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Inspirit Energy Holdings plc

Annual Report and Financial Statements

for the year ended 30 June 2019

COMPANY INFORMATION

DIRECTORS	J Gunn (Chairman and CEO) N Jagatia (Finance Director) A Samaha (Non-Executive Director)
COMPANY SECRETARY	N Jagatia
REGISTERED OFFICE	2 nd Floor 2 London Wall Buildings London EC2M 5PP
COMPANY REGISTRATION NUMBER	05075088
REGISTRAR AND TRANSFER OFFICE	Share Registrars Limited The Courtyard 17 West Street Farnham Surrey GU9 7DR
SOLICITORS	Hill Dickinson LLP 50 Fountain House Manchester M2 2AS
INDEPENDENT AUDITOR	PKF Littlejohn LLP Statutory Auditor 15 Westferry Circus Canary Wharf London E14 4HD
NOMINATED ADVISOR	Beaumont Cornish Limited 10 th Floor 30 Crown Place London EC2A 4EB
BROKER	Global Investment Strategy UK Ltd 2 nd Floor 2 London Wall Buildings London EC2M 5PP
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 2019

INTRODUCTION

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

COMMERCIALISATION AND PROGRESS

During the period, the Group continued to advance its microCHP boiler (the "Charger") closer towards the goal of commercialisation. To this end, improvements to the design of the Group's Stirling engine technology, including simplification as part of the process and meeting the challenges in new technology development, sourcing cheaper materials and efficiency re-redesign, resulted in further delays to the certification process. However, the delays have brought about vast improvements and efficiencies that has led the Charger to obtain peak electrical output in excess of 6.4kW of electricity during a running cycle of 2,000 hours against the unit's previous output of 3.0kW, whilst maintaining 15kW thermal output and a 20% reduction in the size of the appliance to below 800mm.

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

The Group is also embarked upon multiple applications for the Stirling technology and developed schematics for several sterling engine applications including: Inspirit Marine, Inspirit Solar, Inspirit Cooler and Inspirit Motor/ Generator. The Group are looking at licensing the Stirling technology for these various applications.

The drawdown facility that the company had with YA Global Master SPV Limited lapsed during the year and the company has had an offer of extending the facility. The director's will consider this next year after successful outcome on their trial unit.

OUTLOOK

The operating board and I believe that the progress over the last year has been very positive. Whilst we remain well positioned in the microCHP boiler technology market, ongoing funding for the development and commercialisation of our product remains a challenge. Accordingly, we continue to manage our resources whilst pushing forward with the product and expect this to continue in 2020.

With the continued growth demand for electric cars, the board are currently setting up an automotive division to utilise the sterling engine to provide a source of power to charge electric motor cars. The Group will also focus on Marine and other application of the sterling technology.

Inspirit Energy is at a pivotal point in its direction as an R&D company and has identified different applications however, at the same time, the Board continues to consider its options for the future strategy and funding of its operating subsidiary and will provide investors with an update when this review is complete.



J Gunn
Chairman and Chief Executive Officer
23 December 2019

STRATEGIC REPORT

FOR THE YEAR ENDED 30 June 2019

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 2019.

REVIEW OF THE BUSINESS

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

Inspirit Energy’s new “British Engineered” mCHP boiler is one of the industry’s most powerful and energy efficient mCHP appliances for its size with simultaneous generation of up to 15 kilowatts of thermal output and up to 6.4 kilowatts of electrical output. The mCHP boiler has been designed to be low maintenance and can be installed by a certified gas-safe tradesman. The appliance’s patented engine takes the waste heat from the boiler and converts it efficiently into electricity, first supplying the property where it is installed and then feeding surplus electricity into the National Grid.

In addition to the above strategy, the Company has also been working on the application of the Stirling engine technology in difference sectors and these sectors including solar, renewable and refrigeration and licensing this technology accordingly.

DEVELOPMENTS DURING THE YEAR

The Company embarked on multiple applications for the Stirling technology and have developed schematics for the following projects

- Inspirit Marine - currently in discussion with a large car/marine engine manufacturer to develop a unit for the shipping industry with current output of 11.68kw.
- Inspirit Solar - In-house design, incorporating the new development of our Stirling engine
- Inspirit Cooler - Refrigeration system
- Inspirit Motor/ Generator - designed in line with the Inspirit Charger to start the unit and convert electrical output to the grid.

BOARD CHANGES

None.

RESULTS AND DIVIDENDS

The Group made a loss after taxation of £239,000 (2018: loss of £953,000) and Net assets were £1,459,000 (2018: £1,698,000).

The Directors do not propose a dividend for the year to 30 June 2019 (2018: £nil).

STRATEGIC REPORT

FOR THE YEAR ENDED 30 June 2019

KEY PERFORMANCE INDICATORS

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

	30 June 2019	30 June 2018
Net asset value	£1,459,000	£1,698,000
Net asset value - fully diluted per share	0.10p	0.15p
Closing share price	0.0275p	0.05p
Market capitalisation	£390,722	£710,403

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.

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.

MANAGEMENT AND KEY PERSONNEL

The risk of high turnover of staff and other specialist staff recruitment issues and this 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 dependant 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;

STRATEGIC REPORT

FOR THE YEAR ENDED 30 June 2019

- 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

23 December 2019



REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 June 2019

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 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Group and Company is that of development and commercialisation of the mCHP boiler and application of the sterling 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 2019	30 June 2018	30 June 2019	30 June 2018
J Gunn	439,696,246	439,696,246	-	-
N Jagatia	2,000,000	2,000,000	-	-
A Samaha	-	-	-	-

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 2019

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 2019 the Group had a cash balance of £40,000 (2018: £45,000), net current liabilities of £304,000 (2018: net current liabilities of £97,000) and net assets of £1,459,00,000 (2018: £1,698,000). The Group raises money for development, capital projects and working capital purposes as and when required and has raised £300,000 pre expenses post year end. The Group has also successfully reduced 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. Notwithstanding the loss and cash outflows incurred in the year and the requirement for further funds to become available, the Directors have a reasonable expectation that the Group will be able to manage its funds to continue in operational existence whilst moving its project towards commercialisation. The Group therefore continues to adopt the going concern basis in preparing the Annual Report and Financial Statements. Further details on the Directors assumption and their conclusion thereon are included in Note 2 to the financial statements.

EVENTS AFTER THE REPORTING DATE

On 18 November 2019, the Company announced that it had raised £300,000 through the placing of 249,999,998 ordinary shares of 0.001 pence each in the share capital of the Company at 0.12 pence per Ordinary Share.

On 25 November 2019, the Company announced that it had received conversion notices from the Convertible Loan Notes (CLN's) issued on 4 May 2018. The Company issued 1,148,571,422 Ordinary Shares at a price of 0.07p per Ordinary Share with an admission date of 29 November 2019. £41,000 CLN's remained outstanding at this date.

On 5 December 2019, the Company announced that it had received conversion notices from the Convertible Loan Notes (CLN's) issued on 4 May 2018. The Company issued 54,000,002 Ordinary Shares at a price of 0.07p per Ordinary Share with an admission date of 10 December 2019. £3,200 CLN's remained outstanding at this date.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 June 2019

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 Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the 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 IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

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

23 December 2019

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 June 2019

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 ("INSP") has made improvements to the design announced last year of the Group's Stirling engine technology, including simplification as part of the 'design for manufacture ("DMF") process and has encouragingly maintained the peak electrical output up to 6.4kW in internal tests.</p> <p>The engineering department has throughout the last period made significant developments in our regenerator technology. The increased efficiency in the regenerator will allow the Stirling engine to be manufactured from a commodity grade stainless steel derivative, which is both stronger and cheaper to manufacture than the previous proprietary "Inconel" materials.</p> <p>The DMF process continues to yield several engineering improvements and manufacturing cost reductions, whilst others are still expected. Whilst this DMF process remains ongoing, the Group is now looking to proceed to the certification process whereby the Inspirit Charger will be subjected to testing by a competent authority. Once this has been achieved, the Group can then look towards commencing field trails with commercial partners. The Group will update investors as these milestones are met over the forthcoming year.</p> <p>The operating board believe that the process over the last year has been positive. Whilst INSP remain well positioned in the microchip boiler technology market, ongoing funding for the development and commercialisation of our product remains a challenge. Accordingly, the Group continues to manage resources whilst pushing forward with the product and expect this to continue in the near future.</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>INSP 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 investors can keep themselves updated about the current Company's position by visiting the INSP's website http://www.inspirit-energy.com.</p>
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>INSP's 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 INSP's 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</p>

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 June 2019

	<p>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 Boards' and shareholders concerns and requirements.</p> <p>INSP has identified and implemented the following risks and controls to mitigate risks:</p> <table border="1" data-bbox="497 1415 1390 2042"> <thead> <tr> <th data-bbox="497 1415 692 1469">Activity:</th> <th data-bbox="692 1415 938 1469">Risk</th> <th data-bbox="938 1415 1114 1469">Impact</th> <th data-bbox="1114 1415 1390 1469">Control(s)</th> </tr> </thead> <tbody> <tr> <td data-bbox="497 1469 692 1771">Management</td> <td data-bbox="692 1469 938 1771">High turnover of staff and other recruitment issues.</td> <td data-bbox="938 1469 1114 1771">Operational and reputational impact.</td> <td data-bbox="1114 1469 1390 1771"> <p>Recognition and support for well performing existing employees.</p> <p>Implementing and monitoring of robust health and safety measures at workplace.</p> </td> </tr> <tr> <td data-bbox="497 1771 692 2042">Regulatory / legal adherence</td> <td data-bbox="692 1771 938 2042">Non-compliance.</td> <td data-bbox="938 1771 1114 2042">Loss of licences resulting in inability to comply with the regulatory / legal requirements.</td> <td data-bbox="1114 1771 1390 2042"> <p>Robust policies and procedures to be followed.</p> <p>Maintaining effective communication with the Company's Auditors and NOMAD on regular basis.</p> </td> </tr> </tbody> </table>	Activity:	Risk	Impact	Control(s)	Management	High turnover of staff and other recruitment issues.	Operational and reputational impact.	<p>Recognition and support for well performing existing employees.</p> <p>Implementing and monitoring of robust health and safety measures at workplace.</p>	Regulatory / legal adherence	Non-compliance.	Loss of licences resulting in inability to comply with the regulatory / legal requirements.	<p>Robust policies and procedures to be followed.</p> <p>Maintaining effective communication with the Company's Auditors and NOMAD on regular basis.</p>
Activity:	Risk	Impact	Control(s)										
Management	High turnover of staff and other recruitment issues.	Operational and reputational impact.	<p>Recognition and support for well performing existing employees.</p> <p>Implementing and monitoring of robust health and safety measures at workplace.</p>										
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REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 June 2019

	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.	Loss of business. Inability to continue trading as a going concern.	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.
	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.			
5) Maintain the board as a well-functioning and balanced team led by the chair	<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 the 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>			

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 June 2019

	<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 adopted 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&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>
6) Directors experience, skills and capabilities	<p>This section complies with the requirements of the QCA Code.</p> <p>The Chairman: John Gunn Mr Gunn is the founder of INSP and a 30.9% 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>Chief Financial Officer: Nilesh Jagatia Mr Jagatia currently serves as Finance Director at INSP and also currently holds Finance Director position with AIM quoted Octagonal Plc 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 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 & Young, principally in corporate finance, and mergers and acquisitions. He has extensive experience in the listing and management of AIM quoted companies, such as Equatorial Palm Oil plc, and Altona Energy Plc 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</p>

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 June 2019

	<p>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, 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"> - duty to exercise independent judgement; - duty to exercise reasonable care, skill and due diligence; - duty to avoid conflicts of interest; - duty not to accept benefits from third parties; and - duty to declare interest in a proposed transaction or arrangement. <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 responsible for promoting 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 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>

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 June 2019

	<p>Audit Committee - The Audit Committee is currently chaired by Anthony Samaha and its other member is Nilesh 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 https://www.inspirit-energy.com/investors for investor relations.</p>

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF INSPIRIT ENERGY HOLDINGS PLC
FOR THE YEAR ENDED 30 June 2019

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 2019 which comprise the Group Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group and Company Statements of Changes in Equity, the Group and Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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's affairs as at 30 June 2019 and of the group's and parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance of 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

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

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

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.

Materiality for the group financial statements was set at £73k (2018: £95k). This was calculated based on 5% of the net assets which we determined, in our professional judgment, to be the key principal benchmark within the financial statements relevant to members of the parent company in assessing financial performance of the group.

Materiality for the parent company financial statements was set at £68k (2018: £72k), determined with reference to a benchmark of 5% of the net assets, for the same reason as the Group.

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

FOR THE YEAR ENDED 30 June 2019

We agreed to report to those charged with governance all corrected and uncorrected misstatements we identified through our audit with a value in excess of £3.65k (2018: £4.75k). We also agreed to report any other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

An overview of the scope of our audit

Two entities of the Group were subject to full scope audit procedures in accordance with ISA (UK) 600 based on materiality and them being financially significant to the Group. We did not rely on the work of any component auditors.

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

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. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter

How we addressed it

Carrying value of intangible assets of £2.6m (2018: £2.4m) Refer to Note 4: Critical Accounting Estimates

Our work in this area included:

Intangible Assets is the most material amount within the financial statements and represents the asset (development of its Stirling technology) from which, if successful, the Group will generate revenue.

- Obtaining management's assessment of impairment and reviewing and challenging the key estimates and judgements used therein;
- 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;
- Substantive testing on the additions to intangible assets to ensure they are eligible to be capitalised under IAS 38; and
- Reviewing disclosures in the financial statements to ensure compliance with IFRS.

There is a risk that the development costs capitalised during the year do not meet the recognition criteria of IAS 38 "Intangible Assets".

Successful commercialisation of the mCHP 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.

There is also the risk that the carrying value of the intangible asset is impaired

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.

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. 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. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF INSPIRIT ENERGY HOLDINGS PLC
FOR THE YEAR ENDED 30 June 2019

materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters 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's 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 2019

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the 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
23 December 2019

15 Westferry Circus
Canary Wharf
London E14 4HD

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 June 2019

	Note	2019 £'000	2018 £'000
CONTINUING OPERATIONS:			
Revenue		-	-
Administrative expenses		(264)	(545)
Impairment of development asset	10	-	(424)
OPERATING LOSS		(264)	(969)
Finance costs		-	(4)
LOSS BEFORE INCOME TAX		(264)	(973)
Income tax credit	8	25	20
NET LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT		(239)	(953)
EARNINGS PER SHARE			
- Basic and diluted earnings per share (attributable to owners of the parent)	9	(0.017p)	(0.07p)

STATEMENT OF FINANCIAL POSITION

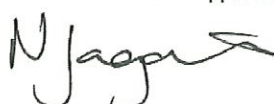
FOR THE YEAR ENDED 30 June 2019

Company Number: 05075088		GROUP		COMPANY	
	Note	2019 £'000	2018 £'000	2019 £'000	2018 £'000
NON-CURRENT ASSETS					
Intangible assets	10	2,570	2,401	-	-
Property, plant and equipment	11	38	45	-	-
Investment in subsidiaries	12	-	-	2,440	2,440
		2,608	2,446	2,440	2,440
CURRENT ASSETS					
Trade and other receivables	13	63	415	9	346
Cash and cash equivalents	14	40	45	38	41
		103	460	47	387
TOTAL ASSETS		2,711	2,906	2,487	2,827
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT					
Share capital	15	1,818	1,818	1,818	1,818
Share premium	15	8,185	8,185	8,185	8,185
Merger reserve		3,150	3,150	3,150	3,150
Share option reserve	16	3	3	3	3
Reverse acquisition reserve		(7,361)	(7,361)	-	-
Retained losses		(4,336)	(4,097)	(11,852)	(11,428)
TOTAL EQUITY		1,459	1,698	1,304	1,728
NON-CURRENT LIABILITIES					
Borrowings	18	845	845	845	845
		845	845	845	845
CURRENT LIABILITIES					
Trade and other payables	17	307	263	238	154
Borrowings	18	100	100	100	100
		407	363	338	254
TOTAL LIABILITIES		1,252	1,208	1,183	1,099
TOTAL EQUITY AND LIABILITIES		2,711	2,906	2,487	2,827

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 £424,000 (2018: loss of £723,000).

These Financial Statements were approved by the Board of Directors on 23 December 2019 and were signed on its behalf by
N Jagatia
Director



GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 June 2019

	Attributable to the owners of the parent						
	Share capital	Share premium	Share option reserve	Merger reserve	Reverse acquisition reserve	Retained losses	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
BALANCE AT 30 June 2017	1,568	8,144	206	3,150	(7,361)	(3,347)	2,360
Loss for the year	-	-	-	-	-	(953)	(953)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	-	-	(953)	(953)
Share issues	250	41	-	-	-	-	291
Share options lapsed	-	-	(203)	-	-	203	-
TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY	250	41	(203)	-	-	203	291
BALANCE AT 30 June 2018	1,818	8,185	3	3,150	(7,361)	(4,097)	1,698
Loss for the year	-	-	-	-	-	(239)	(239)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	-	-	(239)	(239)
TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY	-	-	-	-	-	-	-
BALANCE AT 30 June 2019	1,818	8,185	3	3,150	(7,361)	(4,336)	1,459

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 June 2019

	Attributable to equity shareholders					
	Share capital	Share premium	Merger Reserve	Share option reserve	Retained losses	Total Equity
	£'000	£'000		£'000	£'000	£'000
BALANCE AT 30 June 2017	1,568	8,144	3,150	206	(10,908)	2,160
Loss for the year	-	-	-	-	(723)	(723)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	-	(723)	(723)
Share issues	250	50	-	-	-	300
Share issue costs	-	(9)	-	-	-	(9)
Share options lapsed in the year	-	-	-	(203)	203	-
TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY	250	41	-	(203)	203	291
BALANCE AT 30 June 2018	1,818	8,185	3,150	3	(11,428)	1,728
Loss for the year	-	-	-	-	(424)	(424)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	-	(424)	(424)
TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY	-	-	-	-	-	-
BALANCE AT 30 June 2019	1,818	8,185	3,150	3	(11,852)	1,304

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 June 2019

	Note	GROUP		COMPANY	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax		(264)	(973)	(424)	(723)
Depreciation		7	9	-	-
Finance expense			4	-	4
Impairment of development costs			424	-	-
Interco loan provision		-	-	207	318
Tax credit		25	-	-	-
Decrease/(increase) in trade and other receivables		352	(241)	273	(224)
Increase/(decrease) in trade and other payables		44	(183)	85	(178)
NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES		164	(960)	141	(803)
CASH FLOWS FROM INVESTING ACTIVITIES					
Development costs		(169)	(157)	-	-
Increase in loan to subsidiary		-	-	(143)	(318)
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		(169)	(157)	(143)	(318)
CASH FLOWS FROM FINANCING ACTIVITIES					
Gross proceeds from issue of shares		-	300	-	300
Share issue costs		-	(9)	-	(9)
Gross proceeds from new debt		-	845	-	845
Finance costs paid		-	(4)	-	(4)
NET CASH GENERATED FROM FINANCING ACTIVITIES		-	1,132	-	1,132
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(5)	15	(2)	11
Cash and cash equivalents at the beginning of the year		45	30	40	30
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	15	40	45	38	40

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2019

1 GENERAL INFORMATION

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

These financial statements show the consolidated results of the Group for the year ended 30 June 2019 together with the comparative results for the year ended 30 June 2018.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee (IFRS IC) as adopted and endorsed by the European Union ("EU") 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 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. 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. The drawdown facility has expired and the Directors are in discussions about its potential renewal.

Based on the board approved forecasts which includes consideration of all relevant matters, the Directors have a reasonable expectation that the Group and the Company has access to adequate resources to continue in existence for the foreseeable future and therefore they continue to adopt the going concern basis of accounting in preparing these financial statements. The forecasts include continued focus on cash management and, if required, accruing Directors fees without seeking to accelerate potential revenue streams as well as Director guarantees over the settlement of certain liabilities and deferral of their remuneration. There can be no assurance that the Group's projects will ever be fully developed or reach commercialisation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2019

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 2019.

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 following new standards and amendments to standards and interpretations have been issued but are not yet effective and not early adopted. None of these are expected to have a significant effect on the financial statements of the Group and Company:

		Effective for periods beginning on or after
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 10 Consolidated Financial Statements and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2019
IFRS 16	Leases	1 January 2019
Annual Improvements to IFRS Standards	2015 - 2017 Cycle	1 January 2019

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, Group Statement of Financial Position.

CURRENT AND DEFERRED INCOME TAX

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

The current income tax 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

New standards, amendments and interpretations adopted by the Group and Company

The Group and Company have applied the following standards and amendments for the first time for its annual reporting period commencing 1 July 2018:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers; and
- Annual improvements 2014-2016 cycle.

Impact of adoption of IFRS 9

The classification and measurement requirements of IFRS 9 have been adopted with effect from the date of initial application on 1 July 2018. However, the adoption of IFRS 9 has had no impact on the Group and Company.

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 Group and Company's presentation currency.

b) TRANSACTIONS AND BALANCES

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

Foreign exchange gains and losses relating to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within "Finance Income" or "Finance Costs".

OPERATING LEASES

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2019

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

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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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;
- 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Comprehensive Income or equity as appropriate, with a corresponding adjustment to a separate reserve in equity.

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

3 FINANCIAL RISK MANAGEMENT

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

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

MARKET PRICE RISK

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

CREDIT RISK

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

The Group's maximum exposure to credit risk is £103,000 (2018: £460,000) 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:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2019

3 FINANCIAL RISK MANAGEMENT (continued)

Group	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying value
At 30 June 2019	£'000	£'000	£'000	£'000	£'000	£'000
Trade and other payables	307	-	-	-	307	307
Borrowings	100	845	-	-	945	945
<hr/>						
At 30 June 2018						
Trade and other payables	263	-	-	-	236	236
Borrowings	100	845	-	-	945	945

CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are:

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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 £2,570,000 and £2,440,000 respectively (2018: £2,401,000 and £2,440,000 respectively) have suffered any impairment in accordance with the accounting policy as stated in Note 2.

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 2019 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2019

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

.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.

5 DIRECTOR'S AND KEY MANAGEMENT PERSONNEL EMOLUMENTS

	2019	2018
	£'000	£'000
Aggregate emoluments	134	122
Social security costs	-	-
	134	122

Name of director	Short Term Benefits £'000	Other Benefits £'000	Total 2019 £'000	Total 2018 £'000
J Gunn	80	-	80	80
N Jagatia	30	-	30	28
A Samaha	12	-	12	2
S Gunn*	12	-	12	12
	134	-	134	122

*Key Management Personnel

The number of Directors who contributed to pension schemes during the year was nil (2018: nil).

6 EMPLOYEE INFORMATION

	2019	2018
	£'000	£'000
Wages and salaries	149	185
Social security costs	14	8
	163	193

In addition to the above a total of £148,000 (2018: £114,000) wages and salaries for employees has been included in Development costs.

Average number of persons employed (including executive directors):

	2019 Number	2018 Number
Office and management	3	6

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 2019

7 LOSS FOR THE YEAR

Loss for the year is arrived at after charging:

	2019 £'000	2018 £'000
Salaries and wages (Note 6)	163	193
Audit and other fees	18	19
Operating lease rent	9	17
Depreciation	7	8

AUDITOR'S REMUNERATION

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

	2019 £'000	2018 £'000
Fees payable to the Company's auditor for the audit of the parent company and the Group financial statements	18	19

8 Taxation

GROUP	2019 £'000	2018 £'000
Deferred tax	-	-
Current tax	(25)	(20)
Total current tax / (credit)	(25)	(20)

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:

	2019 £'000	2018 £'000
Loss before tax from continuing operations	(239)	(953)
Loss before tax multiplied by rate of corporation tax in the UK of 19% (2018: 19%)	(45)	(181)
Tax effects of:		
Expenses not deductible for tax purposes	45	108
Unrelieved tax losses carried forward	-	73
Research and development tax credit	(25)	(20)
Total tax	(25)	(20)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2019

8 Taxation (continued)

The Group has excess management expenses of approximately £5,000,000 (2018: £4,800,000), capital losses of £150,000 (2018: £150,000) and non-trade financial losses of approximately £119,000 (2018: £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.

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 £239,000 (2018: £953,000). The weighted number of equity shares in issue during the year was 1,420,806,859 (2018: 1,359,376,947).

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
At 30 June 2017	2,668	2,668
Additions	157	157
Impairment	(424)	(424)
At 30 June 2018	2,401	2,401
Additions	169	169
At 30 June 2019	2,570	2,570

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 sterling application in marine and waste recycling activities. The value-in-use calculations use cash flow projections based on financial budgets approved by Management covering a six-year period. The key estimates in the value-in-use calculation are:

Growth rate - Nonlinear: year on year increase based on director estimations

Discount rate - 30%

Gross margin average - 37%

The calculations are not sensitive to probable changes in the key assumptions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2019

11 PROPERTY, PLANT AND EQUIPMENT

GROUP	Plant and Equipment	Fixtures and fittings	Motor Vehicles	Total
	£'000	£'000	£'000	£'000
COST				
As 30 June 2017	81	15	1	97
Additions	-	-	-	-
As 30 June 2018	81	15	1	97
Additions	-	-	-	-
As at 30 June 2019	81	15	1	97
DEPRECIATION				
As at 30 June 2017	34	9	1	34
Charge for year	7	1	-	8
As at 30 June 2018	41	10	1	52
Charge for year	6	1	-	7
As at 30 June 2019	47	11	1	59
NET BOOK VALUE				
As at 30 June 2019	34	4	-	38
As at 30 June 2018	40	5	-	45

No Property, Plant and Equipment is held in the parent company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2019

12 INVESTMENT IN SUBSIDIARIES

COMPANY	2019	2018
SHARES IN GROUP UNDERTAKINGS:	£'000	£'000
At 1 July	2,440	2,440
Increase in loan to subsidiary	207	318
Provision against the loan balance outstanding	(207)	(318)
	2,440	2,440

Included in the above is an amount of £2,885,000 (2018: £2,742,000) relating to the amount due to the Company by its subsidiary Inspirit Energy Limited. A provision of £2,885,000 (2018: £2,742,000) 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	Global Investment Strategy Uk Ltd, 2 nd Floor, London Wall Buildings, London, EC2M 5PP	Ordinary shares £1	100%	Dormant
Inspirit Energy Consultancy Limited Company no 11190342	2nd Floor 2 London Wall Buildings, London Wall, London, United Kingdom, EC2M 5PP	Ordinary shares £100	100%	Dormant

*** Inspirit Energy Limited (Co No 07160673) company 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	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Corporation tax*	46	58	-	-
VAT recoverable	6	7	3	5
Other receivables	5	340	-	335
Prepayments and accrued income	6	10	6	6
	63	415	9	346

*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 2019

13 TRADE AND OTHER RECEIVABLES

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	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Cash and cash equivalents	40	45	38	41

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 £
At 30 June 2017	1,170,806,859	400,932	1,170,807	396,923	-	11,295,421	12,863,151
Issue of new shares	250,000,000	-	250,000	-	-	50,000	300,000
Capital Reorganisation	-	-	(1,406,599)	-	1,406,599	-	-
Issue costs	-	-	-	-	-	(9,765)	(9,765)
At 30 June 2018	1,420,806,859	400,932	14,208	396,923	1,406,599	11,335,656	13,153,386
At 30 June 2019	1,420,806,859	400,932	14,208	396,923	1,406,599	11,335,656	13,153,386

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 2019

16 SHARE BASED PAYMENTS

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

There have been no options issued in the year and no share based payment charge has been recognised.

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

	Weighted Average Exercise Price 2019	Options and warrants	Weighted Average Exercise Price 2018	Options and warrants
At 1 July	0.0488	1,500,000	0.0067	10,783,364
Granted	-	-	-	-
Exercised	-	-	-	-
Lapsed	-	-	0.0090	(9,283,364)
At 30 June	0.0488	1,500,000	0.0488	1,500,000

Grant date	Expiry date	Exercise price in £ per share	Number of options and warrants 2019	Number of options and warrants 2018
26 April 2011	25 April 2021	0.0488	1,500,000	1,500,000
		0.0488	1,500,000	1,500,000

17 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade payables	50	58	8	29
Other payables	85	152	85	86
Social security and other taxes	25	31	-	18
Accrued expenses	147	22	145	21
	307	263	238	154

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2019

18 BORROWINGS

	GROUP		COMPANY	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Current				
Drawdown facility (see Note 1 below)	100	100	100	100
Total current borrowings	100	100	100	100
Non-current				
Convertible loan notes (Note 2 below)	845	845	845	845
Total non-current borrowings	845	845	845	845
Total borrowings	945	945	945	945

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. On 25 April 2018, YA Global entered into an agreement for Convertible Loan Notes ("CLNs") which converted £100k of the existing drawdown into CLNs (see note 2).

Note 2

In May 2018, the Company raised £530,000 in cash from private investors through the issue of Convertible Loan Notes and converted existing debt due to Related Parties (as further detailed below) and other third-party debt valued at £315,000 into the CLNs. The principal amount of the CLNs are convertible at the higher of either 0.07p per Ordinary Share of 0.1p each (the "Ordinary Shares" or "Existing Ordinary Shares" and subject to the Capital Reorganisation as set out below) or a discount of 25 per cent. to the previous trading day's closing market share price. The CLNs are interest free, convertible at the Company's option and, in the ordinary course, only are repayable by the Company in Ordinary Shares following a conversion notice. Any Ordinary Shares issued on conversion of the CLNs will rank pari passu with existing Ordinary Shares. Conversion of the CLNs is subject to a restriction that no conversion shall take place in circumstances where as a result of the conversion the Noteholder or any party deemed to be acting in concert with such Noteholder, as defined in the Takeover Code, would own more than 29.9% of the issued share capital of the Company or otherwise trigger a requirement for the Noteholder to make a general offer for the Company pursuant to Rule 9 of the Takeover Code. The CLNs will not be admitted to trading on AIM or any other exchange.

Majority of the CLN's were converted on 29 November 2019 and 3rd December 2019. As at the date of the approval of these Financial Statements the value of CLN's that remain outstanding is £3,200.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2019

19 FINANCIAL INSTRUMENTS BY CATEGORY

	2019	2018
	£'000	£'000
FINANCIAL ASSETS – LOANS AND RECEIVABLES:		
Trade and other receivables (excluding prepayments, VAT and corporation tax)	5	340
Cash and cash equivalents	40	45
FINANCIAL LIABILITIES AT AMORTISED COST:		
Trade and other payables	282	232
Borrowings	945	945

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 £30,000 (2018: £28,000). The amount owed to NKJ Associates Ltd at year end is £32,000 (2018: £4,000).

22 EVENTS AFTER THE REPORTING DATE

18 November 2019, the Company announced that it had raised £300,000 through the placing of 249,999,998 ordinary shares of 0.001 pence each in the share capital of the Company at 0.12 pence per Ordinary Share.

25 November 2019, the Company announced that it had received conversion notices from the Convertible Loan Notes (CLN'S) issued on 4 May 2018. The Company issued 1,148,571,422 Ordinary Shares at a price of 0.07p Ordinary Share with an admission date of 29 November 2019. £41,000 CLN's remained outstanding at this date.

5 December 2019, the Company announced that it had received conversion notices from the Convertible Loan Notes (CLN's) issued on 4 May 2018. The Company issued 54,000,002 Ordinary Shares at a price of 0.07p Ordinary Share with an admission date of 10 December 2019. £3,200 CLN's remained outstanding at this date.