUING OPERATIONS:			
Revenue		-	-
Administrative expenses	8	(503)	(724)
Other losses - net	9	(23)	-
OPERATING LOSS		(526)	(724)
Finance costs	10	(27)	(55)
LOSS BEFORE INCOME TAX		(553)	(779)
Income tax credit	11	95	207
NET LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(458)	(572)
EARNINGS PER SHARE			
- Basic and fully diluted earnings per share (attributable to owners of the parent)	12	(0.06p)	(0.08p)

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Parent Company Statement of Comprehensive Income.

The loss for the Parent Company for the year was £807,000 (2015: £4,539,000).

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 June 2016

	Attributable to the owners of the parent						
	Share capital £'000	Share premium £'000	Other reserves £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Retained losses £'000	Total Equity £'000
BALANCE AT 1 July 2014	1,052	6,946	110	3,150	(7,361)	(1,799)	2,098
Loss for the year	-	-	-	-	-	(572)	(572)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	-	-	(572)	(572)
Share issues	46	386	-	-	-	-	432
Share issue costs	-	(27)	-	-	-	-	(27)
Issue of warrants	-	-	15	-	-	-	15
TRANSACTIONS WITH OWNERS	46	359	-	-	-	-	420
BALANCE AT 30 June 2015	1,098	7,305	125	3,150	(7,361)	(2,371)	1,946
Loss for the year	-	-	-	-	-	(458)	(458)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	-	-	(458)	(458)
Share issues	236	919	-	-	-	-	1,155
Share issue costs	-	(46)	-	-	-	-	(46)
Issue of warrants	-	(81)	81	-	-	-	-
TRANSACTIONS WITH OWNERS	236	792	81	-	-	-	1,109
BALANCE AT 30 June 2016	1,334	8,097	206	3,150	(7,361)	(2,829)	2,597

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 June 2016

	Attributable to equity shareholders				
	Share capital £'000	**Share premium £'000**	**Other reserves £'000**	**Retained losses £'000**	**Total equity £'000**
BALANCE AT 1 July 2014	1,052	10,096	110	(5,180)	6,078
Loss for the year	-	-	-	(4,539)	(4,539)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	(4,539)	(4,539)
Shares issued for cash	46	386	-	-	432
Share issue costs	-	(27)	-	-	(27)
Issue of warrants	-	-	15	-	15
TRANSACTIONS WITH OWNERS	46	359	15	-	420
BALANCE AT 30 June 2015	1,098	10,455	125	(9,719)	1,959
Loss for the year	-	-	-	(807)	(807)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	(807)	(807)
Share issues	236	919	-	-	1,155
Share issue costs	-	(46)	-	-	(46)
Issue of warrants	-	(81)	81	-	-
TRANSACTIONS WITH OWNERS	236	792	81	-	1,109
BALANCE AT 30 June 2016	1,334	11,247	206	(10,526)	2,261

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 June 2016

Company Number: 05075088

		GROUP		COMPANY	
		2016	2015	**2016**	2015
	Note	**£'000**	£'000	**£'000**	£'000
NON-CURRENT ASSETS					
Intangible assets	13	**2,495**	2,107	**-**	-
Property, plant and equipment	14	**63**	76	**-**	-
Investment in subsidiaries	15	**-**	-	**2,440**	2,440
		2,558	2,183	**2,440**	2,440
CURRENT ASSETS					
Inventories	16	**-**	5	**-**	-
Trade and other receivables	17	**329**	447	**12**	32
Cash and cash equivalents	18	**258**	1	**250**	1
		587	453	**262**	33
TOTAL ASSETS		**3,145**	2,636	**2,702**	2,473
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT					
Share capital	19	**1,334**	1,098	**1,334**	1,098
Share premium	19	**8,097**	7,305	**11,247**	10,455
Merger reserve	21	**3,150**	3,150	**-**	-
Other reserves	21	**206**	125	**206**	125
Reverse acquisition reserve	21	**(7,361)**	(7,361)	**-**	-
Retained losses		**(2,829)**	(2,371)	**(10,526)**	(9,719)
TOTAL EQUITY		**2,597**	1,946	**2,261**	1,959
CURRENT LIABILITIES					
Trade and other payables	22	**381**	370	**274**	194
Borrowings	23	**167**	320	**167**	320
		548	690	**441**	514
TOTAL LIABILITIES		**548**	690	**441**	514
TOTAL EQUITY AND LIABILITIES		**3,145**	2,636	**2,702**	2,473

These Financial Statements were approved by the Board of Directors on 30 December 2016 and were signed on its behalf by:

N Jagatia
Director

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 June 2016

		GROUP		COMPANY	
		2016	2015	**2016**	2015
	Note	**£'000**	£'000	**£'000**	£'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax		**(553)**	(779)	**(807)**	(4,539)
Depreciation		**13**	14	**-**	-
Finance income		**-**	-	**-**	(81)
Finance expense		**27**	55	**27**	55
Shares issued in settlement of fees and debt		**-**	82	**-**	82
Impairment of investment in subsidiary		**-**	-	**-**	1,800
Interco loan provision		**-**	-	**361**	2,128
Decrease/(increase) in trade and other receivables		**218**	964	**20**	1,045
Increase/(decrease) in trade and other payables		**62**	120	**131**	31
CASH (USED BY)/GENERATED FROM OPERATING ACTIVITIES		**(233)**	456	**(268)**	521
CASH FLOWS FROM INVESTING ACTIVITIES					
Increase in development costs		**(388)**	(1,047)	**-**	-
Purchases of property, plant and equipment		**-**	(78)	**-**	-
Increase in loan to subsidiary		**-**	-	**(361)**	(1,182)
NET CASH FROM INVESTING ACTIVITIES		**(388)**	(1,125)	**(361)**	(1,182)
CASH FLOWS FROM FINANCING ACTIVTIES					
Net proceeds from issue of shares		**999**	323	**999**	323
Net repayment of short term borrowings		**(94)**	320	**(94)**	320
Finance costs paid		**(27)**	(40)	**(27)**	(40)
NET CASH FROM FINANCING ACTIVITIES		**878**	603	**878**	603
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**257**	(66)	**249**	(58)
Cash and cash equivalents at the beginning of the year		**1**	67	**1**	59
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	18	**258**	1	**250**	1

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2016

1 GENERAL INFORMATION

The principal activity of Inspirit Energy Holdings plc during the period was that of developing and commercialising the mCHP boiler.

These financial statements show the consolidated results of the Group for the year ended 30 June 2016 together with the comparative results for the year ended 30 June 2015.

Inspirit Energy Holdings plc is a company incorporated and domiciled in England and Wales and quoted on the Alternative Investment Market of the London Stock Exchange. The address of its registered office is 2nd Floor, 2 London Wall Buildings, London, EC2M 5PP, United Kingdom.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with applicable International Financial Reporting Standards ("IFRS") including standards and interpretations issued by both the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretation Committee ("IFRIC") as adopted and endorsed by the European Union ("EU"), further to IAS Regulation (EC 1606/2002).

The consolidated Financial Statements have been prepared under the historical cost convention and are presented in GBP Pound Sterling, rounded to the nearest £1,000.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated Financial Statements are disclosed in Note 4.

GOING CONCERN

The financial statements have been prepared on the going concern basis.

The Directors have prepared cash flow forecasts for the Group and Company which reflect the Group's and Company's forecast cash inflows and costs.

The Group's activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 4 to 6. It also includes the Group's objectives, policies and processes for managing its business risk objectives, which includes its exposure to technology, customer and other operational risks.

It is envisaged by the Directors, who have formed a judgement at the time of approving these financial statements, that existing cash resources together with these forecast cash inflows will provide adequate funds for the Group for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF CONSOLIDATION

Inspirit Energy Holdings plc, the legal parent, is domiciled and incorporated in the United Kingdom.

The Group Financial Statements consolidate the Financial Statements of Inspirit Energy Holdings plc and its subsidiary, Inspirit Energy Limited, made up to 30 June 2016.

Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the company controls another entity.

The cost of acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition related costs are expensed as incurred. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

STATEMENT OF COMPLIANCE

At the date of authorisation of this document, the following Standards and Interpretations, which have not been applied in these financial statements, were in issue, but not yet effective:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- IAS 27 (amendments) Equity Method in Separate Financial Statements

The Directors anticipate that the adoption of the above Standards and Interpretations in future periods will have little or no impact on the financial statements of the Company when the relevant Standards come into effect for future reporting periods, although they have yet to complete their full assessment in relation to the impact of IFRS 9 and IFRS 15.

SEGMENTAL REPORTING

The accounting policy for identifying segments is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker, which is identified as the Board of Directors.

In identifying its operating segments, management generally follows the Group's service lines which represent the main products and services provided by the Group. The Directors believe that the Group’s continuing trading operations comprise one segment.

CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in equity. In this case the tax is also recognised directly in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company’s subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FOREIGN CURRENCY TRANSLATION

a) FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency").

The consolidated Financial Statements are presented in Pounds Sterling (£), which is the Company's functional and the Group's presentation currency.

b) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised the Statement of Comprehensive Income.

Foreign exchange gains and losses relating to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within "Finance Income" or "Finance Costs". All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within "Other (Losses)/Gains – Net".

OPERATING LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation is calculated to allocate the cost of each class of asset to their residual values over their estimated useful lives, as follows:

- Plant and Equipment – 15% reducing balance
- Fixtures and Fittings – 20% reducing balance
- Motor Vehicles – 5 years, straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and are recognised within "Other (Losses)/Gains – Net" in the Statement of Comprehensive Income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INTANGIBLE ASSETS

a) GOODWILL

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Company's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

b) DEVELOPMENT COSTS

Development costs relate to expenditure on the development of certain new products and service projects where the outcome of those projects is assessed as being reasonably certain as regards viability and technical feasibility. Such expenditure is capitalised and amortised over the expected sales life of the product, being generally a period not longer than five years commencing in the year the sales of the product were first made.

Development costs incurred on specific projects are capitalised when all the following conditions are satisfied:

- completion of the intangible asset is technically feasible so that it will be available for use or sale
- the Group intends to complete the intangible asset and use or sell it
- the Group has the ability to use or sell the intangible asset
- the intangible asset will generate probable future economic benefits
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Directly attributable costs that are capitalised as part of the product include any employee costs and an appropriate portion of relevant overheads.

Other development expenditure that does not meet these criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL ASSETS

a) CLASSIFICATION

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Statement of Financial Position date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

b) RECOGNITION AND MEASUREMENT

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchasing or selling the asset. Financial assets carried at fair value through profit or loss is initially recognised at fair value, and transaction costs are expensed in the Statement of Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred, and the Group has transferred substantially all of the risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the Statement of Comprehensive Income within "Other (Losses)/Gains – Net" in the period in which they arise.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset, or a group of financial assets, is impaired. A financial asset, or a group of financial assets, is impaired, and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset, or group of financial assets, that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal repayments;
- the disappearance of an active market for that financial asset because of financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio; or
- for assets classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost.

a) ASSETS CARRIED AT AMORTISED COST

The amount of impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced, and the loss is recognised in the Statement of Comprehensive Income. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Statement of Comprehensive Income.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not they are presented as non-current assets.

Trade receivables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

CASH AND CASH EQUIVALENTS

In the consolidated Statement of Cash Flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

FINANCIAL LIABILITIES

The Group's financial liabilities comprise trade payables. Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instruments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SHAREHOLDERS' EQUITY

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Option reserve" represents the cumulative cost of share based payments.
- "Retained losses" represents retained losses.

TRADE PAYABLES

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings, using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

BORROWINGS COSTS

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

SHARE BASED PAYMENTS

The Group operates equity-settled, share-based schemes, under which it receives services from employees or third party suppliers as consideration for equity instruments (options and warrants) of the Group. The Group may also issue warrants to share subscribers as part of a share placing. The fair value of the equity-settled share based payments is recognised as an expense in the Statement of Comprehensive Income or charged to equity depending on the nature of the service provided or instrument issued. The total amount to be expensed or charged is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability or sales growth targets, or remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

In the case of warrants the amount charged to equity is determined by reference to the fair value of the services received if available. If the fair value of the services received is not determinable, the warrants are valued by reference to the fair value of the warrants granted as described previously.

Non-market vesting conditions are included in assumptions about the number of options or warrants that are expected to vest. The total expense or charge is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Statement of Comprehensive Income or equity as appropriate, with a corresponding adjustment to a separate reserve in equity.

When the options are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium.

3 FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is coordinated by the Board of Directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets.

The main risks the Group is exposed to through its financial instruments are market risk (including market price risk), credit risk and liquidity risk.

MARKET PRICE RISK

The Group's exposure to market price risk mainly arises from potential movements in the pricing of its products. The Group manages this price risk within its long-term strategy to grow the business and maximise shareholder return. .

CREDIT RISK

The Group's financial instruments that are subject to credit risk are cash and cash equivalents and loans and receivables. The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable financial institutions.

The Group's maximum exposure to credit risk is £605,000 (2015: £435,000) comprising cash and cash equivalents and loans and receivables.

LIQUIDITY RISK

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through maintaining a positive cash balance and controlling expenses and commitments. The Directors are confident that adequate resources exist to finance current operations.

The following table summarises the maturity profile of the Group's non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on contractual undiscounted cash flows based on the earliest repayment date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that the interest flows are floating rate, the undiscounted amount is derived from the interest rate curves at the balance sheet date:

Group **At 30 June 2016**	**Less than 1 year £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**	**Total £'000**	**Carrying value £'000**
Trade and other payables	**320**	**-**	**-**	**-**	**320**	**320**
Borrowings	**167**	**-**	**-**	**-**	**167**	**167**
At 30 June 2015						
Trade and other payables	324	-	-	-	324	324
Borrowings	320	-	-	-	320	320

CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for shareholders;
- to support the Group's growth; and
- to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Management regards total equity as capital and reserves, for capital management purposes.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Financial Statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

GOING CONCERN

As at 30 June 2016 the Company had a cash balance of £250,000 (2015: £1,000), net current liabilities of £178,000 (2015: £481,000) and net assets of £2,262,000 (2015: £1,959,000). The Group continues to incur costs in the development and modification of their products and is pre-revenue.

Therefore the cash flow forecasts for the Group and Company show that further equity and/or borrowings will be required to complete the final development and external testing of the Group's mCHP boilers and bring them into production to get to a cash flow positive position. Although the Directors are confident that further debt or equity can be raised at a valuation acceptable to the Company there is no guarantee this will be the case.

IMPAIRMENT OF DEVELOPMENT COSTS AND INVESTMENTS

The Group tests annually whether development costs and investments in the subsidiaries, which have a carrying value of £2,495,000 and £2,440,000, respectively (2015: £2,107,000 and £2,440,000, respectively), have suffered any impairment in accordance with the accounting policy as stated in Note 2.

Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is determined based on value in use calculations prepared on the basis of management's assumptions and estimates. As a result of their 2016 review management has concluded that no impairment charge to the carrying value of investment in subsidiaries is needed, following the £1,800,000 impairment in 2015. See Note 15 to the Financial Statements.

In respect of development costs, the recoverable amounts of cash-generating units have been determined, based on value-in-use calculations. The value-in-use calculations require the entity to estimate future cash flows expected to arise from the cash generating unit and apply a suitable discount rate in order to calculate present value. The recoverable amount of the development costs have been determined, based on value in use calculations. These calculations require the use of estimates. The Directors have concluded that no impairment charge is necessary.

SHARE BASED PAYMENTS

The Group has made awards of options and warrants over its unissued share capital to certain Directors and employees as part of their remuneration package. Certain warrants have also been issued to shareholders as part of their subscription for shares and to suppliers for various services received.

The fair value of options is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. In accordance with IFRS 2 'Share Based Payments', the Company has recognised the fair value of options, calculated using the Black-Scholes option pricing model. The Directors have made assumptions particularly regarding the volatility of the share price at the grant date in order to reach a fair value. Further information is disclosed in Note 22.

5 SEGMENTAL INFORMATION

The Group's primary reporting format is business segments and its secondary format is geographical segments. The Group only operates in a single business and geographical segment. Accordingly no segmental information for business segment or geographical segment is required.

6 DIRECTORS' EMOLUMENTS

	2016	2015
	£	£
Aggregate emoluments	**187**	199
Social security costs	**19**	18
	206	217

Name of director	Salary and fees	Benefits	**Total 2016**	Total 2015
	£	£	**£**	£
J Gunn	80	-	**80**	74
J Nazhat	-	-	**-**	20
N Jagatia	27	-	**27**	31
N Luke	80	-	**80**	74
	187	-	**187**	199

The Group does not operate a pension scheme and no contributions were paid during the year.

7 EMPLOYEE INFORMATION

	2016	2015
	£	£
Wages and salaries	**187**	199
Social security costs	**19**	18
	206	217

In addition to the above a total of £182,000 (2015: £121,000) wages and salaries for employees have been included in Development costs.

Average number of persons employed (including executive directors):

	2016 Number	2015 Number
Office and management	**7**	6

COMPENSATION OF KEY MANAGEMENT PERSONNEL

There are no key management personnel other than the Directors of the Company (Note 6).

8 LOSS FOR THE YEAR

Loss for the year is arrived at after charging:

	2016	2015
	£'000	£'000
Salaries and wages (Note 7)	206	217
Audit and other fees	17	16
Operating lease rent	17	53
Depreciation	16	14

AUDITOR'S REMUNERATION

During the year the Group obtained the following services from the Company's auditor:

	2016	2015
	£'000	£'000
Fees payable to the Company's auditor for the audit of the parent company and the Group financial statements	15	13
Fees payable to the Company's auditor and its associates for other services:		
Taxation compliance services	2	2
Other assurance services	-	1

9 OTHER LOSSES

	2016	2015
	£'000	£'000
Financial assets at fair value through profit or loss (Note 19)	-	-
Foreign exchange loss on amounts owing to lenders	23	-
	23	-

The foreign exchange loss noted above represents the movement in the Sterling amount owing to YA Global Master SPV Limited, as a result of the loan being denominated in US Dollars. See Note 23 for further details.

10 FINANCE COSTS

	2016	2015
	£'000	£'000
Interest expense:		
Other loans	27	55

11 INCOME TAX CREDIT

GROUP	**2016**	2015
	£'000	£'000
Current R&D tax credit on loss for the year	(95)	(207)
	(95	(207)

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average rate applicable to losses of the consolidated entities as follows:

	2016	2015
	£'000	£'000
Loss before tax from continuing operations	(523)	(779)
Loss before tax multiplied by rate of corporation tax in the UK of 20% (2015: 20%)	(105)	(156)
Tax effects of:		
Expenses not deductible for tax purposes	14	14
Unrelieved tax losses carried forward	91	142
Research and development tax credit	(95)	(207)
Total tax	(95)	(207)

The Group has excess management expenses of approximately £4,150,000 (2015: £3,780,000), capital losses of £150,000 (2015: £150,000) and non-trade financial losses of approximately £119,000 (2015: £119,000) to carry forward against future suitable taxable profits. No deferred tax asset has been provided on any of these losses due to uncertainty over the timing of their recovery.

12 EARNINGS PER SHARE

Loss per ordinary share has been calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of shares in issue during the year. The calculations by both basic and diluted loss per share for the year are based upon the loss for the year of £458,000 (2015: £572,000). The weighted number of equity shares in issue during the year was 794,406,441 (2015: 673,897,325).

In accordance with IAS 33, basic and diluted earnings per share are identical as the effect of the exercise of share options and warrants would be to decrease the loss per share and therefore deemed anti-dilutive. Details of share options and warrants that could potentially dilute earnings per share in future periods are set out in Notes 2.

13 INTANGIBLE ASSETS

GROUP COST	Development Costs £'000	Total £'000
At 1 July 2014	1,060	1,060
Additions	1,047	1,047
At 30 June 2015	2,107	2,107
Additions	**388**	**388**
At 30 June 2016	**2,495**	**2,495**
ACCUMULATED AMORTISATION AND IMPAIRMENT		
At 1 July 2014 and 1 July 2015	-	-
Impairment charge	-	-
At 30 June 2015 and 30 June 2016	**-**	**-**
NET BOOK VALUE		
At 30 June 2016	**2,495**	**2,495**
At 30 June 2015	2,107	2,107

No amortisation has been recognised on development costs to date as the assets are still in the development stage and the related products are not yet ready for sale.

The recoverable amount of the above cash generating unit has been determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on financial budgets approved by Management covering a seven year period. These incorporate potential revenues which are based on project tenders and projected revenue. Given the nature of the work and the visibility of revenue in the future, it is considered appropriate not to extend the cash flow workings beyond this period.

The recoverable amount based on value-in-use exceeded the carrying value above. The impairment review did not identify any impairment for recognition in the current or prior year.

14 PROPERTY, PLANT AND EQUIPMENT

GROUP COST	Plant and Equipment £'000	Fixtures and fittings £'000	Motor Vehicles £'000	Total £'000
As 1 July 2014	7	11	1	19
Additions	74	4	-	78
As 30 June 2015	81	15	1	97
Additions	**-**	**-**	**-**	**-**
As at 30 June 2016	**81**	**15**	**1**	**97**
DEPRECIATION				
As at 1 July 2014	3	4	-	7
Charge for year	12	1	1	14
As at 30 June 2015	15	5	1	21
Charge for year	**10**	**3**	**-**	**13**
As at 30 June 2016	**25**	**8**	**1**	**34**
NET BOOK VALUE				
As at 30 June 2016	**56**	**7**	**-**	**63**
As at 30 June 2015	66	10	-	76

15 INVESTMENT IN SUBSIDIARIES

COMPANY SHARES IN GROUP UNDERTAKINGS:	**2016** **£'000**	2015 £'000
At 1 July	**2,440**	4,240
Transfer from investments	**-**	-
Reverse acquisition	**-**	-
Impairment provision	**-**	(1,800)
	2,440	2,440
Non-Current loan due from group undertaking	**-**	403
Transfer from current intercompany receivable	**-**	462
Increase in loan to group undertaking	**361**	1,182
Interest on loan	**-**	81
Provision against the loan balance outstanding	**(361)**	(2,128)
	2,440	2,440

Included in the above is an amount of £2,489,000 (2015: £2,128,000) relating to the amount due to the Company by its subsidiary Inspirit Energy Limited. A provision of £2,489,000 (2015: £2,128,000) has been set against this loan balance outstanding.

15 INVESTMENT IN SUBSIDIARIES (continued)

Investments in Group undertakings are recorded at cost, which is the fair value of the consideration paid.

Details of Subsidiary Undertakings are as follows:

Name of subsidiary	Country of incorporation	Registered capital	Proportion of share capital held	Nature of business
Inspirit Energy Limited	England and Wales	Ordinary shares £15,230	100%	Product development
Somemore Limited	England and Wales	Ordinary shares £1	100%	Dormant

16 INVENTORIES

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Work in progress	**-**	5	**-**	-

The Directors consider that the carrying amount of inventories is approximately equal to their fair value.

17 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Amounts due from group undertakings*	**-**	-	**-**	-
Corporation tax**	**308**	291	**-**	-
VAT recoverable	**9**	125	**4**	5
Unpaid share capital	**-**	18	**-**	18
Prepayments and accrued income	**12**	13	**8**	9
	329	447	**12**	32

*The amount due from group undertakings have been included in the Investment in subsidiaries balance. See Note 15 for further details.

**The Corporation tax repayable relates to the R&D tax claim receivable from HMRC.

The Directors consider that the carrying amount of receivables is approximately equal to their fair value.

18 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Cash and cash equivalents	**258**	1	**250**	1

The Directors consider the carrying amount of cash and cash equivalents approximates to their fair value.

All of the Group and Company's cash and cash equivalents are held with institutions with an AA credit rating.

19 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Number of deferred shares	Ordinary shares	Deferred shares	Share premium	Total
			£	£	£	£
At 30 June 2014	655,560,344	400,932	655,560	396,923	10,095,765	11,148,248
Issue of new shares	38,888,889	-	38,889	-	311,111	350,000
Issue costs	-	-	-	-	(26,880)	(26,880)
Share based payments	6,698,056	-	6,698		75,234	81,932
At 30 June 2015	**701,147,289**	**400,932**	**701,147**	**396,923**	**10,455,230**	**11,553,300**
Issue of new shares	235,659,570	-	235,660	-	919,341	1,155,000
Issue costs	-	-	-	-	(45,900)	(45,900)
Warrants issued	-	-	-	-	(81,000)	(81,000)
At 30 June 2016	**936,806,859**	**400,932**	**936,807**	**396,923**	**11,247,671**	**12,581,400**

The deferred shares have no voting rights.

On 17 July 2015 the Company issued 77,659,570 new ordinary shares of 0.1p each at a price of 0.47p per share raising a total of £365,000 before costs as part of a private placing.

Of the new ordinary shares issued, 4,255,319 were issued to the Company's corporate advisor in settlement of outstanding fees.

On 17 May 2016 the Company issued 150,000,000 new ordinary shares of 0.1p each at a price of 0.5p per share raising a total of £750,000 before costs as part of a private placing. At the same time 8,000,000 new ordinary shares were issued to the Company's corporate advisor in settlement of outstanding fees.

20 SHARE BASED PAYMENTS

Share options and warrants can be granted to selected Directors and third party service providers.

Share options and warrants outstanding at the end of the year have the following expiry dates and exercisable prices:

	Weighted Average Exercise Price 2016	Options and warrants	Weighted Average Exercise Price 2015	Options and warrants
At 1 July	**0.0154**	**11,429,984**	0.0566	15,646,620
Granted	**0.0050**	**79,000,000**	0.0090	9,283,364
Exercised	-	-	-	-
Terminated	**0.0300**	**(646,620)**	0.0100	(13,500,000)
At 30 June	**0.0067**	**89,783,364**	0.0154	11,429,984

Grant date	Expiry date	Exercise price in £ per share	Number of options and warrants 2016	Number of options and warrants 2015
26 April 2011	25 April 2021	0.0488	**1,500,000**	1,500,000
13 Sept 2012	12 Sept 2015	0.0300	**-**	646,620
30 April 2015	29 April 2018	0.0090	**9,283,364**	9,283,364
20 May 2016	19 May 2017	0.0050	**79,000,000**	-
		0.0067	**89,783,364**	11,429,984

The total weighted average contractual life of the outstanding options and warrants at 30 June 2016 was 1.59 years (2015: 3.07 years).

On 20 May 2016 the Company issued 79,000,000 warrants exercisable at 0.5p per share for a period of 1 year from the date of issue. These warrants were issued in connection with the placing of the same date and the resultant fair value charge of £81,000 has been recognised as a credit to the share premium account.

The fair value of the share options and warrants were determined using the Black Scholes valuation model. The parameters used are detailed below:

	2016 Warrants
Date of grant	20 May 2016
Shares and warrants under option	79,000,000
Option life (years)	1
Share price (pence per share) at grant date	0.50
Risk free rate	2.00%
Expected volatility	50%
Expected dividend yield	Nil
Fair value per option granted (pence per share)	0.1027
Exercise price (pence per share)	0.50

In respect of the warrants issued in May 2016 the volatility is based on the approximate average volatility of similar AIM quoted stocks. The risk free rate of return is based on zero yield government bonds for a term consistent with the option life.

The total fair value of the options and warrants granted in the year to 30 June 2016 was £81,000 (2015: £15,000), which amounts have been recognised in the accounts for the year.

21 OTHER RESERVES

	Share option reserve £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Total £'000
1 July 2014	110	3,150	(7,361)	(4,101)
Issue of warrants	15	-	-	15
30 June 2015	**125**	**3,150**	**(7,361)**	**(4,086)**
Issue of warrants	**81**	**-**	**-**	**81**
30 June 2016	**206**	**3,150**	**(7,361)**	**(4,005)**

On 20 May 2016 the Company issued 79,000,000 warrants exercisable at 0.5p per share for a period of 1 year from the date of issue. These warrants were issued in connection with the placing of the same date and the resultant fair value charge of £81,000 has been recognised as a credit to the share premium account.

22 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Trade payables	**193**	270	**127**	104
Other payables	**59**	11	**59**	11
Amount due to related parties	**-**	-	**-**	-
Social security and other taxes	**68**	23	**28**	15
Accrued expenses	**61**	66	**60**	64
	381	370	**274**	194

The Directors consider that the carrying amount of trade payables approximates to their fair value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2016

23 BORROWINGS

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Current				
Drawdown facility (see Note 1 below)	**121**	211	**121**	211
Related party short term loans (see Note 2 below)	**46**	109	**46**	109
	167	320	**167**	320

Note 1 The Drawdown facility relates to the facility entered into during the prior year with YA Global Master SPV Limited, showing the remaining balance outstanding at the year end. The facility is unsecured and carries an implied interest rate of 10 per cent per annum, repayable in 12 equal monthly instalments.

On 30 April 2015 the Company issued warrants to subscribe for 9,283,364 new ordinary shares as part of the unsecured $3,000,000 Debt facility arrangement with YA Global Master SPV Limited ("YA Global"). The issue of the warrants was triggered following the drawdown of the initial Tranche 1, being $400,000, under the terms of the agreement. The terms of the issue of warrants are governed by the Debt Facility agreement, which specify that for every tranche drawn down, the Company is required to issue 25% of the value of the drawdown based on the interbank rate at the nearest possible date and using the average Volume Weighted Average Price ("VWAP") of the Company for the five trading days immediately prior the date of the agreement. Based on those terms, were the Company to drawdown the remaining $2,600,000 they would be required to issue further warrants to subscribe for an estimated total of 99,622,448 new ordinary shares. This is based on the Exchange rate as at 30 June 2016 of $1 / £0.751 and a VWAP of 0.49p. The Directors do not expect to use the remaining facility in the foreseeable future.

During the year the related party short term loan owing to David Lenigas, the former Chairman of £50,000 was settled by the issue of shares in July 2015. In addition a further £75,000 was provided by Mr Lenigas during the year and settled by the issue of shares in May 2016. The implied interest rate on the loan is zero per cent.

Note 2 The amount of £46,000 (2015: £50,000) is owing to Global Investment Strategy (UK) Limited ("GIS"). The Group entered into an unsecured loan facility on 28 June 2013 with GIS for an aggregate maximum amount of £350,000. Amounts may be drawn down at the discretion of the Company. Interest is payable on any drawdown at 5 per cent above the base rate of HSBC Bank plc. Any amount drawn down under the loan facility shall be repayable 18 months from the date of the loan facility. GIS holds a fixed and floating charge over all the assets of the Company.

All other related party transactions have been included in Note 27.

24 FINANCIAL INSTRUMENTS BY CATEGORY

The Group's financial instruments comprise borrowings, cash and cash equivalent, and various items such as trade receivables and trade payables. The main purpose of these financial instruments is to raise finance for the Group's operations.

IAS 39 categories of financial instruments included in the Statement of Financial Position and the headings in which they are included are as follows:

	2016	2015
	£'000	£'000
FINANCIAL ASSETS – LOANS AND RECEIVABLES:		
Trade and other receivables (excluding prepayments)	**347**	434
Cash and bank balances	**258**	1
FINANCIAL LIABILITIES AT AMORTISED COST:		
Trade and other payables (excluding accruals)	**320**	304
Borrowings	**167**	270

The table providing an analysis of the maturity of the non-derivative financial liabilities has been included in Note 3.

25 OPERATING LEASE COMMITMENTS

The Group leases an office under a non-cancellable operating lease agreement. The lease term is for one year and the lease agreement is renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating lease are as follows:

	2016	2015
	£'000	£'000
GROUP:		
No later than 1 year	**26**	26

26 ULTIMATE CONTROLLING PARTY

At the date of signing this report the Directors do not consider there to be one single ultimate controlling party.

27 RELATED PARTY TRANSACTIONS

All intra group transactions are eliminated on consolidation. The remaining transactions are as follows:

Global Investment Strategy (UK) Limited

Mr J Gunn is a Shareholder and Director of Global Investment Strategy (UK) Limited ("GIS"). The Company entered into an unsecured loan facility on 28 June 2013 with GIS for an aggregate maximum amount of £350,000.

During the year the Group used this facility and the amount outstanding at year end was £46,000 (2015: £50,000). Amounts may be drawn down at the discretion of the Company. Interest is payable on any drawdown at 5 per cent above the base rate of HSBC Bank plc. Any amount drawn down under the loan facility shall be repayable 18 months from the date of the loan facility. GIS holds a fixed and floating charge over all the assets of the Company.

Other related parties

During the year the related party short term loan owing to David Lenigas, the former Chairman of £50,000 was settled by the issue of shares in July 2015. In addition a further £75,000 was provided by Mr Lenigas during the year and settled by the issue of shares in May 2016. The implied interest rate on the loan is zero per cent.

Mr Lenigas also invoiced the Company, £30,000 during the year for consultancy services. The amount owed to Mr Lenigas at the year end was £nil.

During the year, NKJ Associates Ltd, a company in which N Jagatia is a Director, charged consultancy fees of £27,000 (2015: £27,000). The amount owed to NKJ Associates Ltd at year end is £10,000 (2015: £2,000).

28 EVENTS AFTER THE REPORTING DATE

There were no material post year end events.