Inspirit Energy Holdings plc

Annual Report and Financial Statements

for the year ended 30 June 2017

Company Registration no: 05075088

COMPANY INFORMATION

DIRECTORS	J Gunn (Chairman and CEO) N Jagatia N Luke (Resigned 2 June 2017)
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	Hill Dickenson LLP 50 Fountain House Manchester M2 2AS
INDEPENDENT AUDITOR	Welbeck Associates Statutory Auditor 30 Percy Street London W1T 2DB
NOMINATED ADVISOR	Beaumont Cornish 2nd Floor Beaumont House 29 Wilson Street London EC2M 2SJ
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

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CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 30 June 2017

INTRODUCTION

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

COMMERCIALISATION AND PROGRESS

During the year, the Group has been working to advance its microCHP boiler towards commercialisation. To this end, improvements to the design of the Group's Stirling engine technology, including simplification as part of the 'design for manufacture' ("DFM") process, have resulted in a peak electrical output up to 3.2kW of electricity against the unit's benchmark output of 3.0kW, whilst maintaining the same fuel input and heat output.

In addition, the Inspirit Charger has a similar footprint to many existing microCHP products but more than double the electrical output, making it a more attractive proposition in its key launch market of commercial plant rooms.

Importantly, this has been achieved without compromising the Group's "Sealed for Life" philosophy which aims to give customers peace of mind and aligns maintenance requirements and skillsets with those of a standard natural gas condensing boiler.

The DFM process is the means by which the manufacturing cost of the technology is reduced through engineering improvements and through improved manufacturability. The DFM process has already yielded several engineering improvements and manufacturing cost reductions and more are expected. Improved manufacturability leverages volume based cost reductions which will be available once commercial production starts. This DFM process remains ongoing and the Group will update investors once complete.

The ongoing collaboration with CIBSE, the Chartered Institute of Building Services Engineers, a key influencer in our initial target market of commercial plant rooms, is another example of our preparation for commercial launch. Customer confidence in our technology and its performance is a key success factor.

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 operating board and I believe that the progress over the last year has been positive. Whilst we remain well positioned in the microCHP boiler technology market, ongoing funding for the development and commercialisation of our product remains a challenge. Accordingly, we continue to manage our resources whilst pushing forward with the product and expect this to continue in 2018.

At the same time, the Board continues to consider its options for the future strategy and funding of its operating subsidiary and will provide investors with an update when this review is complete.

J Gunn
Chairman and Chief Executive Officer

22 December 2017

STRATEGIC REPORT

FOR THE YEAR ENDED 30 June 2017

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 2017.

REVIEW OF THE BUSINESS

Inspirit Energy Limited (IEL) 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.

DEVELOPMENTS DURING THE YEAR

In May 2017 the Company raised £292,500 before expenses through the issue of 234,000,000 new ordinary shares at a price of 0.125 pence per share.

BOARD CHANGES

On 2nd June 2017, the Company announced that Mr Neil Luke, the Company's Chief Operating Officer stepped down from the board due to his planned retirement.

RESULTS AND DIVIDENDS

The Group made a loss after taxation of £419,000 (2016: loss of £458,000).

The Directors do not propose a dividend for the year to 30 June 2017 (2016: £nil).

STRATEGIC REPORT
FOR THE YEAR ENDED 30 June 2017

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 2017	30 June 2016
Net asset value	£2,360,000	£2,597,000
Net asset value - fully diluted per share	0.24p	0.28p
Closing share price	0.14p	0.38p
Market capitalisation	£1,639,130	£3,559,866

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
On 15th August 2017, the Company announced that it raised £300,000 by issuing 208,333,334 new Ordinary Shares of 0.1p each at a price of 0.12p per Ordinary Share together with a proposed Director's subscription of 41,666,666.

STRATEGIC REPORT
FOR THE YEAR ENDED 30 June 2017

GOING CONCERN

As at 30 June 2017 the Group had a cash balance of £30,000 (2016: £258,000), net current assets/ liabilities of negative £361,000 (2016: positive £39,000) and net assets of £2,360,000 (2016: £2,597,000). 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 Group there is no guarantee this will be the case.

ON BEHALF OF THE BOARD

N Jagatia
Director

22 December 2017

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 June 2017

The Directors present their annual report on the affairs of the Group, together with the audited financial statements for the year ended 30 June 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Group 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 2017	30 June 2016	**30 June 2017**	30 June 2016
J Gunn	**439,696,246**	370,029,580	**-**	-
N Jagatia	**2,000,000**	2,000,000	**-**	-
N Luke (resigned 02/06/2017)	**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 2017

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, John Gunn 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 John Gunn 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 John Gunn 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 2017

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

22 December 2017

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF INSPIRIT ENERGY HOLDINGS PLC
FOR THE YEAR ENDED 30 June 2017

OPINION

We have audited the financial statements of Inspirit Energy Holdings Plc (the 'Company') and its subsidiaries (the "Group") for the year ended 30 June 2017 which comprise the Group income statement, the Group statement of comprehensive income, the Group and Parent Company statements of changes in equity, the Group and Parent Company statements of financial position, the Group and Parent Company statements of cash flows, and notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:
- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2017 and of the group's loss for the 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.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 4 in the financial statements, which indicates that the Group incurred a net loss of £419k during the year ended 30 June 2017 and, of that date, the Group's current liabilities exceeded its current assets by £361k. As stated in note 4, these events or conditions, along with the other matters as set forth in note 4, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

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

Key audit matter	*How we addressed it*
Carrying value of intangible assets The capitalisation of development costs as an intangible asset requires the Board of Directors to demonstrate that six criteria as defined within IAS 38 "Intangible Assets" have all been met. At the 30 June 2017, there is £2,668k of intellectual property capitalised (2016: £2,495k) in the Consolidated Statement of Financial Position. We focused on this area because the Directors' assessment of whether impairment triggers have been identified that could give rise to an impairment charge in relation to the development costs involved complex and subjective judgements	We focused on the key assumptions relating to future revenue forecasts, margin expectations and associated selling costs. We were able to evaluate the reasonableness of the Directors' forecasts and expectations including the impact upon terminal values by agreeing changes in growth assumptions to corroborating evidence. We validated the inputs used by the Directors to calculate the discount rate applied by comparing this to a selection of comparable organisations. The Directors' key assumptions for long term growth rates were also compared to economic and industry forecasts for reasonableness. We assessed, through the performance of sensitivity analysis

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF INSPIRIT ENERGY HOLDINGS PLC
FOR THE YEAR ENDED 30 June 2017

Key audit matter	*How we addressed it*
and assumptions including the progress and future performance of the boiler. The Directors have prepared impairment assessment models which include a number of assumptions. The assumptions which are deemed to be the most significant in respect of these models are related to the estimated length of revenue streams and the associated costs.	over the key assumptions above, the extent of change in those assumptions that either individually or collectively would be required for any potential impairment charges, to have a material impact on the carrying value of the acquired intangible assets and goodwill. We also assessed the likelihood of such changes occurring.
Clear and full disclosure of the facts and the Directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure. Significant judgement is required in assessing the disclosures.	Our procedures included: Assessing the completeness and accuracy of the matters covered in the going concern disclosure by assessing its consistency with the cash flow forecasts prepared by the Group and the terms of the loan notes issued. We assessed whether the disclosure was balanced, understandable and sufficiently prominent, and referred to there being a material uncertainty.

OUR APPLICATION OF MATERIALITY

Materiality for the Group financial statements as a whole was set at £71k (2016: £78k).

This has been calculated as 3% of the net assets (2016: 3%), which we have determined, in our professional judgment, to be one of the principal benchmarks within the financial statements relevant to members of the Company in assessing financial performance of the Group.

Materiality for the parent company financial statements was set at £63k (2016: £67k), determined with reference to a benchmark of the net assets of £2,103k, of which it represents 3% (2016: 3%).

We report to the Director all corrected and uncorrected misstatements we identified through our audit with a value in excess of £3k (2016: £4), in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

All entities of the group were subject to full scope audit procedures for group and statutory reporting purposes. We did not rely on the work of any component auditors

As part of our planning we assessed the risk of material misstatement including those that required significant auditor consideration at the component and group level. Procedures were then performed to address the risk identified and for the most significant assessed risks of material misstatement, the procedures performed are outlined above in the key audit matters section of this report.

OTHER INFORMATION

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF INSPIRIT ENERGY HOLDINGS PLC
FOR THE YEAR ENDED 30 June 2017

OPINIONS 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF INSPIRIT ENERGY HOLDINGS PLC
FOR THE YEAR ENDED 30 June 2017

Jonathan Bradley-Hoare (Senior statutory auditor)
for and on behalf of Welbeck Associates
Chartered Accountants and Statutory Auditor
London, United Kingdom

22 December 2017

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 June 2017

	Note	2017 £'000	2016 £'000
CONTINUING OPERATIONS:			
Revenue		-	-
Administrative expenses	8	(384)	(503)
Other losses - net	9	-	(23)
OPERATING LOSS		(384)	(526)
Finance costs	10	(73)	(27)
LOSS BEFORE INCOME TAX		(457)	(553)
Income tax credit	11	38	95
NET LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(419)	(458)
EARNINGS PER SHARE			
- Basic and fully diluted earnings per share (attributable to owners of the parent)	12	(0.04p)	(0.06p)

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 £283,000 (2016: £807,000).

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 June 2017

	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 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
Loss for the year	-	-	-	-	-	(419)	(419)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	-	-	(419)	(419)
Share issues	234	58	-	-	-	-	292
Share issue costs	-	(11)	-	-	-	-	(11)
Debt Adjustment						(99)	(99)
Issue of warrants	-	-	-	-	-	-	-
TRANSACTIONS WITH OWNERS	234	47	-	-	-	(99)	182
BALANCE AT 30 June 2017	1,568	8,144	206	3,150	(7,361)	(3,347)	2,360

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 June 2017

	Attributable to equity shareholders				
	Share capital £'000	**Share premium £'000**	**Other reserves £'000**	**Retained losses £'000**	**Total equity £'000**
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
Loss for the year	-	-	-	(283)	(283)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	(283)	(283)
Share issues	234	58	-	-	292
Share issue costs	-	(11)	-	-	(11)
Debt adjustment	-	-	-	(99)	(99)
TRANSACTIONS WITH OWNERS	234	47	-	(99)	182
BALANCE AT 30 June 2017	1,568	11,294	206	(10,908)	2,160

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 June 2017

Company Number: 05075088

		GROUP		COMPANY	
		2017	2016	**2017**	2016
	Note	**£'000**	£'000	**£'000**	£'000
NON-CURRENT ASSETS					
Intangible assets	13	**2,668**	2,495	**-**	-
Property, plant and equipment	14	**53**	63	**-**	-
Investment in subsidiaries	15	**-**	-	**2,440**	2,440
		2,721	2,558	**2,440**	2,440
CURRENT ASSETS					
Inventories	16	**-**	-	**-**	-
Trade and other receivables	17	**174**	329	**122**	12
Cash and cash equivalents	18	**30**	258	**30**	250
		204	587	**152**	262
TOTAL ASSETS		**2,925**	3,145	**2,592**	2,702
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT					
Share capital	19	**1,568**	1,334	**1,568**	1,334
Share premium	19	**8,144**	8,097	**11,294**	11,247
Merger reserve	21	**3,150**	3,150	**-**	-
Other reserves	21	**206**	206	**206**	206
Reverse acquisition reserve	21	**(7,361)**	(7,361)	**-**	-
Retained losses		**(3,347)**	(2,829)	**(10,908)**	(10,526)
TOTAL EQUITY		**2,360**	2,597	**2,160**	2,261
CURRENT LIABILITIES					
Trade and other payables	22	**366**	381	**233**	274
Borrowings	23	**199**	167	**199**	167
		565	548	**432**	441
TOTAL LIABILITIES		**565**	548	**432**	441
TOTAL EQUITY AND LIABILITIES		**2,925**	3,145	**2,592**	2,702

These Financial Statements were approved by the Board of Directors on 22 December 2017 and were signed on its behalf by:

N Jagatia
Director

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 June 2017

		GROUP		COMPANY	
		2017	2016	**2017**	2016
	Note	**£'000**	£'000	**£'000**	£'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax		(457)	(553)	(283)	(807)
Depreciation		11	13	-	-
Finance income		-	-	-	-
Finance expense		73	27	73	27
Shares issued in settlement of fees and debt		-	-	-	-
Impairment of investment in subsidiary		-	-	-	-
Interco loan provision		-	-	(64)	361
Other adjustments		(33)		(33)	
Decrease/(increase) in trade and other receivables		192	218	(110)	20
Increase/(decrease) in trade and other payables		29	62	2	131
CASH (USED BY)/GENERATED FROM OPERATING ACTIVITIES		(185)	(233)	(415)	(268)
CASH FLOWS FROM INVESTING ACTIVITIES					
Increase in development costs		(173)	(388)	-	-
Increase in short term loans		-			
Purchases of property, plant and equipment		(1)	-	-	-
Increase in loan to subsidiary		-	-	64	(361)
NET CASH FROM INVESTING ACTIVITIES		(174)	(388)	64	(361)
CASH FLOWS FROM FINANCING ACTIVTIES					
Net proceeds from issue of shares		204	999	204	999
Net repayment of short term borrowings		-	(94)	-	(94)
Finance costs paid		(73)	(27)	(73)	(27)
NET CASH FROM FINANCING ACTIVITIES		131	878	131	878
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(228)	257	(220)	249
Cash and cash equivalents at the beginning of the year		258	1	250	1
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	18	30	258	30	250

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 2017 together with the comparative results for the year ended 30 June 2016.

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 2017.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2017

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

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, 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017

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 £204,000 (2016: £587,000) 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 2017**	**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	**366**	**-**	**-**	**-**	**366**	**366**
Borrowings	**199**	**-**	**-**	**-**	**199**	**199**
At 30 June 2016						
Trade and other payables	320	-	-	-	320	320
Borrowings	167	-	-	-	167	167

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 2017 the Group had a cash balance of £30,000 (2016: £258,000), net current liabilities) / assets of negative £361,000 (2016: £39,000) and net assets of £2,360,000 (2016: £2,597,000). 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 Group 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 £2,668,000 and £2,440,000, respectively (2016: £2,495,000 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 2017 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 previously 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 20.

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

	2017	2016
	£	£
Aggregate emoluments	**180**	187
Social security costs	**13**	19
	193	206

Name of director	Salary and fees	Benefits	**Total 2017**	Total 2016
	£	£	**£**	£
J Gunn	80	-	**80**	80
N Jagatia	24	-	**24**	27
N Luke	76	-	**76**	80
	180	-	**180**	187

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

7 EMPLOYEE INFORMATION

	2017	2016
	£	£
Wages and salaries	**180**	187
Social security costs	**13**	19
	193	206

In addition to the above a total of £141,000 (2016: £182,000) wages and salaries for employees have been included in Development costs.

Average number of persons employed (including executive directors):

	2017 Number	2016 Number
Office and management	**6**	7

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:

	2017 £'000	2016 £'000
Salaries and wages (Note 7)	193	206
Audit and other fees	17	17
Operating lease rent	17	17
Depreciation	11	16

AUDITOR'S REMUNERATION

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

	2017 £'000	2016 £'000
Fees payable to the Company's auditor for the audit of the parent company and the Group financial statements	15	15
Fees payable to the Company's auditor and its associates for other services:		
Taxation compliance services	2	2
Other assurance services	-	-

9 OTHER LOSSES

	2017 £'000	2016 £'000
Financial assets at fair value through profit or loss	-	-
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

	2017 £'000	2016 £'000
Interest expense:		
Other loans	73	27

11 INCOME TAX CREDIT

GROUP	**2017**	2016
	£'000	£'000
Current R&D tax credit on loss for the year	(38)	(95)
	(38)	(95)

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:

	2017	2016
	£'000	£'000
Loss before tax from continuing operations	(457)	(553)
Loss before tax multiplied by rate of corporation tax in the UK of 19% (2016: 20%)	(87)	(110)
Tax effects of:		
Expenses not deductible for tax purposes	14	14
Unrelieved tax losses carried forward	73	96
Research and development tax credit	(38)	(95)
Total tax	(38)	(95)

The Group has excess management expenses of approximately £4,500,000 (2016: £4,150,000), capital losses of £150,000 (2016: £150,000) and non-trade financial losses of approximately £119,000 (2016: £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 £419,000 (2016: £458,000). The weighted number of equity shares in issue during the year was 973,990,421 (2016: 794,406,441).

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 30 June 2015	2,107	2,107
Additions	**388**	**388**
At 30 June 2016	2,495	2,495
Additions	**173**	**181**
At 30 June 2017	**2,668**	**2,676**
ACCUMULATED AMORTISATION AND IMPAIRMENT		
At 1 July 2015 and 1 July 2016	-	-
Impairment charge	-	-
At 30 June 2016 and 30 June 2017	**-**	**-**
NET BOOK VALUE		
At 30 June 2017	**2,668**	**2,668**
At 30 June 2016	2,495	2,495

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 30 June 2015	81	15	1	97
Additions	-	-	-	-
As 30 June 2016	81	15	1	97
Additions	**-**	**-**	**-**	**-**
As at 30 June 2017	**81**	**15**	**1**	**97**
DEPRECIATION				
As at 30 June 2015	15	5	1	**21**
Charge for year	**10**	**3**	**-**	**13**
As at 30 June 2016	25	8	1	**34**
Charge for year	**9**	**1**	**-**	**10**
As at 30 June 2017	**34**	**9**	**1**	**44**
NET BOOK VALUE				
As at 30 June 2017	**47**	**6**	**-**	**53**
As at 30 June 2016	56	7	-	63

15 INVESTMENT IN SUBSIDIARIES

COMPANY SHARES IN GROUP UNDERTAKINGS:	**2017** **£'000**	2016 £'000
At 1 July	**2,440**	2,440
Transfer from investments	**-**	-
Reverse acquisition	**-**	-
Impairment provision	**-**	-
	2,440	2,440
Non-Current loan due from group undertaking	**-**	-
Transfer from current intercompany receivable	**-**	-
Decrease in loan to group undertaking	**(64)**	361
Interest on loan	**-**	-
Provision against the loan balance outstanding	**64**	(361)
	2,440	2,440

Included in the above is an amount of £2,424,000 (2016: £2,489,000) relating to the amount due to the Company by its subsidiary Inspirit Energy Limited. A provision of £2,424,000 (2016: £2,489,000) 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	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Work in progress	**-**	-	**-**	-

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

17 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Amounts due from group undertakings*	**-**	-	**-**	-
Corporation tax**	**38**	308	**-**	-
VAT recoverable	**21**	9	**15**	4
Other Debtors	**106**	-	**101**	-
Prepayments and accrued income	**10**	12	**6**	8
	175	329	**122**	12

*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	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Cash and cash equivalents	**30**	258	**30**	250

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 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	1,155,001
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	12,581,401
Issue of new shares	234,000,000	-	234,000	-	58,500	292,500
Issue costs	-	-	-	-	(10,750)	(10,750)
At 30 June 2017	1,170,806,859	400,932	1,170,807	396,923	11,295,421	12,863,151

The deferred shares have no voting rights.

In May 2017 the Company issued 234,000,000 new ordinary shares at a price of 0.125 pence per share.

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 2017	**Options and warrants**	Weighted Average Exercise Price 2016	Options and warrants
At 1 July	**0.0067**	**89,783,364**	0.0154	11,429,984
Granted	**-**	**-**	0.0050	79,000,000
Exercised	**-**	**-**	-	-
Terminated	**0.0050**	**(79,000,000)**	0.0300	(646,620)
At 30 June	**0.0067**	**10,783,364**	0.0067	89,783,364

Grant date	**Expiry date**	**Exercise price in £ per share**	**Number of options and warrants 2017**	Number of options and warrants 2016
26 April 2011	25 April 2021	0.0488	**1,500,000**	1,500,000
30 April 2015	29 April 2018	0.0090	**9,283,364**	9,283,364
20 May 2016	19 May 2017	-	**-**	79,000,000
		0.0067	**10,783,364**	89,783,364

21 OTHER RESERVES

	Share option reserve £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Total £'000
1 July 2015	125	3,150	(7,361)	(4,086)
Issue of warrants	81	-	-	81
30 June 2016	206	3,150	(7,361)	(4,005)
Issue of warrants	-	-	-	-
30 June 2017	206	3,150	(7,361)	(4,005)

22 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Trade payables	76	193	21	127
Other payables	150	59	111	59
Amount due to related parties	-	-	-	-
Social security and other taxes	67	68	28	28
Accrued expenses	73	61	73	60
	366	381	233	274

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

23 BORROWINGS

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Current				
Drawdown facility (see Note 1 below)	199	121	199	121
Related party short term loans (see Note 2 below)	46	46	46	46
	245	167	245	167

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

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:

	2017	2016
	£'000	£'000
FINANCIAL ASSETS – LOANS AND RECEIVABLES:		
Trade and other receivables (excluding prepayments)	**175**	347
Cash and bank balances	**30**	258
FINANCIAL LIABILITIES AT AMORTISED COST:		
Trade and other payables (excluding accruals)	**160**	320
Borrowings	**199**	167

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:

	2017	2016
	£'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

During the year, NKJ Associates Ltd, a company in which N Jagatia is a Director, charged consultancy fees of £24,000 (2016: £27,000). The amount owed to NKJ Associates Ltd at year end is £2,000 (2016: £10,000).

28 EVENTS AFTER THE REPORTING DATE

On 15th August 2017, the Company announced that it raised £300,000 by issuing 208,333,334 new Ordinary Shares of 0.1p each at a price of 0.12p per Ordinary Share together with a proposed Director's subscription of 41,666,666.