

# **Inspirit Energy Holdings plc**

## Annual Report and Financial Statements

for the year ended 30 June 2021

## COMPANY INFORMATION

DIRECTORS	J Gunn (Chairman and CEO) N Jagatia (Finance Director) A Samaha (Non-Executive Director)
COMPANY SECRETARY	N Jagatia
REGISTERED OFFICE	Inspirit Energy Holdings Plc C/o GIS 200 Aldersgate Street London EC1A 4HD
COMPANY REGISTRATION NUMBER	05075088
REGISTRAR AND TRANSFER OFFICE	Share Registrars Limited Molex House The Millennium Centre Crosby Way Farnham Surrey GU9 7XX
SOLICITORS	Hill Dickinson LLP The Broadgate Tower 20 Primrose Street London EC2A 2EW
INDEPENDENT AUDITOR	PKF Littlejohn LLP Statutory Auditor 15 Westferry Circus Canary Wharf London E14 4HD
NOMINATED ADVISOR	Beaumont Cornish Limited Building 3 566 Chiswick High Road London W4 5YA
BROKER	Global Investment Strategy UK Ltd 200 Aldersgate Street, London EC1A 4HD
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 2021

Inspirit Energy Holdings plc (Inspirit) has maintained its focus on the application of the Stirling engine in various sectors during the year, and during the last few months of the financial year ended 30 June 2021, COVID 19 restrictions eased and Inspirit had been working with its engineering partners on the fine details of the new Waste Heat Recovery (WHR) system for the application on the Volvo marine engine. Details on the electrical and the main mechanical systems are near completion, and it is hoped that by the end of 2021 all major items of the WHR system will be complete, with a view to having the designs for a full working prototype that can be put into testing and manufacture.

Despite the global slowdown and access to materials, the operating Board believe that the company has maintained a positive progress over the last year in the alternative applications of the Stirling engine and there is strong evidence of the need to refocus our strategic objectives towards these areas that include marine and waste heat recovery. We wait to assess the impact on government's ban on oil and gas boilers on new build property from 2025, but there is no clear outcome with existing households gas boiler heating. It should be noted that this is by no means an abandonment of our MicroCHP boiler technology as over 65% of the technology for the Inspirit charger is applicable to the marine and waste heat recovery applications. The Company is in discussion with an organisation that can modify and re-engineer the heater head that is potentially applicable in the rapidly emerging hydrogen market.

As per prior years, the board are continuing to assess funding options for the development and commercialisation of our products and will continue to demonstrate prudence in our approach to managing our current resources whilst pushing forward with our product development.

I would like to personally thank my colleagues for their hard work and commitment to driving the business forward during these challenging times.



J Gunn  
**Chairman and Chief Executive Officer**  
29 December 2021

## STRATEGIC REPORT

FOR THE YEAR ENDED 30 June 2021

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 2021.

### REVIEW OF THE BUSINESS

Inspirit Energy Limited (IEL) is currently in the process of refocusing its expertise in the application of the Stirling engine technology in different sectors including Marine and Waste Heat Recovery.

The Company is also 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 or hydrogen 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.

### DEVELOPMENTS DURING THE YEAR

Despite COVID 19 impacting the year with lockdowns, supply line issues and general movement in Europe, IEL had been working with its engineering partners on the fine details of the new WHR for the application on the Volvo marine engine.

In addition, IEL developed and applied a new innovative technology that will become an integral part of the WHR System. Whilst still in the early stages of development, the Inspirit Helix Accelerator system (IHA), works alongside the WHR system taking the heat from the original source and increasing it via an exothermic reaction demonstrated to be at least 26%. Essentially, the heat source that passes through the IHA is amplified to provide a greater heat source for the Stirling engine, resulting in greater power output and efficiency. The Company believes that this technology, along with the Stirling technology that Inspirit Energy has also developed, makes this system more innovative than anything currently on the market. IHA has other applications where the current heat source is in a lower threshold and the traditional use of Stirling technology would not seem a benefit to recover lost energy.

### PROMOTION OF THE COMPANY FOR THE BENEFIT OF THE MEMBERS AS A WHOLE

The Directors believe they have acted in the way most likely to promote the success of the Company for the benefit of its members as a whole, as required by s172 of the Companies Act 2006.

The requirements of s172 are for the Directors to:

- Consider the likely consequences of any decision in the long term;
- Act fairly between the members of the Company;
- Maintain a reputation for high standards of business conduct;
- Consider the interests of the Company’s employees;
- Foster the Company’s relationships with suppliers, customers and others; and
- Consider the impact of the Company’s operations on the community and the environment.

The Company is quoted on AIM and its members will be fully aware, through detailed announcements, shareholder meetings and financial communications, of the Board’s broad and specific intentions and the rationale for its decisions.

When selecting suppliers and materials, issues such as the impact on the community and the environment have actively been taken into consideration.

The Company pays its employees and creditors promptly and keeps its costs to a minimum to protect shareholders funds.

## STRATEGIC REPORT

FOR THE YEAR ENDED 30 June 2021

## Other developments during the year:

On 3rd November 2020, the Company announced that it had entered into a letter of support for the development of a Waste Heat Recovery ("WHR") system following a successful model design and application demonstration with Volvo Penta, a world-leading supplier of power solutions for marine and industrial applications.

On 3rd November 2020, the Company announced that it had received Warrant Conversion notices for £150,000 at 0.07 per share on the Warrants attached to Convertible Loan Notes (CLN's) issued on the 4th May 2018.

On 4th November 2020, the Company announced that it is in discussions regarding a possible collaboration with an engineering company with expertise in advanced gasification.

On 16th November 2020, the Company announced that it had received warrant conversion notices for £107,500 at 0.07 p per share on the Warrants attached to Convertible Loan Notes (CLN's) issued on the 4 May 2018 to the Directors of the Company and accordingly issued 153,571,427 Ordinary Shares. The ordinary shares in relation to the converted warrants consisted of the Chairman and CEO, John Gunn was issued 71,428,571 new Ordinary Shares of 0.001p each; Global Investment Strategy UK Ltd (A company with direct control by John Gunn) was issued 67,857,142 new Ordinary shares and Nilesh Jagatia, Finance Director, was issued 14,285,714 Ordinary Shares

On 27th May 2021, the Company announced that it had raised a gross amount of £500,000 through the placing of 1,000,000,000 ordinary shares of 0.001 pence each in the share capital of the Company at 0.05 pence per Ordinary Share. For every two Placing Shares they subscribed to, placees will also receive one warrant over Ordinary Shares valid for 24 months from the date of issue exercisable at 0.075 pence per Ordinary Share.

## BOARD CHANGES

None.

## RESULTS AND DIVIDENDS

The Group made a loss after taxation of £253,000 (2020: loss of £199,000) and net assets were £2,891,000 (2020: £2,416,000).

The Directors do not propose a dividend for the year to 30 June 2021 (2020: £nil).

## KEY PERFORMANCE INDICATORS

The key performance indicators (KPI) used by the Board to monitor the performance of the Group, are set out below:

	30 June 2021	30 June 2020
Net asset value	<b>£2,891,000</b>	<b>£2,416,000</b>
Net asset value - fully diluted per share	<b>0.074p</b>	<b>0.10p</b>
Closing share price	<b>0.05p</b>	<b>0.05p</b>
Market capitalisation	<b>£2,135,820</b>	<b>£1,451,891</b>

The Net asset value and Market capitalisation have increased during the period due to the placing and warrant conversions during the reporting period. The closing share price has maintained the same price during these unprecedented times and provides a positive reflection on the company.

## STRATEGIC REPORT

FOR THE YEAR ENDED 30 June 2021

### COVID 19 ASSESSMENT

During the reporting period, the Group continued to develop its microCHP boiler, Marine engine and Waste Heat Recovery (WHR) application with its European partners. Specifically, the Company has spent time working to refine Inspirit's Stirling technology, reviewing the potential supply chain and detailing the product specifics for potential commercial partners. This progress was achieved despite the significant issues resulting from the COVID-19 pandemic in Europe, which was instrumental in causing some of these European partners to cease trading and therefore necessitated their replacement with other competent manufacturers.

The Board recognises that these are still unprecedented times and that the necessary actions Global and European Governments are taking to control COVID-19 are inevitably causing disruption to the economy and supply chain for components. As with all businesses, we are not immune to this and experienced movement and lock down restrictions in the UK and Europe. As a result, our European partners and Marine counterparts are constantly reviewing the timeline in resuming development and testing of our technology.

Despite supply and manufacturing issues I identified above, the Company developed and applied a new innovative technology that will become an integral part of the WHR System. Whilst still in the early stages of development, the Inspirit Helix Accelerator system (IHA), works alongside the WHR system taking the heat from the original source and increasing it via an exothermic reaction demonstrated to be at least 26%. Essentially, the heat source that passes through the IHA is amplified to provide a greater heat source for the Stirling engine, resulting in greater power output and efficiency. The Company believes that this technology, along with the Stirling technology that Inspirit Energy has also developed, makes this system more innovative than anything currently on the market.

To mitigate the impact of COVID 19, the Company has diversified their supplier base with multiple suppliers in different countries. In the event that any country has further lock downs or restrictions we would be able to swap supplier with minimal impact on our project plan.

### 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.

Other risks and uncertainties within the Group are detailed in principle 4 of the Corporate Governance Report.

### GOING CONCERN RISK

The Group requires financing to fund its operations through to revenue generation. There is the risk that the Group will not have access to sufficient funds to achieve this. The Group seek to mitigate through forecast preparation and monitoring. Further details are on page 9.

### 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 Bank Plc. More information is given in Note 3 to the Financial Statements. The Group has no significant concentrations of credit risk.

### CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's and Company's ability to continue its activities and bring its products to market. Capital is defined based on the total equity of the Company. The Company monitors its level of cash resources available against future planned activities and may issue new shares in order to raise further funds from time to time.

## STRATEGIC REPORT

FOR THE YEAR ENDED 30 June 2021

### MANAGEMENT AND KEY PERSONNEL

The risk of high turnover of staff and other specialist staff recruitment issues would have an impact on operation and reputation. The Board provides recognition and support for well performing existing employees and has implemented and monitors robust health and safety measures at the workplace.

### TECHNOLOGY RISK

The Group's success is dependent on its technology and management's ability to market it successfully. There is the risk that the technology could become obsolete or a rival could develop an improved alternative. Management seek to mitigate this by constantly seeking to improve the product, closing watching its competitors and employing skilled personnel.

### 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.

### ON BEHALF OF THE BOARD



N Jagatia

**Director**

29 December 2021



## REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 June 2021

The Directors present their annual report on the affairs of the Group and Company, together with the audited financial statements for the year ended 30 June 2021.

## PRINCIPAL ACTIVITIES

The principal activity of the Group and Company is that of development and commercialisation of the mCHP boiler and application of the stirling technology in other sectors.

Details of the Group's principal activity 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 Company'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 2021	30 June 2020	30 June 2021	30 June 2020
J Gunn **	861,403,363	507,983,664	0	71,428,571*
N Jagatia	44,857,142	30,571,428	0	14,285,714*
A Samaha	-	-	-	-

\*Warrant conversion price of 0.07p per share and issued on 22 November 2019

\*\*861,403,363 Ordinary Shares (direct 657,981,981 Ordinary Shares and indirect via GIS 203,421,382 Ordinary Shares)

## INDEMNITY OF OFFICERS

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

## RESEARCH AND DEVELOPMENT

For details of the development activities undertaken in the year, please refer to principle 1 of the Corporate Governance Report.

## 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.

## 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 2021

### MATTERS COVERED IN THE STRATEGIC REPORT

The business review, results, review of KPI's and future developments are included in the Strategic Report and Chairman's Statement.

### GOING CONCERN

As at 30 June 2021 the Group had a cash balance of £561,000 (2020: £128,000), net current assets of £88,000 (2020: net current liabilities of £285,000) and net assets of £2,891,000 (2020: £2,416,000). The Group has maintained its core spend during the year whilst still managing to move its projects forward and is in negotiations to renew its expired drawdown facility. There can be no assurance that the Group's projects will become fully developed and reach commercialisation nor that there will be sufficient cash resources available to the Group to do so.

Whilst further funds will likely be raised next year in order to fund the product development activities, the key justification for the Group be a going concern is that the committed cost base is very low compared to the current cash reserves and thus discretionary costs can be reduced, deferred and/or eliminated as and when needed during the going concern period. The directors believe the group to have sufficient cash reserves at present to meet the group's obligations over the following 12 months, however, the Directors have committed to providing support of up to £150,000 over this period should working capital shortfalls arise. Therefore the directors consider it appropriate to prepare the financial statements on the going concern basis.

The Directors acknowledge that COVID-19 has had and is likely to continue to have an adverse impact on the global economy and capital markets. The Directors are however confident that the Group remains a going concern in spite of these expected impacts due to its current cash reserves, its low committed cost base and the aforementioned support from Directors' should working capital shortfalls arise.

### EVENTS AFTER THE REPORTING DATE

On 2nd November 2021, the company announced that it was in early-stage discussions with a view to entering into an agreement with a British certification company Enertek International Ltd. Enertek International have won several development contracts from the government (BEIS) and have gained a vast knowledge in developing backward compatible Hydrogen products such as: domestic and commercial cookers, domestic and commercial heating systems etc. They have now gained the knowledge which could be very beneficial to Inspirit in developing a Hydrogen product, with a view of also looking at our existing products to make them hydrogen powered backwards compatible.

## REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 June 2021

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with international accounting standards in conformity with the Companies Act 2006. 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 parent company and of the profit or loss of the group and the parent company 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 international accounting standards in conformity with the requirements of the Companies Act 2006 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 group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the parent 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 the parent 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](http://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

A resolution that PKF Littlejohn LLP be re-appointed will be proposed at the annual general meeting. PKF Littlejohn LLP have indicated their willingness to continue in office.

## ON BEHALF OF THE BOARD



N Jagatia

**Director**

29 December 2021

REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 30 June 2021

## CORPORATE GOVERNANCE REPORT

## Inspirit Energy Holdings plc

Quoted Companies Alliance Code ("QCA Code")	
Principles:	Application:
1) Strategy and business model to promote long-term values for shareholders	<p>This section complies with the requirements of the QCA Code.</p> <p>Inspirit Energy Holdings plc has maintained its focus on the application of the Stirling engine in various sectors as well as progressing the commercialisation efforts of the Group's micro combined heat and power ("mCHP") boilers amidst the backdrop of the challenges posed by the COVID-19-pandemic. Despite these market headwinds, Inspirit achieved a number of significant milestones including the signing of a letter of support with world-leading marine engine manufacturer Volvo Penta for the development of a Waste Heat Recovery system as well as entering discussions with a leading gasification technology company regarding a possible collaboration.</p> <p>These milestones demonstrate how the previous year has been a pivotal one for the business and its strategic direction as an R&amp;D company. The operating Board has worked throughout to identify differing potential applications for the technology where there is significant potential for growth, as well as considering the future strategy and funding of its operating subsidiary.</p> <p>As recently announced by the UK Government and set out in its Energy White Paper entitled 'Powering our net zero future', new measures will be introduced to advance the decarbonisation of heat and transport including the switching of home heating, at scale, to low-carbon alternatives with the Government outlining a 'decisive shift' away from new gas boiler installations which are expected to be phased out by mid-2030s.</p> <p>The Directors believe that the positive progress over the last year in the alternative applications of the Stirling technology in the Marine and Waste Heat Recovery (WHR) sectors is strong evidence of the need to refocus our strategic objectives towards these areas. It should be noted that this is by no means an abandonment of our MicroCHP boiler technology - on the contrary, we are actively looking into the application of the technology in the rapidly emerging hydrogen market. Additionally, with the continued growth demand for electric cars, the Board will be looking at the automotive sector to utilise the Stirling engine to provide a source of power to charge electric motor cars.</p> <p>The Group will also potentially make investments in complementary areas and technologies that will utilise the Group's existing technical expertise.</p>
2) Meeting and understanding shareholders needs and expectations	<p>This section complies with the requirements of the QCA Code.</p> <p>The Company has a close and ongoing relationship with its shareholders. The Company also places great importance on effective and timely communication with its shareholders. Shareholders are encouraged to attend the Company's meetings (including the Annual General Meeting) to provide feedback and to actively engage with the management on a regular basis. Furthermore, the INSP's shareholders and</p>

## REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 June 2021

	investors can keep themselves updated about the current Company's position by visiting the INSP's website <a href="http://www.inspirit-energy.com">http://www.inspirit-energy.com</a> .								
3) Considering stakeholders and social responsibilities and their implications for long term success	<p>This section complies with the requirements of the QCA Code.</p> <p>The Board recognises that the long-term success of the Group is reliant on efforts of its employees, consultants, suppliers, regulators and stakeholders.</p> <p>Employees: In order to support employees' growth and enforce social responsibilities the Board has implemented systems to monitor and evaluate employees' performance and to encourage well performing employees to progress further by supporting them to attend courses. Employees' performance is monitored through a process designed to encourage open and confidential communication between the management and the employees on a regular basis.</p> <p>Consultants: The Board recognises that consultants play a vital part for INSP as they bring knowledge and expertise for specific areas, and in some instances, they also provide training for existing staff.</p> <p>Suppliers: INSP maintains a good working relationship with its suppliers to provide for its growing business and to support its existing needs.</p> <p>Regulators: The Board monitors and implements any legal or regulatory changes where possible both domestically and overseas and is fully committed to compliance.</p> <p>Stakeholders: INSP encourages its shareholders to actively participate in meetings and shareholders are provided with the opportunity to give feedback on a regular basis.</p>								
4) Risk Management	<p>This section complies with the requirements of the QCA Code.</p> <p>The risks in the Group are managed by the audit committee which is responsible to the Board to work closely with the executive directors to identify, implement and manage risks faced by the Group.</p> <p>INSP has robust controls and procedures in place to manage internal controls of the Company and these are considered to be appropriate to the size and complexity of the organisation. The audit committee has been set up to evaluate and manage significant risks faced by the Group.</p> <p>Control is established mainly through the Group's directors who monitor and support the day to day running of the Group and where possible comply with the Board's and shareholders concerns and requirements.</p> <p>INSP has identified and implemented the following risks and controls to mitigate risks:</p> <table border="1"> <thead> <tr> <th>Activity:</th> <th>Risk</th> <th>Impact</th> <th>Control(s)</th> </tr> </thead> <tbody> <tr> <td>Management</td> <td>High turnover of staff and other recruitment issues.</td> <td>Operational and reputational impact.</td> <td>Recognition and support for well performing existing employees.  Implementing and monitoring of robust health and safety measures at workplace.</td> </tr> </tbody> </table>	Activity:	Risk	Impact	Control(s)	Management	High turnover of staff and other recruitment issues.	Operational and reputational impact.	Recognition and support for well performing existing employees.  Implementing and monitoring of robust health and safety measures at workplace.
Activity:	Risk	Impact	Control(s)						
Management	High turnover of staff and other recruitment issues.	Operational and reputational impact.	Recognition and support for well performing existing employees.  Implementing and monitoring of robust health and safety measures at workplace.						

## REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 June 2021

	Regulatory / legal adherence	Non-compliance.	Loss of licences resulting in inability to comply with the regulatory / legal requirements.	Robust policies and procedures to be followed.  Maintaining effective communication with the Company's Auditors and NOMAD on a regular basis.
	Strategic	Failure of systems and controls.	Loss of key data and inability to operate effectively.	Disaster recovery policy to be followed in case of crisis.  Maintaining strong IT systems and controls in place.
	Financial	Internal: Inadequate systems and controls of accounting in place and liquidity risk.  External: Market and credit crisis; Short term liquidity freezes; Commercialisation Brexit.  Covid 19	Loss of business.  Inability to continue trading as a going concern.          Delays in activity internally and externally would lead to consumption of working capital	The Board to regularly review operating and strategic risks.  The audit committee to provide adequate and sufficient information to the Company's external auditors.  Robust capital and liquidity levels in place alongside effective accounting systems and controls.  Large proportion of the development work is successfully complete.  Diversification of suppliers and partners to meet delivery of activity.
	Regulatory environment in domestic power market	External: Changes in legislation regarding domestic power market.	Potential to undermine microchip boiler product.	Understanding regulatory environment and adapting system accordingly.
	Product Risk	Internal: Failure to develop commercial product.	Potential for significant financial loss.	Testing of product Certification. Understanding of market place and competition.
The above matrix is kept up to date and regularly reviewed as changes arise in order to mitigate risks.				

## REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 June 2021

<p>5) Maintain the board as a well-functioning and balanced team led by the chair</p>	<p>This section does not comply with the requirements of the QCA Code as the board composition does not include a Non-Executive Chairman and two Non-Executive Directors.</p> <p>At the date of this publication the Board comprises of the Chairman (John Gunn), the Chief Financial Officer (Nilesh Jagatia) and the independent Non-Executive Director (Anthony Samaha). Further detail about the skills and capabilities of these directors are set out in principle six below.</p> <p>The letter of appointment of the Company's Directors and Secretary are available for inspection at the Company's registered office and all directors are subject to re-election at intervals of no more than three years.</p> <p>The Board is responsible for strategy and performance of major capital projects and the framework of internal controls. All directors have access to seek independent advice should they feel that their knowledge of the given task is insufficient. There is a clear balance between the executive director and the non-executive director.</p> <p>Furthermore, the directors liaise with the Company Secretary (Nilesh Jagatia), who is responsible for compliance with the Board procedures and that applicable rules and regulations are complied with.</p> <p>The Board meets quarterly. The Board established the following committees; Audit Committee and Remuneration Committee. All Directors are encouraged to participate and attend meetings on a regular basis and the attendance is closely monitored.</p> <p>Despite the QCA recommendation of having two independent directors INSP has opted to have only one non-executive director and a joint role of Chief Executive Director and the Chairman as they feel that this is appropriate to the current size and complexity of the organisation. INSP is still in the R&amp;D phase of its business cycle and therefore relies on a team of consultants in developing the product. Following conclusion of this process, certification is managed externally, and then commercial trials would commence. As such the role of the Board, at this stage, is to oversee this process, review strategy, hold high level discussions regarding possible commercial trials and ensure adequate funding. As such, the current Board is deemed sufficient. As and when the business develops beyond this stage the Board will review its requirements at this stage. The Group is actively looking to appoint an additional non-executive director to provide a balance of the non-executive directors and executives as per the QCA.</p>
<p>6) Directors experience, skills and capabilities</p>	<p>This section complies with the requirements of the QCA Code.</p> <p><b>The Chairman: John Gunn</b> Mr Gunn is the founder of INSP and a 20.2% ( Direct and indirect) shareholder of the Company. Mr Gunn is also the managing director and majority shareholder of Global Investment Strategy UK Limited and a majority shareholder of Octagonal Plc. With a career spanning over 30 years in the financial services industry, Mr Gunn began his career in 1987 at Hoare Govett and has since worked at Carr Sheppards Limited, Assicurazioni Generali S.p.A. and Williams de Broe, where he was a senior investment manager until 2002.</p> <p><b>Chief Financial Officer: Nilesh Jagatia</b> Mr Jagatia currently serves as Finance Director at INSP and also currently holds the Finance Director position with a Financial Services G group Octagonal Ltd and AIM quoted and Limitless Earth Plc (LME). Nilesh has been involved with several IPO's and was previously Group Finance Director of an AIM quoted Online Media and Publishing Company for a period of five years until July 2012. Nilesh has over 20 years' experience, including senior financial roles in divisions of both Universal Music</p>

## REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 June 2021

	<p>Group and Sanctuary Group plc. He served as a Finance Director for an independent record label that expanded into the US. Nilesh is a qualified accountant and holds a degree in finance.</p> <p>Non-Executive Director: Anthony Samaha Mr Samaha is a Chartered Accountant (Australia) who has over 20 years' experience in accounting and corporate finance. Mr Samaha has worked for over 10 years with international accounting firms, including Ernst &amp; Young, principally in corporate finance, and mergers and acquisitions. He has extensive experience in the listing and management of AIM quoted companies and is currently Executive Director of AIM traded Reabold Resources Plc.</p> <p>In addition to the Board directors above INSP uses Beaumont Cornish Limited as their nominated adviser (NOMAD), Hill Dickinson LLP to assist with legal and regulatory matters and FTB ITC Services Ltd to support the IT systems.</p>
7) Evaluation of the Board's performance	<p>This section complies with the requirements of the QCA Code.</p> <p>INSP is fully committed to uphold Directors' independence and to regularly evaluate their performance.</p> <p>Where appropriate, INSP sets targets which the Directors have to adhere to. Each Director is assigned with an individual target which is linked to the corporate and financial targets of the Group. Career support, development and training may also be provided to the Directors where necessary.</p>
8) Promoting corporate culture, ethical values and behaviours	<p>This section complies with the requirements of the QCA Code.</p> <p>INSP is committed to ethical conduct and to the governance structures that ensure that the Group delivers long term value and earns the trust of its shareholders. The shareholders are encouraged at General Meetings to express their views and expectations in an open and respectful dialogue.</p> <p>The Board is fully aware that their conduct impacts the corporate culture of the Group as a whole and that this will impact the future performance of the Group. The Directors are invited to provide an open comprehensive dialogue and constructive feedback to the employees, and to promote ethical values and behaviours within the Group.</p> <p>INSP also believes that doing business honestly, ethically and with integrity helps to build long-term, trusting relationship with our employees, customers, suppliers and stakeholders. Our Code of business Conduct means that our employees understand that we provide ourselves in high ethical standards. INSP has zero tolerance for bribery and corruption among our employees.</p>
9) Maintenance of governance structures and processes to support good decision making by the board	<p>This section complies with the requirements of the QCA Code.</p> <p>The Board is responsible for the ultimate decision making, the structures and processes adopted by INSP. The Board is headed by the Chairman. In order to comply with the Companies Act 2006 or QCA code the Board recognises that it must comply with the following principles set out by the Act:</p> <ul style="list-style-type: none"> <li>- duty to exercise independent judgement;</li> <li>- duty to exercise reasonable care, skill and due diligence;</li> <li>- duty to avoid conflicts of interest;</li> <li>- duty not to accept benefits from third parties; and</li> <li>- duty to declare interest in a proposed transaction or arrangement.</li> </ul> <p>The Chairman is responsible for leading the Board, sets the agenda and ensures it is an effecting working group at the head of the Company. The Chairman is also</p>



## REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 June 2021

	<p>responsible for promoting a culture of openness and effective communication with shareholders and to ensure that all board members receive accurate, timely and clear information.</p> <p>The Executive Directors are responsible for day to day running of the Company and effective communications with the Board and the Shareholders. They represent the Company to ensure quality of information provision, they challenge and monitor performance of the teams, and they set business plans and targets for the Company.</p> <p>Non-Executive Director: INSP has one Non-Executive Director who is an independent director. This is to reinforce the Group's commitment to a transparent and effective governance structure which encourages and provides ample opportunity for challenge and deliberation. The Non-Executive Director's objective is to scrutinise the performance of the Board and senior management as well as to monitor performance, agree goals and objectives. They will satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and fit for purpose. The Non-Executive Director is also closely working with the Remuneration Committee as they are responsible for determining appropriate levels of remuneration of Executive Directors and have a prime role in appointing / removing senior management.</p> <p>The Company established the following committees to help with processes, structures and support good decision making by the Board.</p> <p>Audit Committee - The Audit Committee is currently chaired by Anthony Samaha and its other member is Nilesch Jagatia. The Committee provides a forum for reporting by the Group's external auditors. The committee is also responsible for reviewing a wider range of matters, including half-year and annual results before their submission to the board, as well as 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 it will also discuss the nature, scope and results of the audit with the external auditors. The committee will keep under review the cost effectiveness, the independence and objectivity of the external auditors.</p> <p>Remuneration Committee - The Remuneration Committee is currently chaired by Anthony Samaha and its other member is John Gunn. The Committee is responsible for making recommendations to the Board, within agreed terms of reference, on the Company's framework of executive remuneration and costs. 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.</p> <p>It is recognised that if the Group grows, it may be necessary to review the current structure in order to provide better segregation of the responsibilities and clear lines of reporting, that are consistent with industry standards.</p>
10) Shareholders communication	<p>This section complies with the requirements of the QCA Code.</p> <p>The Company recognises that its shareholders are imperative for future growth and prosperity of the Company. The Shareholders are treated equally both in relation to participation at meetings and in the exercising of voting rights. INSP's shareholders are encouraged to attend the annual general meetings and the Company provides regulatory news updates and any other matters the Board feels fit. The Company maintains the following website <a href="https://www.inspirit-energy.com/investors">https://www.inspirit-energy.com/investors</a> for investor relations.</p>

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

FOR THE YEAR ENDED 30 June 2021

### Opinion

We have audited the financial statements of Inspirit Energy Holdings Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2021 which comprise the Group Statement of Comprehensive Income, the Group and Company Statement of Financial Position, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity and the Group and Company Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company affairs as at 30 June 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent 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.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included reviewing cashflow forecasts covering the next 12 months and challenging the key inputs and assumptions underpinning said forecasts, ascertaining the group's current cash position, understanding the level of support to be provided by the directors and obtaining proof of the directors' commitments to provide said support.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Our application of materiality

The scope of our audit was influenced by our application of materiality. The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures. We also determine a level of performance materiality which we use to assess the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In determining our overall audit strategy, we assessed the level of uncorrected misstatements that would be material for the financial statements as a whole.

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

FOR THE YEAR ENDED 30 June 2021

Materiality for the consolidated financial statements was set as £87,000 (2020: £73,000) based upon net assets. Materiality has been based upon net assets which we determined, in our professional judgement, to be the key principal benchmark relative to members of the parent company in assessing the financial performance of the group.. Performance materiality and the triviality threshold for the consolidated financial statements was set at £69,600 (2020: £58,400) and £4,350 (2020: £3,650) respectively.

Materiality for the parent company was set as £86,000 (2020: £68,000) based upon net assets, though capped so as to be below group materiality. Net assets was considered to be an appropriate basis due to the fact that the parent company is non-revenue earning and holds significant material balances through investments in its subsidiaries and other assets and cash held. Performance materiality and the triviality threshold for the Company was set at £68,800 (2020: £54,400) and £4,300 (2020: £3,400) respectively.

We also agreed to report any other differences below that threshold that we believe warranted reporting on qualitative grounds.

### Our approach to the audit

In designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular we looked at areas involving significant accounting estimates and judgements by the directors and considered future events that are inherently uncertain, such as the recoverable value of the capitalised development costs. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

A full scope audit was performed on the complete financial information of both components of the group.

### 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 the scope of our audit responded to the key audit matter
<p><b>Recoverability of Intangible Assets</b></p> <p><b>Carrying value of intangible assets of £2.8m (2020: £2.7m). Refer to Note 4: Critical Accounting Estimates.</b></p> <p><b>Intangible Assets is the largest amount within the financial statements and represents the asset (development of its Stirling technology) from which, if successful, the group will generate revenue.</b></p> <p><b>There is a risk that the development costs capitalised during the year do not meet the recognition criteria of IAS 38 "Intangible Assets".</b></p> <p><b>There is also the risk that the carrying value of the intangible asset is impaired.</b></p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"> <li>• Obtaining management's assessment of impairment and reviewing and challenging the key estimates and judgements used therein;</li> <li>• Performing sensitivity analysis on the key areas of estimation/judgement and verifying to supporting documentation where possible including benchmarking against companies in the same industry;</li> <li>• Substantive testing of the additions to intangible assets to ensure they are eligible to be capitalised under IAS 38; and</li> <li>• Reviewing disclosures in the financial statements to ensure compliance with IFRS.</li> </ul>

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

FOR THE YEAR ENDED 30 June 2021

	<p>Upon discussing developments in the year with Management and testing the additions in the year, the costs capitalised in the year were found to be capitalised in accordance with IAS 38.</p> <p>The positive developments in the year with respect to the application of the Stirling technology to the Marine and Waste Heat Recovery industries demonstrated the commercial potential of Inspirit's technology and thus indicate that the capitalised development costs as at 30 June 2021 are materially recoverable.</p> <p>Successful commercialisation of the group's Stirling technology is reliant both on project completion, sufficient funds and the required regulatory approvals being obtained. It is drawn to the users' attention that none of these matters is certain. Failure to achieve the above may result in an impairment to the assets capitalised.</p> <p>Furthermore, the successful commercialisation of the application of the Stirling engine technology is reliant on further testing and, should results be positive, further discussions with the interested parties.</p>
<p><b>Going concern</b></p>	
<p><b>As at 30 June 2021 the Group had cash reserves totalling £561k. As the Group is non-revenue generating, there is a reliance on raising funds through issuing debt and/or equity. Additional funds may need to be raised during the going concern assessment period to fund future operations and meet working capital requirements. In addition, the Group has not historically performed in accordance with budget. As such there is the risk that the Group is not a going concern.</b></p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"> <li>▪ A detailed review of budgets and cash flow forecasts including challenging key assumptions used;</li> <li>▪ Comparing actual performance to budget;</li> <li>▪ Challenging management as to when the Group's core product is likely to achieve commercial sales;</li> <li>▪ Evaluating the track record of assumptions used versus actual results in order to assess the historical accuracy of the Group's forecasting;</li> <li>▪ Discussions with management and obtaining evidence that support can be given where required;</li> <li>▪ Reviewing the Group's cash position as at the date of approval of the financial statements, and understanding the available headroom under the loan facility agreement; and</li> <li>▪ Considering the impact of COVID-19 on the Group's ability to remain a going concern.</li> </ul>

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

FOR THE YEAR ENDED 30 June 2021

	Based on support being available from Directors, if required, to cover any potential shortfall it is considered reasonable to prepare the financial statements on the going concern basis.
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### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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

### Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the group and parent company 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 group and parent company financial statements, the directors are responsible for assessing the group and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

FOR THE YEAR ENDED 30 June 2021

### 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research and experience of the sector.
- We determined the principal laws and regulations currently relevant to the group and parent company in this regard to be those arising from UK Company Law, rules applicable to issuers on the AIM Market and international accounting standards.
- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the Directors. We considered the event of compliance with those laws and regulations as part of our procedures on the related financial statement items. We communicated laws and regulations throughout our audit team and remained alert to any indications of non-compliance throughout the audit of the group.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group with those laws and regulations. These procedures included, but were not limited to:
  - Discussions with Management regarding compliance with laws and regulations by the parent company and all components;
  - Reviewing board minutes; and
  - Review of regulatory news announcements made.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

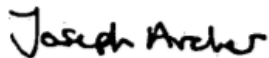
Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF INSPIRIT ENERGY HOLDINGS PLC  
FOR THE YEAR ENDED 30 June 2021

**Use of our report**

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



Joseph Archer (Senior Statutory Auditor)  
For and on behalf of PKF Littlejohn LLP  
Statutory Auditor

15 Westferry Circus  
Canary Wharf  
London E14 4HD

29 December 2021

## GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 June 2021

	Note	2021 £'000	2020 £'000
CONTINUING OPERATIONS:			
Administrative expenses	7	(277)	(240)
OPERATING LOSS		(277)	(240)
LOSS BEFORE INCOME TAX		<b>(277)</b>	<b>(240)</b>
Income tax credit	8	<b>24</b>	41
NET LOSS AND TOTAL COMPREHENSIVE INCOME LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT		<b>(253)</b>	<b>(199)</b>
EARNINGS PER SHARE			
- Basic and diluted earnings per share (attributable to owners of the parent)	9	(0.007p)	(0.009p)



## STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 June 2021

Company Number: 05075088		GROUP		COMPANY	
	Note	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>NON-CURRENT ASSETS</b>					
Intangible assets	10	2,773	2,666	-	-
Property, plant and equipment	11	30	35	1	-
Investment in subsidiaries	12	-	-	2,440	2,440
		<b>2,803</b>	<b>2,701</b>	<b>2,441</b>	<b>2,440</b>
<b>CURRENT ASSETS</b>					
Trade and other receivables	13	37	49	7	4
Cash and cash equivalents	14	561	128	554	126
		<b>598</b>	<b>177</b>	<b>561</b>	<b>130</b>
<b>TOTAL ASSETS</b>		<b>3,401</b>	<b>2,878</b>	<b>3,002</b>	<b>2,570</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>					
Share capital	15	2,103	1,967	2,103	1,967
Share premium	15	9,783	9,192	9,783	9,192
Merger reserve		3,150	3,150	3,150	3,150
Other reserves		3	3	3	3
Reverse acquisition reserve		(7,361)	(7,361)	-	-
Retained losses		(4,788)	(4,535)	(12,463)	(12,132)
<b>TOTAL EQUITY</b>		<b>2,890</b>	<b>2,416</b>	<b>2,576</b>	<b>2,180</b>
<b>NON-CURRENT LIABILITIES</b>					
		-	-	-	-
<b>CURRENT LIABILITIES</b>					
Trade and other payables	17	411	362	326	290
Borrowings	18	100	100	100	100
		<b>511</b>	<b>462</b>	<b>425</b>	<b>390</b>
<b>TOTAL LIABILITIES</b>		<b>511</b>	<b>462</b>	<b>425</b>	<b>390</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,401</b>	<b>2,878</b>	<b>3,002</b>	<b>2,570</b>

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 £331,000 (2020: loss of £280,000).

These Financial Statements were approved by the Board of Directors on 29 December 2021 and were signed on its behalf by



N Jagatia  
Director

## GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 June 2021

	Attributable to the owners of the parent						
	Share capital	Share premium	Other reserves	Merger reserve	Reverse acquisition reserve	Retained losses	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>BALANCE AT 30 June 2019</b>	<b>1,818</b>	<b>8,185</b>	<b>3</b>	<b>3,150</b>	<b>(7,361)</b>	<b>(4,336)</b>	<b>1,459</b>
<b>Loss for the year</b>	-	-	-	-	-	(199)	(199)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	-	-	-	-	-	(199)	(199)
Share issues	149	1,028	-	-	-	-	1,177
Share issue costs	-	(21)	-	-	-	-	(21)
<b>TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY</b>	<b>149</b>	<b>1,007</b>	-	-	-	-	<b>1,156</b>
<b>BALANCE AT 30 June 2020</b>	<b>1,967</b>	<b>9,192</b>	<b>3</b>	<b>3,150</b>	<b>(7,361)</b>	<b>(4,535)</b>	<b>2,416</b>
<b>Loss for the year</b>	-	-	-	-	-	(253)	(253)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	-	-	-	-	-	(253)	(253)
Share issues	136	621	-	-	-	-	757
Share issue costs	-	(30)	-	-	-	-	(30)
<b>TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY</b>	<b>136</b>	<b>591</b>	-	-	-	-	<b>727</b>
<b>BALANCE AT 30 June 2021</b>	<b>2,103</b>	<b>9,783</b>	<b>3</b>	<b>3,150</b>	<b>(7,361)</b>	<b>(4,788)</b>	<b>2,890</b>

## COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 June 2021

	Attributable to equity shareholders					
	Share capital	Share premium	Merger Reserve	Other reserves	Retained losses	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000
<b>BALANCE AT 30 June 2019</b>	<b>1,818</b>	<b>8,185</b>	<b>3,150</b>	<b>3</b>	<b>(11,852)</b>	<b>1,304</b>
<b>Loss for the year</b>	-	-	-	-	<b>(280)</b>	<b>(280)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	-	-	-	-	<b>(280)</b>	<b>(280)</b>
Share issues	149	1,028	-	-	-	1,177
Share issue costs	-	(21)	-	-	-	(21)
<b>TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY</b>	<b>149</b>	<b>1,007</b>	-	-	-	<b>1,156</b>
<b>BALANCE AT 30 June 2020</b>	<b>1,967</b>	<b>9,192</b>	<b>3,150</b>	<b>3</b>	<b>(12,132)</b>	<b>2,180</b>
<b>Loss for the year</b>	-	-	-	-	<b>(331)</b>	<b>(331)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	-	-	-	-	<b>(331)</b>	<b>(331)</b>
Share issues	136	622	-	-	-	757
Share issue costs	-	(30)	-	-	-	(30)
<b>TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY</b>	<b>136</b>	<b>592</b>	-	-	-	<b>727</b>
<b>BALANCE AT 30 June 2021</b>	<b>2,103</b>	<b>9,784</b>	<b>3,150</b>	<b>3</b>	<b>(12,463)</b>	<b>2,576</b>

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 June 2021

		GROUP	GROUP	COMPANY	COMPANY
		2021	2020	2021	2020
	Note	£'000	£'000	£'000	£'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss after tax		(253)	(199)	(331)	(280)
Depreciation		7	6	1	-
Interco loan provision		-	-	85	75
Tax credit		(24)	(41)	-	-
Decrease/(increase) in trade and other receivables		(6)	9	(2)	5
Increase/(decrease) in trade and other payables		50	87	35	84
Tax received		42	46	-	-
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(184)</b>	<b>(92)</b>	<b>(212)</b>	<b>(116)</b>
CASH FLOWS FROM INVESTING ACTIVITIES					
Development costs		(108)	(96)	-	-
Purchase of tangible fixed assets		(2)	(3)	(2)	-
Increase in loan to subsidiary		-	-	(85)	(75)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(110)</b>	<b>(99)</b>	<b>(87)</b>	<b>(75)</b>
CASH FLOWS FROM FINANCING ACTIVITIES					
Gross proceeds from issue of shares		757	300	757	300
Share issue costs		(30)	(21)	(30)	(21)
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>		<b>727</b>	<b>279</b>	<b>727</b>	<b>279</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>433</b>	<b>88</b>	<b>428</b>	<b>88</b>
Cash and cash equivalents at the beginning of the year		128	40	126	38
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	15	<b>561</b>	<b>128</b>	<b>554</b>	<b>126</b>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 June 2021

**1 GENERAL INFORMATION**

The principal activity of Inspirit Energy Holdings plc during the period was that of developing and commercialising the mCHP boiler and is currently in the process of refocusing its expertise in the application of the Stirling engine technology in different sectors including Marine and Waste Heat Recovery.

These financial statements show the consolidated results of the Group for the year ended 30 June 2021 together with the comparative results for the year ended 30 June 2020.

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 200 Aldersgate Street, London, EC1A 4HD.

**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 financial statements have been prepared in accordance with applicable International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee (IFRS IC) and with the Companies Act 2006 applicable to companies reporting under IFRS.

The 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 and Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

**GOING CONCERN**

The financial statements have been prepared on the going concern basis. The mCHP boiler development project has not yet reached commercialisation and as such the Group and Company are not generating revenues. However, the Group is refocusing its strategy towards alternate applications of its existing technology in other lucrative sectors. These sectors include marine, waste heat recovery and automotive industries. An operating loss and cash outflows are expected in the 12 months subsequent to the date of these financial statements and therefore the Group will need to manage its cash resources appropriately.

Whilst further funds will likely be raised next year in order to fund the product development activities, the key justification for the Group be a going concern is that the committed cost base is very low compared to the current cash reserves and thus discretionary costs can be reduced, deferred and/or eliminated as and when needed during the going concern period. The directors believe the group to have sufficient cash reserves at present to meet the group's obligations over the following 12 months, however, the Directors have committed to providing support of up to £150,000 over this period should working capital shortfalls arise. Therefore the directors consider it appropriate to prepare the financial statements on the going concern basis.

The Directors acknowledge that COVID-19 has had and is likely to continue to have an adverse impact on the global economy and capital markets. The Directors are however confident that the Group remains a going concern in spite of these expected impacts due to its current cash reserves, its low committed cost base and the aforementioned support from Directors' should working capital shortfalls arise.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2021

**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 2021.

Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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**

The Group and Company have applied the following new and amended standards for the first time for its annual reporting period commencing 1 July 2020:

Standard	Impact on initial application	Effective date
IFRS 3 (amendments)	Definition of a Business	01 January 2020
IFRS standards (amendments)	References to the Conceptual Framework	01 January 2020
IAS 1 (amendments)	Definition of Material	01 January 2020
IAS 8 (amendments)	Definition of Material	01 January 2020
IFRS 9, IAS 39 and IFRS 7 (amendments)	Interest Rate Benchmark Reform	01 January 2020

These new and amended standards have not had a material effect on the Group and Company financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2021

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

## NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ADOPTED

At the date of approval of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not been adopted by the UK):

Standard	Impact on initial application	Effective date
IFRS standards (amendments)	Interest rate benchmark reform	01 January 2021
IFRS 3 (amendments)	Business combinations	01 January 2022
IAS 37 (amendments)	Onerous contracts	01 January 2022
IFRS standards (amendments)	2018-2020 annual improvement cycle	01 January 2022
IAS 16 (amendments)	Proceeds before intended use	01 January 2022
IFRS 17	Insurance Contracts	01 January 2023
IFRS 17 (amendments)	Insurance contracts	01 January 2023
IAS 1 (amendments)	Reclassification of liabilities as current or non-current	01 January 2023

The new and amended Standards and Interpretations which are in issue but not yet mandatorily effective is not expected to be material.

## SEGMENTAL REPORTING

Developing and commercialising the mCHP boiler and its related technology is the only activity in which the Group is engaged and is therefore considered as the only operating / reportable segment. The Group currently only operates in the UK. The financial information therefore of the single segment is the same as that set out in the Group Statement of Comprehensive Income and Group Statement of Financial Position.

## CURRENT AND DEFERRED INCOME TAX

The tax credit for the period comprises Research and Development taxation credit received during the year. 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 credit 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 or recoverable from the tax authorities.

## 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 Group's presentation and Company's functional currency.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2021

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****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".

**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.

**INTANGIBLE ASSETS - DEVELOPMENT COSTS**

Development costs relate to expenditure on the development of the mCHP boiler technology and applications of the underlying engine technology.

Development costs incurred on the project 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.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2021

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Directly attributable costs that are capitalised as part of the product include any employee costs directly related to the development of the asset and appropriate expenditure which directly furthers the development of the project.

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. 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. See note 4 for more information on the impairment assessment performed by management.

**FINANCIAL ASSETS****a) CLASSIFICATION**

The Group classifies its financial assets as 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.

**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**

Financial assets are initially measured at fair value plus transactions costs.

Loans and receivables are subsequently carried at amortised cost using the effective interest method, except for short term receivables.

**c) 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;

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2021

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.

## 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 bank.

## FINANCIAL LIABILITIES

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. Financial liabilities are initially measured at fair value, net of transactions costs. They are subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the Group or Company's contractual obligations expire, are cancelled or are discharged.

## 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.
- "Share option reserve" represents the cumulative cost of share based payments.
- "Merger reserve" and "Reverse Acquisition reserve" represents historical reserves formed upon previous Business Combinations entered into by the Company that fall outside the scope of IFRS 3.
- "Retained losses" represents retained losses.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2021

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## 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 2021

**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 £599,000 (2020: £176,000 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:

<b>Group</b>	<b>Less than 1 year £'000</b>	<b>Between 1 and 2 years £'000</b>	<b>Between 2 and 5 years £'000</b>	<b>Over 5 years £'000</b>	<b>Total £'000</b>	<b>Carrying value £'000</b>
<b>At 30 June 2021</b>						
<b>Trade and other payables</b>	<b>411</b>	-	-	-	<b>411</b>	<b>411</b>
<b>Borrowings</b>	<b>100</b>	-	-	-	<b>100</b>	<b>100</b>
<b>At 30 June 2020</b>						
Trade and other payables	326	-	-	-	326	326
Borrowings	100	-	-	-	100	100

**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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2021

**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.

**IMPAIRMENT OF DEVELOPMENT COSTS AND INVESTMENT IN SUBSIDIARIES**

The Group tests annually whether development costs and investments in the subsidiaries, which have a carrying value of £2,773,000 and £2,440,000 respectively (2020: £2,666,000 and £2,440,000 respectively) have suffered any impairment in accordance with the accounting policy as stated in Note 2.

The core development to date on the mCHP and Stirling technology is the base technology that will be applied the Marine, Waste Heat Recovery, Hydrogen and automotive sectors that the company will be focusing on in the future.

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 2021 review management has concluded that no impairment is required.

The value-in-use calculations require management to estimate future cash flows expected to arise from the cash generating unit, once commercial production is achieved, and apply a suitable discount rate in order to calculate present value. These calculations require the use of estimates. See Note 10 for further details.

Following other sources of products interest during the year, management have focussed the value-in-use calculations on licensing sales rather than product sales. This has been done as management consider that the revenues are more near term in nature and note that it uses the same core developed technology. Given the product's nature, the core estimates have remained broadly consistent with an increase in gross margin given the shift in focus to licensing which is consider will provide a higher margin than product sales.

**CASH AND CASH EQUIVALENTS CLASSIFICATION**

During the year-ended 30 June 2020, Management made a change in judgment regarding the liquidity of cash balances held on their behalf by another entity. This change in judgment led to these balances in 2021 and 2020 to be classified as cash and cash equivalents rather than other debtors.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2021

## 5 DIRECTOR'S AND KEY MANAGEMENT PERSONNEL EMOLUMENTS

	2021 £'000	2021 £'000
Aggregate emoluments	144	144
Social security costs	6	6
	<b>150</b>	<b>150</b>

Name of director	Short Term Benefits £'000	Other Benefits £'000	Total 2021 £'000	Total 2020 £'000
J Gunn	80	-	80	80
N Jagatia	40	-	40	40
A Samaha	12	-	12	12
S Gunn*	12	-	12	12
	<b>144</b>	<b>-</b>	<b>144</b>	<b>144</b>

\*Key Management Personnel

The number of Directors who contributed to pension schemes during the year was nil (2020: nil).

## 6 EMPLOYEE INFORMATION

	2021 £'000	2020 £'000
Wages and salaries	144	144
Social security costs	6	6
	<b>150</b>	<b>150</b>

In addition to the above a total of £96,331 (2020: £93,000) wages and salaries for employees has been included in Development costs.

Average number of persons employed (including executive directors):

	2021 Number	2020 Number
Office and management	4	4

## COMPENSATION OF KEY MANAGEMENT PERSONNEL

There are no key management personnel other than those disclosed in Note 5.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2021

**7 LOSS FOR THE YEAR**

Loss for the year is arrived at after charging:

	2021	2020
	£'000	£'000
Salaries and wages (Note 6)	150	150
Audit and other fees	20	20
Depreciation	7	6

## AUDITOR'S REMUNERATION

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

	2021	2020
	£'000	£'000
Fees payable to the Company's auditor for the audit of the parent company and the Group financial statements	20	18

**8 Taxation**

GROUP	2021	2020
	£'000	£'000
Deferred tax	-	-
Current tax	(24)	(41)
<b>Total current tax charge / (credit)</b>	<b>(24)</b>	<b>(41)</b>

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

	2021	2020
	£'000	£'000
Loss before tax from continuing operations	(277)	(240)
Loss before tax multiplied by rate of corporation tax in the UK of 19% (2020: 19%)	(53)	(46)
Tax effects of:		
Expenses not deductible for tax purposes	-	-
Unrelieved tax losses carried forward	53	46
Research and development tax credit	(24)	(41)
<b>Total tax</b>	<b>(24)</b>	<b>(41)</b>

The Group has excess management expenses of approximately £5,450,000 (2020: £5,200,000), capital losses of £150,000 (2020: £150,000) and non-trade financial losses of approximately £119,000 (2020: £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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2021

**9 EARNINGS PER SHARE**

Earnings 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 of both basic and diluted earnings per share for the year are based upon the loss for the year of £253,000 (2020: £199,000). The weighted number of equity shares in issue during the year was 3,399,326,136 (2020: 2,305,913,967).

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 Note 16.

**10 INTANGIBLE ASSETS**

GROUP	Development Costs	Total
	£'000	£'000
<b>At 30 June 2019</b>	<b>2,570</b>	<b>2,570</b>
Additions	96	96
<b>At 30 June 2020</b>	<b>2,666</b>	<b>2,666</b>
Additions	107	107
<b>At 30 June 2021</b>	<b>2,773</b>	<b>2,773</b>

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. As such, the value-in-use calculations to support the carrying value of development costs is directly reliant on the availability of future capital funding in order to achieve product accreditation and enter into commercial production.

The recoverable amount of the above cash generating unit has been determined based on value-in-use calculations and includes revenue from stirling application in marine, Inspirit Charger (boiler technology), waste recycling and Hydrogen application activities. The value-in-use calculations use cash flow projections based on financial budgets approved by Management covering a five year period. The key estimates in the value-in-use calculation are:

Growth rate - Nonlinear year on year increases based on directors' estimations following discussion with a number of potential partners.

Discount rate - 30%



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2021

11 PROPERTY, PLANT  
AND EQUIPMENT

GROUP	Plant and Equipment	Fixtures and fittings	Motor Vehicles	Total
	£'000	£'000	£'000	£'000
<b>COST</b>				
<b>As at 30 June 2019</b>	<b>81</b>	<b>15</b>	<b>1</b>	<b>97</b>
Additions	3	-	-	3
<b>As at 30 June 2020</b>	<b>84</b>	<b>15</b>	<b>1</b>	<b>100</b>
Additions	2	-	-	2
<b>As at 30 June 2021</b>	<b>86</b>	<b>15</b>	<b>1</b>	<b>102</b>
<b>DEPRECIATION</b>				
<b>As at 30 June 2019</b>	<b>47</b>	<b>11</b>	<b>1</b>	<b>59</b>
Charge for year	6	-	-	6
<b>As at 30 June 2020</b>	<b>53</b>	<b>11</b>	<b>1</b>	<b>65</b>
Charge for year	6	1	-	7
<b>As at 30 June 2021</b>	<b>59</b>	<b>12</b>	<b>1</b>	<b>72</b>
<b>NET BOOK VALUE</b>				
<b>As at 30 June 2021</b>	<b>27</b>	<b>3</b>	<b>-</b>	<b>30</b>
<b>As at 30 June 2020</b>	<b>31</b>	<b>4</b>	<b>-</b>	<b>35</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2021

## 12 INVESTMENT IN SUBSIDIARIES

COMPANY	2021	2020
SHARES IN GROUP UNDERTAKINGS:	£'000	£'000
At 1 July	2,440	2,440
Increase in loan to subsidiary	75	207
Provision against the loan balance outstanding	(75)	(207)
	2,440	2,440

Included in the above is an amount of £3,046,513 (2020: £2,961,446) relating to the amount due to the Company by its subsidiary Inspirit Energy Limited. A provision of £3,046,513 (2020: £2,961,446) has been set against this loan balance outstanding.

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	Registered address	Registered capital	Proportion of share capital held	Nature of business
Inspirit Energy Limited** Company No.07160673	c/o Niren Blake LLP 2nd Floor, Solar House, 915 High Road, London, England, N12 8QJ	Ordinary shares £15,230	100%	Product development
Somemore Limited Company No.07152291 Dissolved 12 January 2021	Global Investment Strategy Uk Ltd, 2 <sup>nd</sup> Floor, London Wall Buildings, London, EC2M 5PP	Ordinary shares £1	100%	Dormant

\*\*\* Inspirit Energy Limited (Co No 07160673) is entitled and has taken exemption under section 479a of the Companies Act 2006. No members of Inspirit Energy Limited have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006

## 13 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Corporation tax*	24	41	-	-
VAT recoverable	13	8	7	3
Other receivables	-	-	-	1
	37	49	7	4

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2021

## 13 TRADE AND OTHER RECEIVABLES (continued)

The Directors consider that the carrying amount of receivables is approximately equal to their fair value and under IFRS 9 that they are held at amortised cost

## 14 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Cash and cash equivalents	561	128	554	126

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.

## 15 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Number of deferred shares	Ordinary shares	Deferred shares	New Deferred B shares	Share premium	Total
			£	£	£	£	£
<b>At 30 June 2019</b>	<b>1,420,806,859</b>	<b>400,932</b>	<b>14,208</b>	<b>396,923</b>	<b>1,406,599</b>	<b>11,335,656</b>	<b>13,153,386</b>
Issue of New Shares	1,482,976,188	-	148,298	-	-	1,027,702	1,176,000
Issue costs	-	-	-	-	-	(20,625)	(20,625)
<b>At 30 June 2020</b>	<b>2,903,783,047</b>	<b>400,932</b>	<b>162,506</b>	<b>396,923</b>	<b>1,406,599</b>	<b>12,342,733</b>	<b>14,308,761</b>
Issue of New Shares	1,367,857,139	-	136,786	-	-	620,714	757,500
Issue costs	-	-	-	-	-	(30,000)	(30,000)
<b>At 30 June 2021</b>	<b>4,271,640,186</b>	<b>400,932</b>	<b>299,292</b>	<b>396,923</b>	<b>1,406,599</b>	<b>12,933,447</b>	<b>15,036,261</b>

Both the Deferred shares and the New Deferred B shares have no voting rights.

On 6 June 2018, the Company announced that members, at a General meeting on the same day, had approved the completion of a Capital Reorganisation which comprised the sub-division of shares whereby each existing Ordinary Share of 0.1 pence each in the capital of the Company was sub-divided into 1 New Ordinary Shares of 0.001 pence each and 1 Deferred B Share of 0.099 pence each. This resulted in 1,420,806,859 New Ordinary Shares and 1,420,806,859 Deferred B Shares in issue.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2021

16 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 2021	Options and warrants	Weighted Average Exercise Price 2020	Options and warrants
<b>At 1 July</b>		605,044,429	0.0488	1,500,000
Granted	0.00075	500,000,000	0.0007	603,544,429
Exercised	0.0007	(367,857,139)	-	-
Lapsed	0.0007	(237,187,290)	-	-
<b>At 30 June</b>	<b>0.00075</b>	<b>500,000,000</b>	<b>0.0488</b>	<b>605,044,429</b>

Grant date	Expiry date	Exercise price in £ per share	Number of options and warrants 2021	Number of options and warrants 2020
26-Apr-11	25-Apr-21	0.0488-	-	1,500,000
20-Nov-19	19-Nov-20	0.0007	-	574,258,711
02-Dec-19	01-Dec-20	0.0007	-	27,000,001
24-Dec-19	23-Dec-20	0.0007	-	2,285,717
03-Jun-21*	02-Jun-23	0.00075	<b>500,000,000</b>	
		<b>0.00075</b>	<b>500,000,000</b>	<b>605,044,429</b>

On 27th May 2021, the Company announced that it had raised a gross amount of £500,000 through the placing of 1,000,000,000 ordinary shares of 0.001 pence each in the share capital of the Company at 0.05 pence per Ordinary Share. For every two Placing Shares they subscribed to, placees will also receive one warrant over Ordinary Shares valid for 24 months from the date of issue exercisable at 0.075 pence per Ordinary Share. The warrants awarded did not fall under the scope of IFRS 2 therefore no share-based payment expense has been recognised in the year ended 30 June 2021.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2021

## 17 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade payables	54	56	17	16
Other payables	56	-	55	55
Social security and other taxes	46	33	-	-
Accrued expenses	255	224	253	219
	<b>411</b>	<b>362</b>	<b>325</b>	<b>290</b>

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

## 18 BORROWINGS

	GROUP		COMPANY	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Current</b>				
Drawdown facility (see Note 1 below)	100	100	100	100
<b>Total current borrowings</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Non-current</b>				
Convertible loan notes	-	-	-	-
<b>Total non-current borrowings</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total borrowings</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Note 1

The Drawdown facility relates to the facility entered into during 2017 with YA Global Master SPV Limited. The facility is unsecured and carries an implied interest rate of 10 per cent per annum, repayable in 12 equal monthly instalments and has now lapsed. The directors are seeking to renew.

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. The Directors do not expect to use the remaining facility in the foreseeable future.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 June 2021

**19 FINANCIAL INSTRUMENTS BY CATEGORY**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>FINANCIAL ASSETS AT AMORTISED COST:</b>		
Trade and other receivables (excluding prepayments, VAT and corporation tax)	-	-
Cash and cash equivalents	561	128
<b>FINANCIAL LIABILITIES AT AMORTISED COST:</b>		
Trade and other payables	54	89
Borrowings	100	100

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

**20 ULTIMATE CONTROLLING PARTY**

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

**21 RELATED PARTY TRANSACTIONS**

See note 6 for details of director's remuneration in the year.

During the year, NKJ Associates Ltd, a company in which N Jagatia is a Director, charged consultancy fees of £40,000 (2020: £40,000). The amount owed to NKJ Associates Ltd at year end is £72,000 (2020: £62,000). Amount of fees due to John Gunn at 30 June 2021 was £160,000 (2020: £150,000) and the amount of fees due to Anthony Samaha at 30 June 2021 was £18,000 (2020: £6,000).

Both John Gunn and Nilesh Jagatia are Directors of Global Investment Strategy UK Limited (GIS) and GIS held cash in its Inspirit Energy Holdings Plc's client account at 30 June 2021 totalling £183,000 (2020: £125,000) and this balance is included in cash and cash equivalents.

**22 EVENTS AFTER THE REPORTING DATE**

On 2 November 2021, the company announced that it was in early-stage discussions with a view to entering into an agreement with a British certification company Enertek International Ltd. Enertek International have won several development contracts from the government (BEIS) and have gained a vast knowledge in developing backward compatible Hydrogen products such as: domestic and commercial cookers, domestic and commercial heating systems etc. They have now gained the knowledge which could be very beneficial to Inspirit in developing a Hydrogen product, with a view of also looking at our existing products to make them hydrogen powered backwards compatible.