quadrise FUELS INTERNATIONAL PLC

Annual Report and Financial Statements 2014

Contents

Quadrise Fuels International plc

Annual Report and Financial Statements for the year ended 30 June 2014

Highlights

- Positive results from two 'in service' seaborne trials in Mærsk ships using Wärtsilä and MAN engines led to Mærsk confirmation of 'Proof of Concept' as planned by mid-2014.

- The Co-operation and Exclusive Purchase and Supply Agreement, and Joint Development Agreement, were executed with AkzoNobel in November 2013, replacing the 2004 Alliance Agreement. Quadrise now becomes the licensor of the Quadrise MSAR® Technology, and also has exclusive world-wide rights for AkzoNobel formulations and technology in emulsion fuels applications.

- In Saudi Arabia, a programme has been agreed to produce MSAR® fuel at a major refinery and complete a trial firing at a thermal power station by mid-2015. Success with the demonstration is expected to lead to a commitment to large scale fuel conversion projects delivering major benefits in refining and power generation.

- The completed Joint Feasibility Study with Ecopetrol and Nexidea has confirmed the merits of the MSAR® fuels proposal. Ecopetrol is now able to assess the relative attractions of the MSAR® fuels JV relative to alternative refinery fuels programmes under consideration. A clear direction regarding future association should emerge during Q1 2015.

- The Company remains debt free, with £11.1 million in cash reserves at 30 June 2014, boosted by the successful raising of £10.7 million (before expenses) through a share placing in March 2014. A very positive feature of the placing was the favourable response from institutional investors who now feature more prominently on the Quadrise share register.

Company Registration No. 05267512

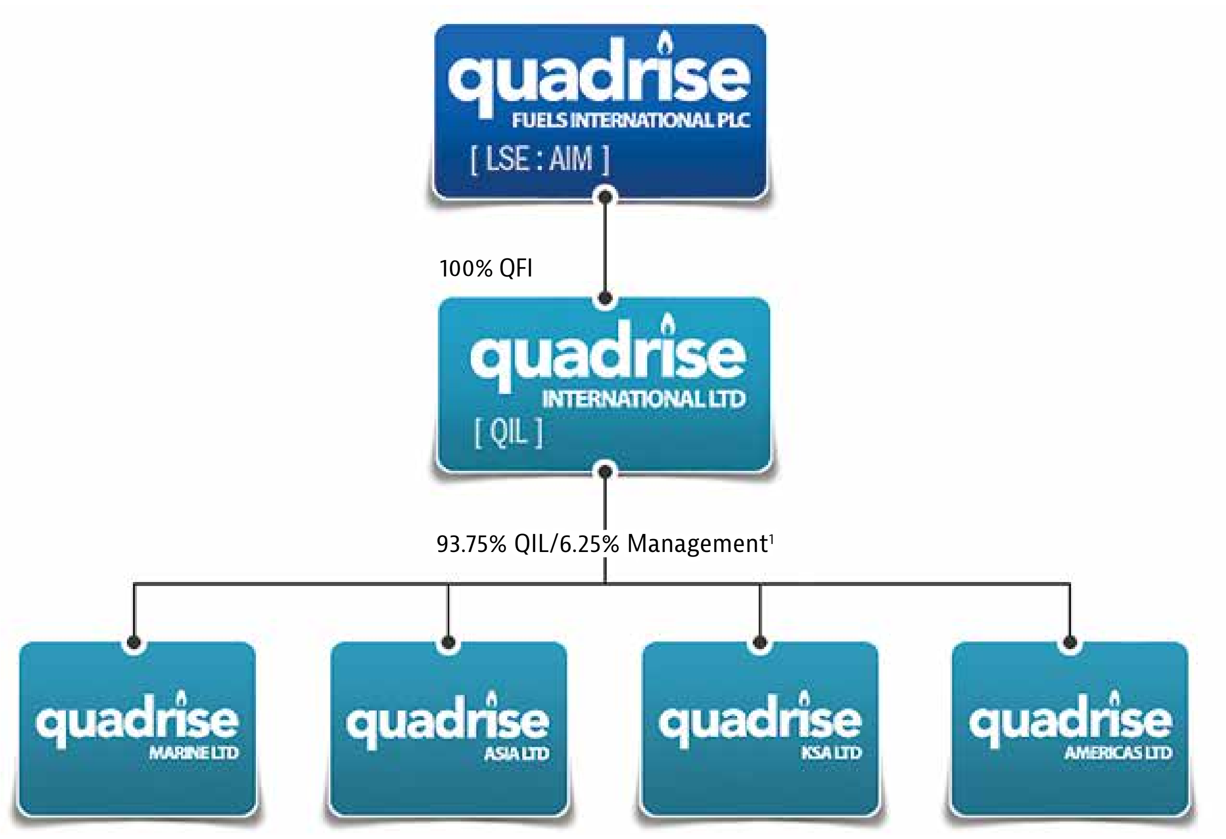
Company Statement

Quadrise Fuels International plc ("QFI") was listed on the London Stock Exchange AIM market in April 2006. QFI aims to be the premier global oil-in-water emulsion fuels company. Through our alliance with AkzoNobel, Quadrise has the capability to provide first class technology, services and MSAR® fuel products to our partners and customers.

Quadrise MSAR® fuels offer a low cost substitute for conventional heavy fuel oil ("HFO") for use in thermal and diesel power generation plants and in industrial and marine diesel engines. The worldwide HFO market exceeds 500 million tons, with a current value in excess of US$300 billion per annum.

Our management and board have extensive background and experience in the specialised energy sectors involved, and an unparalleled track record in commercial emulsion fuels development and supply in marine fuels, oil refining, power generation and general industrial applications.

Corporate structure



1: As at 17 October 2014. The Group gained 100% control with effect from 22 October 2014.

Quadrise MSAR® fuel

MSAR®: A proven, established technology

MSAR® technology draws on over 25 years of experience in the production of oil-in-water emulsion-based asphalts and fuels. A direct substitute for HFO, MSAR® fuel is establishing an enviable reputation as Quadrise engages with some of the largest corporations in the energy and transport sectors.

MSAR® is a direct low cost substitute for conventional Heavy Fuel Oil ("HFO") used in marine diesel engines, and for thermal power and steam generation. MSAR® technology is a potential game-changer for oil refiners as it frees up valuable distillates traditionally used for HFO manufacture, increasing profitability without incurring significant expenditure.

The global HFO market exceeds 500 million tons per annum, of which approximately one third is used in marine applications (as bunker fuel oil).

The potential market for MSAR® is substantial; Quadrise is focusing on two significant market segments:

- Marine MSAR®, a replacement bunker fuel, under joint development with A.P. Møller-Mærsk, the world's leading container shipping company.
- MSAR®, a replacement HFO for stationary applications: under joint development with several major oil and power generation companies globally.

MSAR® technology is modular and can be integrated into an oil refinery in under 12 months, with any necessary tie-ins being incorporated into scheduled maintenance shutdowns. The MSAR® fuel that is produced is:

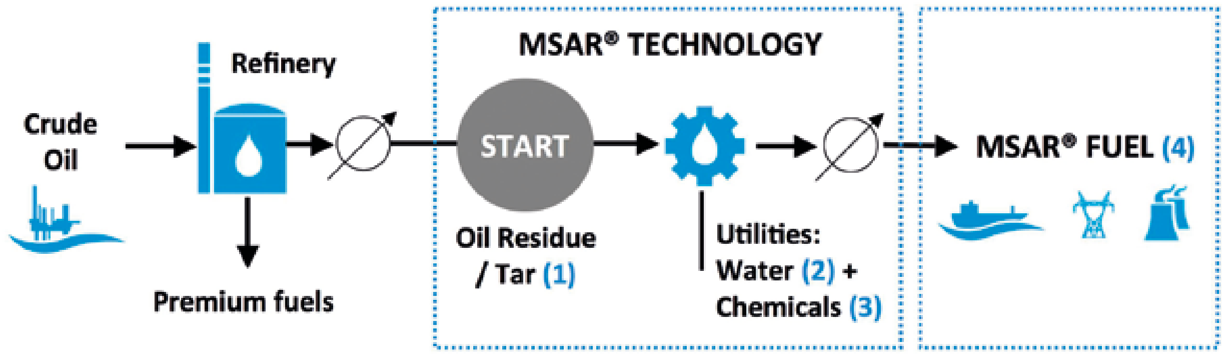
- extremely stable, with storage and handling possible at ambient conditions
- transported to end-users in the same way as HFO.

MSAR®: How it works:

The MSAR® production process is relatively simple:

1. Oil residues are taken from refinery rundowns and cooled to under 200°C to achieve the required viscosity (typically 300–500 centistokes).
2. Water, which can be derived from several utility or waste-water sources, is added to the residue.
3. Special surfactants and chemicals are added to stabilise the emulsion for long-term storage and transport, and to promote complete combustion.
4. The mixture is processed in a proprietary MSAR® unit to a high hydrocarbon content (typically 70%) oil-in-water emulsion.

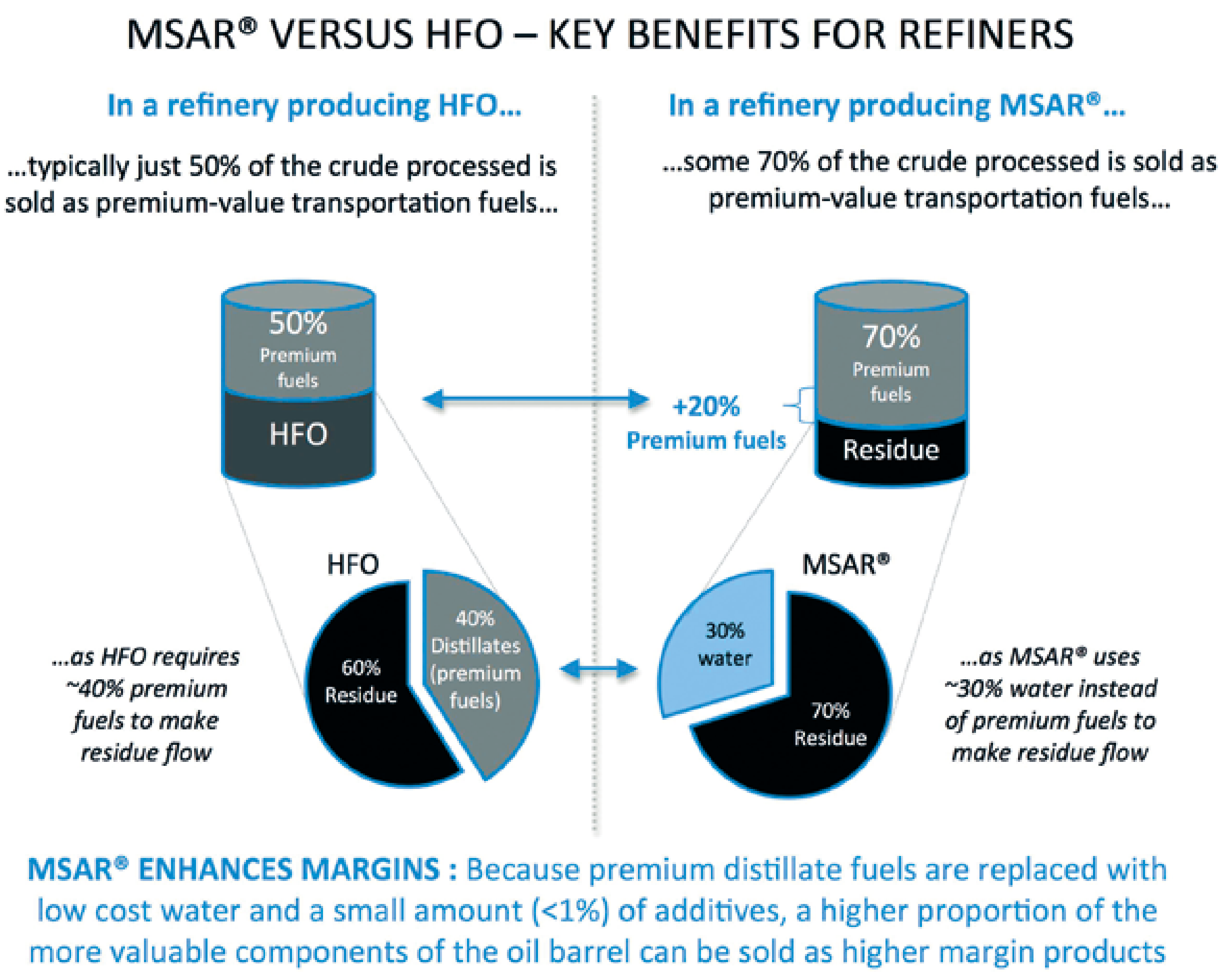
The MSAR® production process



MSAR® versus HFO: key benefits for end users

Compared with HFO, MSAR® fuel offers:

- typically 10–20% cost savings per unit of energy
- at least 20% lower NOx emissions. MSAR® is a pre-atomised fuel with a hydrocarbon particle size of 5–10 microns (atomised fuel oil droplets are typically 50–100 microns) and therefore has enhanced combustion properties
- lower energy consumption. Unlike HFO, MSAR® fuel can be handled at ambient temperature and generally does not need to be heated for viscosity control
- emissions of sulphur dioxide and carbon dioxide that are generally equivalent to those incurred from burning HFO.



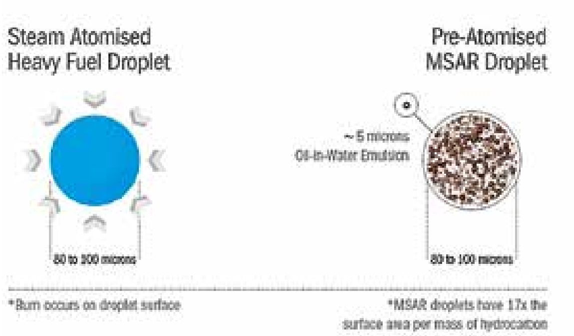
MSAR® and the environment

Lower energy

The MSAR® process transforms hydrocarbons that are solid at room temperatures into a product that can be stored and transported at ambient temperatures. As a result the energy requirements for handling and transporting MSAR® are lower than HFO, which is generally heated to temperatures of 50-100°C.

Lower NOx & PM (Black Carbon)

The emulsification of heavy fuels has been shown over the years to be the most effective way of simultaneously reducing particulate matter ("PM") that includes unburned carbon (also known as "Black Soot" or "Black Carbon") and nitrogen oxide ("NOx") emissions during combustion. MSAR® fuel is extremely stable, therefore it can be distributed optimally in the combustion zone. Water in the fuel immediately evaporates, causing secondary atomisation and reducing combustion temperatures, typically reducing NOx emissions by 20% or more.

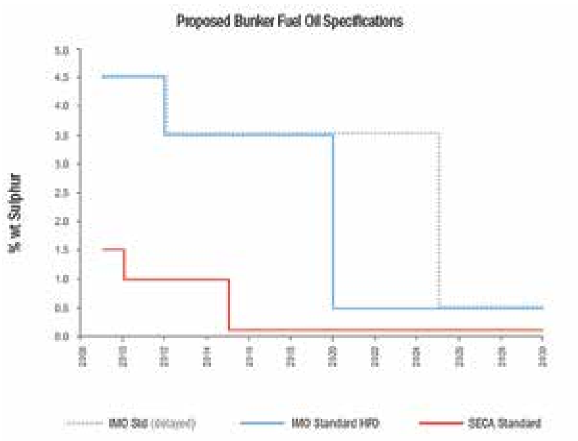


NOx gases are significant atmospheric pollutants that contribute to the formation of smog. NOx reacts with ammonia, moisture, and other compounds to form nitric acid vapour and related particles. Inhalation of these particles can cause respiratory disease and lung damage. Stringent targets therefore need to be met from utility and marine fuel consumers.

Black Carbon results from the incomplete combustion of hydrocarbon which associates with PM. Black Carbon is estimated to be 5–15% of shipping particulate emissions. It has the ability to warm the earth by absorbing heat in the atmosphere and reducing the ability, on deposition, for snow and ice to reflect sunlight. Studies indicate that unburned carbon particulate emissions are the second largest contributors to global warming.

Lowest CO_2 option to meet forthcoming marine specifications

Residual fuels have higher levels of sulphur and impurities than distillate fuels, such as gas oil or diesel. Therefore, where environmental legislation dictates, either emissions scrubbing equipment is required or a switch to a distillate or low sulphur fuel is needed for compliance purposes. This is especially relevant in the marine sector, where MARPOL fuel sulphur limits will reduce in the future:



The global debate currently is whether there will be sufficient distillate fuels available to meet this potential future demand. Refiners are questioning whether to invest in the necessary upgrading equipment, especially as the financial returns for these billion dollar investments are uncertain and the overall environmental impact (including increased CO_2 emissions) are worse from cradle to grave when compared with the status quo of HFO plus scrubbing.

At a macro level, any refinery converting to MSAR® technology increases the output of distillate hydrocarbons and reduces the amount of hydrocarbons in the conventional HFO 'pool'. The investment for MSAR® is several orders of magnitude less than the conventional upgrading alternative and the environmental impact for the refiner is significantly lower.

As some of the refinery cost savings for MSAR® versus HFO production can be passed to the consumer, the capital cost of installing scrubbing equipment can be subsidised. This concept of 'affordable compliance' guides Quadrise in commercialising MSAR® fuel.

Projects

Quadrise Marine Ltd

QIL has Joint Development and Royalty Agreements with A.P. Møller-Mærsk ("Mærsk") to jointly develop and, on success, commercialise Marine MSAR® fuel oil. Mærsk are the world's largest container shipping organisation and one of the largest purchasers of bunker fuel oil. The development programme capitalises on QIL's skills in emulsion fuel application and use in large diesel engines. Mærsk contribute their vast shipping industry experience and provide unsurpassed technical expertise relating to naval architecture, machinery system, fuels exhaust gas emissions and ship management. Mærsk vessels provide excellent testing platforms for new technologies.

Quadrise KSA Ltd

In Saudi Arabia ("KSA"), the QIL team has been engaged directly with clients on joint studies of the technical and economic impact of implementing MSAR® technology at major oil refineries. KSA is a high growth economy that consumes circa 30 million tons of oil annually in the form of crude oil, HFO and distillates for thermal power generation, desalination and industrial uses.

Quadrise has a Memorandum of Agreement with M/S Rafid Group for Trading & Contracting ("Rafid") which commits the parties to an exclusive relationship within KSA, and to the formation of a joint venture company to undertake business in KSA once contract terms are finalised for MSAR® manufacture.

Quadrise Americas Ltd

QIL has a Memorandum of Agreement with Nexidea Incorporated ("Nexidea") , who partner QIL in the development of emulsion fuels projects and joint ventures in the Central and South American region.

QIL, Ecopetrol SA ("Ecopetrol") and Nexidea have jointly completed a detailed feasibility report and recommendations for an MSAR® manufacturing, supply and marketing venture in South America, as provided for by a Memorandum of Understanding entered into between the three parties in 2012.

Scoping studies previously completed jointly with PEMEX have also demonstrated the benefits of MSAR® technology implementation in a major refinery in Mexico.

Quadrise Asia Ltd

Quadrise has a Memorandum of Understanding with PowerSeraya Ltd ("PowerSeraya"), a leading Singapore power utility, to undertake a joint coordinated programme to identify and secure a 'manufacturing and supply chain' to deliver Quadrise MSAR® fuel to the PowerSeraya thermal power plant.

PowerSeraya has experience in the use of emulsion fuels as their plant conversion was originally designed for Venezuelan sourced Orimulsion® fuel which is no longer available.

Studies are on-going with a number of oil refining majors in the region.

Chairman's Statement and Business Review

I am pleased to present this Annual Report for Quadrise Fuels International plc ("Quadrise", "Company", "QFI" and together with its subsidiaries the "Group") for the year ended 30 June 2014 together with recent events.

Business Overview

The last 12 months have seen considerable progress towards our prime objective of sustainable commercial revenues. Recent developments in the programmes managed by Quadrise International Limited ("QIL") represent a watershed, both in terms of the projects themselves, and in the resulting shift in investor and shareholder perception of the Company – its prospective scale and future value. Whilst the focus remains the Marine MSAR® and Saudi Arabian ventures, the Company continues to progress additional, carefully selected projects to broaden the business base, reduce the risk to future revenues and add significant value to the Group.

Quadrise clients are the very large companies that produce and consume heavy fuel oil ("HFO") in particular in the marine and power generation markets. Qualifying oil refiners can produce MSAR® fuel under license using our technology and QIL's specialist services. By converting from 'conventional' processing the refiner increases its own margin and is able to supply former HFO consumers with a superior and cheaper fuel. These markets are very large with annual global fuel oil sales exceeding US$300 billion or some 500 million tons per annum, of which the marine market represents some 40%.

Marine and power generation fuel consumers and the oil refining industry face unrelenting pressure to improve efficiency and reduce cost. Our technology offers a "win–win" proposition to these markets. Semi-complex oil refineries can step-change margins at very modest investment, whilst offering the MSAR® consumer cost and environmental benefits with performance efficiencies from improved combustion and lower emissions.

QFI is not dependent on fuel oil demand growth to create value. Our proposition remains attractive in conditions of both economic growth and recession. Global economic trends and energy fundamentals continue to validate the Quadrise business proposition, as the demand for distillate transportation fuel continues unabated. While, directionally, a firm crude oil price tends to support the refiner's economics when converting to MSAR® production, the inter-product price spread is the principal driver of the Quadrise value-add. This is the price differential between residue-based fuel oil and distillate diesel fuel. A wider spread yields more value – and the global trend has been for growth in diesel demand to exceed that for fuel oil thereby widening the price differential – which is very positive for the Company's future margin prospects. Informed industry forecasters and forward market price projections suggest this will remain a long term feature. The production of shale gas and shale oil, notably in North America, may well impact global oil and gas supply, demand, movements and prices, but is not expected to adversely affect our value-adding proposition in target markets.

The Marine MSAR® and Saudi opportunities require the Company to pursue, establish and develop relationships with leading corporates in their respective industries. The scale and complexity is challenging and Quadrise naturally needs to work within our clients' programmes and timetable. However, their recognition of the scale of the opportunity and their acceptance of the technology validates and endorses the business potential of the Group.

Global economic trends and energy fundamentals continue to validate the Quadrise business proposition

Aside from the excellent progress made in key programmes addressed within this review, a number of other strategic events have positively impacted the Group. The more important are:

1. On 20 November 2013, the Company announced that it had executed two contracts with Akzo Nobel group companies ("AkzoNobel") for the exclusive purchase and supply of goods and services, and for the continued exclusive joint development of emulsion fuels. These contracts have replaced the Alliance Agreement signed in 2004, thus ensuring

continuity and on-going support from AkzoNobel for the Company's expanding development programmes.

2. The near term plans for plant installations and continuous fuel production require more resources than previously available, in that several programmes may progress simultaneously from development to commercial operations. Our clients and partners quite rightly expect high standards of capability and response. Quadrise is looking to accelerate these developments and would not want to be the cause of delay either through lack of plant availability or expertise. As announced earlier in 2014, the necessary funding to ensure adequate resourcing of the development programmes and the medium term business plan has been secured. The Company closed a placing of 33,437,500 new ordinary shares on 5 March 2014 at a price of 32 pence per share, raising a gross £10.7 million. The issue was oversubscribed and the placing shares represented only 4.33% of QFI shares in issue prior to the placing. The Company last raised new equity funds in October 2012 at £0.07 per share.

3. In anticipation of the planned progression to commercial operations in 2015, recruitment advisers were engaged in late 2013 to identify suitable candidates for executive roles within the QFI Group, in particular to assume focussed responsibility for business development in the marine and power generation markets.

4. In anticipation of the increased research and development workload required to support the accelerating QIL programmes a new R&D facility has been established in the UK. This will supplement the resources and support already provided by the AkzoNobel facility in Sweden.

Financial Overview and Investor Relations

The Group held cash and cash equivalents of £3.24 million as at 30 June 2013. A strategic review of the business plan in Q3 2013 took into consideration revised timetables for the major programmes and the selected new projects that will broaden the business base and reduce risk. This revealed the need for additional equity funds to securely bridge the gap to sustainable revenues, now expected in 2015.

The planned project spread, and the potential to contract on a joint venture business mode in certain projects, increased the need for capital expenditure funding.

> ***A very positive feature of the placing was the response from institutional investors who now feature more prominently on the QFI share register***

In addition, the resources to professionally manage the growing portfolio and to assure the capacity for an accelerated pace all require additional funds. The Company's new responsibilities in the revised AkzoNobel contractual relationship anticipated the need to establish an in-house R&D programme requiring facilities and investment. Furthermore, some additional working capital was needed as Quadrise becomes the vendor of chemicals and a range of focussed technical services to refiners.

With lead projects on the cusp of commercialisation, the board needs to ensure that Quadrise will not be the cause of any delays to project programmes. An example is the need to establish an inventory of MSAR® Manufacturing Units (MMUs) to avoid fabrication lead time and related delays to revenues. In addition, the negotiation and execution of commercial contracts will involve scrutiny of the financial standing of the Group and it is therefore prudent to strengthen the Company's balance sheet – especially given the size and nature of our key clients. These considerations led to the decision to raise additional equity funds in Q1 2014. Timing was favourable as the QFI share price had risen strongly in the second half of 2013, indicating that investors had recognised the advanced stage of development reached by the Company, the size of the markets and scale of opportunity.

The planned Q1 2014 equity funding programme was advised by new brokers, Peel Hunt, and closed on 5 March 2014 raising a gross £10.7 million. A very positive feature of the placing was the favourable response from institutional investors who now feature more prominently on the QFI share register. Funds raised should now be sufficient to meet the revised business requirements, allow management to accelerate programmes where possible and beneficial, and provide prudent cover for the unexpected. The Group held cash and cash equivalents of £11.1 million as at 30 June 2014.

Nevertheless, the Company continues to apply tight controls over expenditure, and the policy of client contribution to pre-commercial costs has continued to be applied with few exceptions. During the period under review the Operating and Corporate costs of £2.4 million (2013: £1.9m) were contained within budget. The operating loss of £6.0m for the period (2013: £5.0m) was in line with expectations in terms of managed operations, but was affected by a further fair value adjustment of £1.0 million (2013: £1.8m) to the carried values of the Group's Canadian investments.

Quadrise maintained an active programme of Investor and Media Relations through the year. This focussed on introductory meetings and presentations to institutional investors and research analysts, guided by Peel Hunt and Corporate Communications advisers Bell Pottinger. News flow continues to be limited by confidentiality obligations imposed by our partners. We look forward to sharing more information on operational programmes when commercial contracts are executed. A step change has been experienced in the number of shareholder and investor enquiries reflecting increased interest in the Company. This raised awareness is also reflected in a further step change in the readership reported by Edison Investor Track which rose by over 100% from June to September 2014.

As advised previously, capital availability has previously limited the Group's choice of business model to the "Licence Mode" in which the refiner buys the MMUs and is licensed to use MSAR® manufacturing technology. In this mode QIL revenues are derived from fees, supplies and services. There is now the potential to contract on a Joint Venture or Toll Processing mode in certain projects in which QIL or the Joint Venture owns and operates the MMUs and charges a fee per ton to convert the refiner's heavy residue into MSAR® fuel. In the longer term the Company would logically aspire to apply the "Merchant Plant Mode". Here the Company would acquire the heavy residue from the refiner and convert it to MSAR® in our own facilities and sell the fuel directly to consumers. Aside from the funding required to develop the process facilities and related storage and services, in this mode the Company would also have to secure working capital. This generally accounts for a large share of the funds employed in a bulk fuels operation. By restricting ambitions to the licence mode in the early phase, the Company has progressed to the current stage at very modest cost in oil industry terms.

Review of Directly Managed Interests

The principal Group business interests are managed by QIL, which owns all associated rights and participations. The Group structure currently features a set of subsidiaries of QIL to house and manage project programmes on a market (e.g. Quadrise Marine) or geographic basis (e.g. Quadrise KSA). These subsidiaries may form associations with local partners (e.g. Rafid in Saudi Arabia) or hold the Group participation in joint ventures developed with local partners – as is intended in Central and South America – where such arrangements are appropriate and add value.

The 250% increase in the market capitalisation of the Company over the 12 months reflects the growth in value of the directly managed business portfolio

The 250% increase in the market capitalisation of the Company over the 12 months (July to June) under review reflects the growth in value of the directly managed business portfolio as the underlying programmes have been progressed and de-risked through their respective pre-commercial phases.

All directly managed projects represent large scale business opportunities as they target the substitution of existing conventional fuels – presently consumed in very large quantities – with Quadrise MSAR® fuels. The global marine bunker fuel oil market, some 200 million tons per annum, is a prime example. A very modest share converting to MSAR® fuel would represent a sizable business, potentially a company maker on its own. The

30 million ton per annum market for thermal power generation fuel in the Kingdom of Saudi Arabia (KSA) is also a major large scale fuel substitution opportunity. It is estimated that at least one third of this is potentially convertible to MSAR® fuels based only on domestic heavy refinery residue conversion – offering considerable advantage to all stakeholders. This creates an enormous value-add opportunity to the Kingdom, making a very material contribution to alleviating growing pressures on the KSA energy costs.

It is instructive that neither the marine nor the KSA power fuel markets need demand growth for large scale fuel substitution to be attractive. In reality, however, in both cases the market demand is growing and this is expected to continue. In the case of Marine, it has become widely acknowledged that the impact of 'slow steaming' on aggregate global demand has run its course, and the marine bunker fuel oil market is once again moving into growth mode. KSA continues to have one of the highest levels of electricity demand per capita, and this looks set to continue.

The decision taken in 2013 to broaden the portfolio selectively led to a number of initiatives including the Ecopetrol prospect and feasibility study in Colombia and the 'multi-site' heavy residue conversion prospect with a global oil major. The rationale is that, on a selective basis, they could represent feasible business prospects. These could spread the active portfolio, serving also to de-risk the business and substitute if needed for programmes where progress cannot be assured – as was the case with PEMEX in Mexico. Ideally these projects would also have the flexibility, due to the refinery locations, to serve both thermal power and marine markets.

Neither the Marine nor the KSA power fuel markets need demand growth for large scale fuel substitution to be attractive

Unsolicited approaches concerning projects in areas such as Russia, the Caribbean, Indonesia and South and East Africa continue unabated. Where they have merit, and on a selective basis, the Company may confirm conditional interest. The key provisos are that the basis of the relationship will be a joint venture, the prospective partner will fund the project with no recourse to QIL, and the Group contribution will be limited to technology and expertise in return for our share in the venture. Given the demands of our prime opportunities very little attention has been given to these introductions to date and 'select and focus' will remain the guiding strategy for some years to come. More recently the Company has been approached by well-funded entities with specific industry rather than geographic interest, looking for co-investment opportunities as and when Quadrise enters the 'toll processing' business mode. While no commitments have yet been made, the future availability of potential funding from such sources has been noted.

Marine MSAR®

Shareholders have been kept informed on the development of the Marine MSAR® fuels programme on a regular basis. The programme originated from a Quadrise presentation to an international marine fuels conference. Mærsk quickly assimilated the potential of the MSAR® technology to reduce open ocean marine fuel costs which represent some 75% of their fleet operating cost. A Joint Development Agreement ("JDA") was executed between QIL, Mærsk and AkzoNobel Surface Chemistry to formulate Marine MSAR® fuel to meet the exacting requirements of both four stroke and two stroke marine diesel engines. The JDA defined the responsibilities and contributions of all parties and has guided the development process over the past four years. QIL entered into a marketing and royalty agreement with Mærsk in January 2011 which set certain of the terms for commercial relationships then expected to follow.

At the outset standards and targets were established to assure the practical feasibility of Marine MSAR® becoming a fit for purpose "standard" fuel acceptable for use by Mærsk (and in the operations of other shipping companies). These included the ability to switch readily between fuel oil and / or marine diesel fuel and Marine MSAR®. These key requirements informed the basis used for the subsequent Mærsk 'Proof of Concept' assessment and the associated seaborne trials programme which started late 2013 and was completed during second quarter 2014.

The development of the new Marine MSAR® fuel for this very large global market must address the stringent standards set by a significant number of industry stakeholders, and national, regional and global regulatory authorities. The marine sector is heavily regulated and has a high profile due to the impact of freight costs and services on a range of national and international economic interests. Additionally, the shipping industry is closely scrutinised on environmental matters, in particular combustion emissions and associated NOx (nitric oxide/nitrogen dioxide), SO_2 (sulphur dioxide) and carbon particulates (black soot). Mærsk has been an ideal partner for QIL, being the biggest global shipping company and the largest marine fuels consumer. Mærsk also has an enviable record for efficiency in operations and is an industry leader in environmental performance, adoption of new technology, and continuous improvement.

Meeting the specifications of the major marine engine manufacturers is critical. The continuous development of very large vessel propulsion engines and their fuelling and management systems is focussed on optimising power and improving fuel performance. Qualifying fuels have to be proven in both land-based and seaborne operations to merit a Letter Of No Objection (LONO) issued by the engine manufacturer without which no modern shipping company would consider using a new fuel in its fleet operations.

The multi-company joint development team has worked closely throughout the fuel formulation process with two major engine manufacturers, Wärtsilä and MAN Diesel & Turbo ("MAN"), and with selected refiners. Both manufacturers are industry leaders in technology development, and in combination account for the majority of engines installed in the Mærsk fleet, particularly in the most modern and largest container transporters and crude oil carriers. This teamwork resulted in the formulation of Quadrise Marine "MSAR® 2" fuel in late 2012 following an exhaustive series of trials. The fuel was then successfully stress-tested in the Wärtsilä state-of-the-art, multi-cylinder propulsion engine test facility in Switzerland, with the very positive, comprehensive report accepted by all stakeholders. The MSAR® 2 formulation became the 'gold standard' for Marine emulsion fuels leading to the seaborne 'proof of concept' ("POC") programme during the last quarter of 2013 and into the first half of 2014.

On 3 July 2014, the Company announced that the last of the Wärtsilä full-engine seaborne service tests was completed early in June following which Mærsk formally advised QFI that the POC requirements had been satisfied. This cleared the way for Mærsk to proceed to the next stage which involves extended use of Marine MSAR® fuel in a selected vessel powered by the most modern Wärtsilä RT Flex two stroke propulsion engine. The programme requires that sufficient seaborne service operating hours be completed to provide performance database enabling Wärtsilä to issue a LONO for the use of the fuel in this engine type. The LONO is the last remaining pre-condition before starting the early commercial phase and the progressive 'roll-out' to the first set of selected vessels. The expectation is that circa 4,000 hours of performance data will be required, but an interim evaluation may be made at circa 2,000 hours , and it is also possible that requirements could be extended by a further 2,000 hours.

The fuel was successfully stress-tested in the Wärtsilä state-of-the-art, multi-cylinder propulsion engine test facility in Switzerland

The MAN seaborne programme on Marine MSAR® fuel was completed in July 2014 and reflects the very positive land test results, preparing the way also for the intended MAN LONO trials in 1H 2015.

The key findings of the MSAR® fuel assessment programme to date are as follows:

- Fuel stability and optimum handling considerations have been confirmed
- Comprehensive tests have confirmed good engine and emissions performance on Marine MSAR®fuel
- Seaborne operational tests have been successful on both Wärtsilä and MAN two stroke propulsion engines.

- Experience during trials included manoeuvring tests and start/stop of engines according to class requirements.

Having confirmation of the POC phase, and given the quality of results, the joint development partners (Mærsk, Quadrise and AkzoNobel) agreed to move on to the commercial phase as soon as practicable to generate an early return on the investment made over the past three years of joint development.

Assurance of continuing bulk supply and efficient logistics systems in the 'post-LONO' phase of continuous commercial supply is now regarded as being more important than early fuel availability at higher unit cost simply to deliver early LONO certification. As a result the revised forward plan provides that the LONO programme will launch the commercial phase in preparation for full commercial 'roll-out', rather than conclude the development phase. The principal advantages are that larger contractual volumes and longer term contracts should materially benefit manufacturing and supply arrangements. This, together with efficient bulk logistics systems will assist seamless progressive roll-out at lower unit cost.

Continuous commercial supply is now regarded as being more important than early fuel availability at higher unit cost simply to deliver early LONO certification

Taking an 18 month view this approach is expected to result in earlier assured availability of larger commercial volumes of Marine MSAR® fuel. Even though the LONO timing may be delayed in the short term, this will be more than compensated by accelerated fuel conversion thereafter with assurance of supply in the medium term. A considerable saving will also accrue through elimination of the relatively high cost 'batch production' approach used to date.

Following the POC confirmation Mærsk allocated dedicated resources to work jointly with Quadrise executives on the commissioning and roll-out programme with the following joint objectives:

- Review and identify candidate refineries close to major bunker hubs – focusing first on North West Europe (NWE).
- Secure agreement in principle for Quadrise MSAR® Technology licensing and services contracts with qualifying oil refiners by end 2014 to support future term supply of Marine MSAR® fuel.
- Ensure that selected refiners have the capacity to meet the quantities indicated for the 2015 early commercial phase focusing first on NWE and starting with the LONO requirements.
- Extend the availability of Marine MSAR® and selective fleet fuelling progressively to the Rest of the World (ROW) on success from 2016.

This joint activity programme proceeded as planned through Q3 2014. Early indications of serious interest from qualifying refiners suggests that the objective of first 'commercial' production in Q1 2015, rolling-out to progressive selective fleet fuel conversion in Q4 2015, should be feasible.

The raised awareness of environmental concerns on SO_2 and carbon particulate (black soot) emissions from marine operations both within the Emission Control Areas ("ECAs") and in the "open ocean" has been highlighted in previous Company reports. The economic implications of a compliance driven switch to distillate fuels at a premium of US$350+ per ton, and the practical supply challenges are now being openly debated. Informed commentators have come to accept that the global refining industry will not be able to supply compliance fuel without a massive investment programme. This would itself exacerbate existing problematic CO2 emissions due to the nature of the processes and plant operations involved. The use of on-board emissions scrubbing is rapidly becoming accepted as representing the most effective and practical means of compliance even among national government regulators and global marine industry institutions.

This solution plays to the strengths of Quadrise Marine MSAR® fuel, presenting an opportunity for the Company to assist shipping companies with a cost effective environmental solution. Marine MSAR® fuel offers measurable, differentiated and enhanced "green performance" in terms of NOx and particulate emissions. Being priced at a discount to conventional fuel oil, the cost differential will make a material contribution to the capital charge and operating costs of the scrubbers. On information available to date it has become clear that the combination of Marine MSAR® fuel and novel scrubber technologies will offer the lowest cost compliance option in 'open ocean' operations which represent over 80% of the marine fuel oil market. The technical feasibility of compliance with ECA standards through the use of scrubbers without switching to very low sulphur distillate fuels at a premium of US$350 per ton is currently being tested. Reported results by some leading cruise line operators suggest this may prove compliant and acceptable. If so it could potentially also open the ECA market to a switch from distillates to Marine MSAR® fuels in combination with cost effective emissions scrubbing.

The commercial roll-out of Marine MSAR® fuels is now clearly in sight, and the programme is underway. The momentum is expected to grow steadily focussed on NWE in 2015 and other global bunker fuel supply hubs from 2016 onwards. The current market at circa 200 million tons p.a. is very large, and is again expected to grow steadily off this base – now that the impact of slow steaming has run its course. Quadrise is very well positioned as the only company able to offer a low cost 'oil in water' compliant emulsion fuel as a fully finished product with both cost and environmental advantages to vessel operators using the latest hi-tech two stroke propulsion engines supplied by the leading manufacturers.

Quadrise is very well positioned as the only company able to offer a low cost 'oil in water' compliant emulsion fuel as a fully finished product with both cost and environmental advantages to vessel operators

Saudi Arabia

The business opportunity in the Kingdom of Saudi Arabia (KSA) is the production of Quadrise MSAR® fuel by Saudi refineries to replace heavy fuel oil and crude oil used in thermal power generation. Over 30 million tons of oil is consumed annually in this application, and it is estimated that currently at least one third of this requirement could be met by MSAR® fuel produced in KSA. Power demand in KSA is growing very rapidly and the scale and potential of the opportunity are clearly exceptional.

By converting from heavy fuel oil to Quadrise MSAR® production in 'qualifying' refineries, large volumes of distillates would be released, adding significant value to refinery yields and substantially reducing the high cost distillate (e.g. diesel) imports now required to meet local market demand. KSA presently imports distillate fuels at ruling international prices. In 2010 these imports were reported by HSBC to have reached a level of US$17 billion per annum.

Quadrise has invested a considerable amount of time and sustained effort to gain credibility and recognition within KSA and in the refining and power generation client organisations. This process has been very effectively supported by our Saudi partner, RAFID Group, who have long established relationships in the oil and energy industries throughout KSA. Following several years of collaborative studies and reports, Quadrise technology was finally approved for application within client refineries. This significant milestone, marked the appreciation at senior levels that Quadrise MSAR® fuel technology can enable a step change in the 'integrated' cost of thermal power generation at a national level positively contributing to a KSA strategic imperative.

In Q2 2013 the client designated a major refining complex for the first Quadrise MMU installation. In the summer of 2013, QIL hosted a familiarisation programme in Europe for a group of client specialists, and representatives from the designated refining company. The subsequent report led to the confirmation of intent to proceed and a series of meetings were held to define process and responsibilities. The Company and client specialists worked jointly to produce a detailed proposal for the first 350,000 ton per annum 'commercial demonstration plant' to be installed at the designated refinery.

The proposal was formally submitted by the department concerned for approval in the client's annual budget review, where consideration is given to both the merits of the project and the proposed timing of implementation. The terms on which Quadrise will provide services for the pre-production phase are an integral element of the proposal.

Refinery selection was based on the proximity of installed thermal utilities serving a major petrochemical complex and associated industries. In addition, a project to increase the local utility generation capacity is underway and the refinery also presently supplies fuel oil to two other large power plants in the region. In all, on success, it should be possible to produce progressively up to 5 million tons of MSAR® fuel to substitute for the fuel oil presently supplied from this refinery.

Formal advice from the review process is still awaited. The client organisation manages complex operations and very large multi-billion dollar capital budgets. Being unable to judge with any certainty what timing and other conditions may attach to the review result, and conscious of time passing, QIL sought to modify the approach on an agreed basis separating the 'demonstration' (proving) plant approval from the longer term firm commitment to a permanent installation. This revised approach has been adopted as well as the associated preliminaries to formalise terms, timing and responsibilities. It is also intended that a trial firing at a large nearby thermal power plant, presently supplied with heavy fuel oil by the refinery, be integrated into the programme. This will allow the refinery MSAR® production, and the power plant comparative combustion and emissions, to be tested and demonstrated in the same time frame. Present planning is for completion of both demonstrations during Q2 2015.

The value of installing and operating an 'in country' reference plant and the active demonstration of production and combustion to their respective managements cannot be overestimated. The preliminary phase will involve the EU-based testing of typical heavy residues from the refinery and other preliminary assessments. Quadrise management has every confidence that the programme will proceed effectively and that operations will deliver the results and benefits as forecast.

The 'read across' potential for value adding by conversion of the major part of the 5 million tons p.a. of fuel oil at the designated refinery could be expected to result in a large scale project to deliver considerable proven benefits. The scope for replication within the KSA domestic refining industry has been previously identified in studies conducted jointly with the client. In practice the constraint on fuel conversion for power generation will be the availability of heavy residue from the client and joint venture refineries in the country. The economy could continue to benefit irrespective of the origin of MSAR® which would then have to be imported from other sources as a finished product.

The Company and client specialists worked jointly to produce a detailed proposal for the first 350,000 ton per annum 'commercial demonstration plant' to be installed at the designated refinery

We do anticipate that given the nature of this programme, confidentiality considerations may result in stringent contractual terms governing permitted release of information as the programme develops.

Americas

The Company has elected not to re-open discussions with PEMEX management until the direction of Mexican energy policy is clarified and the feasibility of a tangible result may be judged. In our view the intended project remains viable, but QIL is fully focussed on the active projects programme and re-entry is likely to be time consuming. Conversely, the programme developed with Ecopetrol (the Colombian national oil company), in association with Nexidea Incorporated, (a Dallas based consultancy company), has moved forward relatively quickly.

Following an introduction to Quadrise technology and a programme of engagement and information exchange, Ecopetrol senior management responded positively to a Business Case presented by their team with QIL support. A Memorandum of Understanding ("MOU") was concluded which committed both parties to complete a comprehensive Joint Feasibility Study to evaluate in detail the full technical and commercial merits of an integrated production and marketing project. In doing so recommendations would be made on the nature and form of the joint venture. Terms were also settled covering preliminary work requirements and the basis on which preparatory services would be provided.

The MOU was extended by three months to 31 August 2014 to provide time for the completion of the associated logistics and distribution studies. The preliminary market review to assess demand for both power generation and Marine MSAR® has been completed in sufficient form and detail for decision purposes. The suitability of Ecopetrol refinery residues for MSAR® fuel production has been confirmed in laboratory testing in Europe and a positive report submitted to the company. The refinery process economics and logistics aspects have also been reviewed again in full detail and earlier preliminary assessments have been reconfirmed.

Should Ecopetrol elect to proceed this project may become the first departure from the 'License model' and, as such, would require investment by Quadrise in process plant, ancillary equipment and tie-ins to refinery services and control systems. Following the Q1 2014 placing, the Company now has the capacity to reserve funds to participate effectively in this form of business development. Findings and recommendations on all facets of the project have been collated into the final draft Joint Feasibility Report and Recommendations. This is subject to review and acceptance by the client project team (now underway) preparatory to presentation to Ecopetrol management. This is likely to be followed by discussions on selective aspects and, subject favourable consideration, negotiations to determine the preferred business model and terms of participation. Confirmation of feasibility does not of itself assure that Ecopetrol will elect to proceed. Such projects usually require consideration in the context of alternatives available, impacts on related activities and other matters relevant to their business. Nevertheless, we expect that a clear direction should emerge by end Q1 2015.

The suitability of Ecopetrol refinery residues for MSAR® fuel production has been confirmed in laboratory testing in Europe

The PEMEX project opportunity will continue to be 'held in reserve' as the business case remains both technically sound and commercially attractive.

Asia

The YTL Power Seraya project opportunity has not progressed in the past year, principally due to difficulties in securing a source of heavy residue and a participating local or regional refiner. In practical terms we expect the opportunity to be 'unlocked' with the advent of Marine MSAR® production to supply the Singapore bunker market. Refiners have been understandably reluctant to install process plant, convert operations and add a new product stream based on single client supply. With LONOs expected to stimulate interest and demand for Marine MSAR®in 2015/6, this situation could reasonably be expected to change, thereby offering a long awaited opportunity for Power Seraya to improve its competitive position in the Singapore energy market.

Global Oil Major

Following an enquiry in 2012 from an Oil Major, QIL agreed to evaluate the conversion of certain residue streams associated with the proprietary technologies used in the Major's large scale process plants at a number of locations worldwide. Quadrise is not yet permitted to disclose the name of the group concerned, but QIL has been successful in converting the residue streams arising from these processing operations into MSAR® fuels. This looks to be a higher value application and potentially an attractive production and marketing addition compared to alternative disposal of the hydrocarbons concerned.

The Global Oil Major may also be a potential supplier to the global marine fuels supply programme in several bunker hubs. Completion of the LONO programme is expected to accelerate serious enquiries for Marine MSAR® supplies from the ship owners who continue to face challenging market pressure both on cost and environmental performance. Traditionally the oil majors respond in such circumstances and seek to lead change.

Board and Management

The Company continues to benefit from the very high quality contributions made by our non-executive directors. They have brought not only sound advice based on extensive experience in the world of oil and energy, but also active application of their specialised knowledge and professional capabilities across a range of relevant activities and aspects of our business. Continuous constructive interaction between board and management has been a hallmark of relationships within the Company, assisted by a number of regular board and management update meetings to share issues and views between formal quarterly board meetings.

We were very pleased to have secured the services of Mr Philip Snaith whose appointment as an independent non-executive director was announced during October 2014. Philip brings a wealth of experience having had a successful career in the Royal Dutch Shell Group, progressing through a succession of international senior executive roles in oil refining, supply, trading and marketing.

Mr Laurie Mutch and Dr Ian Duckels continued to chair, respectively, the Audit and Compensation Committees. Their commitment to the maintenance of consistently high standards in all of the associated activities has continued and we thank them for their valuable contribution.

It had become clear by late 2013 that the Group would need to restructure operational management and increase senior and support staffing to meet the multiple demands of commercial roll-out from early 2015. Recruitment advisers were engaged in late 2013 to identify suitable candidates for three additional key roles within the QFI Group. Two general management roles involve responsibility for business development in the Marine and Power markets respectively, and the third addition is for a refining specialist to compliment and support their activities. Regarding the GM Power position, QIL have secured the services of a highly qualified individual who is an excellent fit with the future organisational structure. Confidentiality obligations prevent us from releasing further details of the appointee, including background and present employer until the end of 2014. In addition, the Company has progressively converted former specialist consultants to full time employment arrangements and appointed a full time operations manager.

Business Associates and Partners

On 20 November 2013, the Company announced that it had executed two contracts with Akzo Nobel group companies ("AkzoNobel") for the exclusive purchase and supply of goods and services, and for the continued exclusive joint development of emulsion fuels. These new agreements reinforce the commitment of the parties and clarify the roles and contributions of Quadrise and AkzoNobel in our future activities. In particular, the contracts acknowledge the Company's primacy in MSAR® process technology licensing and representations to clients. The elimination of royalties and the introduction of shared ownership of Intellectual Property evidences the complimentary nature of the association, as does the extension of sole rights to QIL for exclusive use

Completion of the LONO programme is expected to accelerate serious enquiries for Marine MSAR® supplies from the ship owners who continue to face challenging market pressure both on cost and environmental performance

of AkzoNobel fuel emulsion formulations worldwide. This is a very positive development and will promote a sound and beneficial association as our major business programmes continue to evolve. QIL is the contracting party for both agreements.

The association with Nexidea Incorporated has already proven its ability to transition introductions to real commercial prospects, as in the case of Ecopetrol. While current focus is on the Colombian programme. Both QIL and Nexidea have identified further selective South American opportunities for consideration when the Group has the capacity to assess candidates for the active projects programme.

In the Marine Fuels arena the central 'partnership' with Mærsk promises to add value to their business while launching Quadrise Marine MSAR® fuel in the international bunker market in 2015. Mærsk have an enviable reputation in all facets of the shipping business as leaders and innovators and have consistently proved to be effective, professional and committed in our joint activities. The series of coordinated activities over several years which have comprised the Joint Development Programme has extended the ambit of association to key stakeholders including leading marine engine manufacturers, regulators and marine industry institutions. Mærsk are principally motivated by the prospect of the very material savings on fleet fuel costs and the realisation of measurable improvement in environmental performance. Results underlying the Proof of Concept confirmation indicate that these prospects should be realised in the near future, vindicating their considerable efforts and substantial funding contribution.

Rafid, our partners in KSA, supply a range of specialised products and services to Saudi Aramco and other key industry and state organisations. A closely coordinated effort over the past year has raised the profile the "Quadrise opportunity" at a senior level within the refining and power generation sectors and resulted in the first formal project submission for a commercial pilot plant installation in 2015. As a local business of considerable standing in the fields of technology and engineering, Rafid are able to engage with the largest state and private sector organisations to identify and actively promote Quadrise business opportunities.

Non-Managed Investments in Canada

The investments in independent Canadian ventures, in which QIL has no management role, no longer have any material relevance for the value of the QFI Group. Their fortunes continued to be mixed over the review period. The Company has again reduced the carried values to reflect this, though there may be some scope for selective recovery in the medium term. All Canadian interests are held as "investments for sale" and QFI resources are no longer expended on these entities.

In the Marine Fuels arena the central 'partnership' has been with Mærsk who have consistently proved to be effective, professional and committed

As has been advised in previous reports, the Canadian investments have been impacted by trends in the energy markets which have eliminated a number of potential business opportunities. An example is the growth in shale gas production which has driven down gas prices and eliminated the prospects for application of Quadrise technology in the production of steam and power for reservoir heating in oil production.

Quadrise Canada Corporation ("QCC"), where the Company has a 20.4% shareholding, is effectively operating on a 'care and maintenance' basis with very limited remaining resources.

QCC holds a number of patents in the fuel emulsion field but has no directly managed projects operational or in prospect.

A fuel emulsion project in Albania, managed by Petrosonics is dormant pending the outcome of a dispute relating to state imposition of duty which has impaired the economics.

Work on a emulsion technology application for heavy crude oil transportation has been completed, but as yet no firm commercial application programme has been secured.

Present prospects for QCC have led the board to write down the value of the QFI holding to CAD $nil.

Optimal Resources Inc. ("ORI") (9.5%) had no success in securing a partner for its Enhanced Oil Recovery ("EOR") technology in the ORI Lloydminster oil field and elected to sell its licenses to avoid the liability of abandonment and restoration obligations. No further operations are contemplated and the company is disposing of all remaining assets.

ORI has over CAD$8 million in accumulated tax losses and the intention is realise the maximum remaining value for shareholders through a sale of the company when feasible. The QFI board have elected to further impair our interests and write down the value to CAD$nil.

Paxton Corporation ("PC") (3.8 %) is understood to be still actively promoting the use of its technology in oil field operations.

The Paxton 30% interest in Clean Energy Systems(CES) continues to be a material consideration as the CES 'steam gun' technology is being actively promoted by Mærsk Oil and Gas through their "Tri-Gen"venture . Paxton report that if certain conditions precedent are met by end 2014, the Mærsk license for the technology could extend from MENA to World Wide with expiry extended to 2023. There are license fee implications to these time and scope extensions which have material implications for the value of PC.

PC itself, which retains rights to the use of the CES technology in its own Enhanced Oil Recovery technology systems, continues to hold discussions with oil field operators on project opportunities in North America. At 30 June 2014, PC was held on the balance sheet at a value of £1.439 million.

Future Outlook

The leading projects have moved forward to a stage where several commercial scale production units should be installed in qualifying refineries during the course of 2015. The marine pace will be secured by the anticipated receipt of the LONOs from Wärtsilä and MAN during 2015, which is the last remaining pre-condition before the progressive commercial 'roll-out' to the first set of selected vessels. The Saudi Arabia project aims to meet the client target of a power plant fuel test before the end of the coming winter which will require that the first MSAR® MMU be commissioned early in 2015. Thereafter further progress will be driven by confirmation of the technical and commercial viability of MSAR® production at the designated refinery together with the assurance of combustion performance at the linked power generation units currently burning fuel oil.

The Company has every confidence that the outcomes will be positive. This will verify the feasibility and rewards of converting to Quadrise MSAR® fuel production in refineries and the substitution of conventional fuels in the ships and power plants concerned. Given the unrelenting pressures on refining, shipping and power generation costs and margins, the logical consequence will be to ramp up both production and use of MSAR® fuels as quickly as possible, to capture the considerable benefits available.

As mentioned in previous reports, Quadrise is dealing with large industries with long established practices that are not easily changed. However, these same industries are also known to adapt rapidly when industry leaders apply new technologies to gain competitive advantage. Our lead programmes are known to have attracted considerable interest, and would clearly fall into this category.

The transition from 'development and demonstration' to 'contracts and operations' has major implications for organisation structure and staffing. These are being addressed, together with skills development and management continuity. The Company needs to meet the challenge of having a geographically diverse portfolio of projects in transition to commercial operations at the same time. This is an exciting and rewarding time for the Company, our partners and clients, and our shareholders with the anticipated realisation of continuous commercial revenues in 2015.

Ian Williams
Executive Chairman
17 October 2014

Financial Review

Overview

The successful raising of £10.7m (before expenses) through a share placing in March 2014 was a key financial event for the Group in the year. This has strengthened the balance sheet significantly and enabled to Group to increase the proportion of equity held by institutional investors. As described more fully in the Chairman's Statement, considerable progress has also been achieved during the year in the key projects. With cash reserves of £11.1m at the year end, well-defined programmes with clients and additional management resources being engaged to support this activity, the Group is well positioned to move from the 'development and demonstration' phase to the commercial phase in the ensuing year.

The marine fuel programme with Mærsk has continued to be the lead project for the Group during the year, resulting in the successful completion of the 'Proof of Concept' requirements by mid-2014. The other core projects in the Kingdom of Saudi Arabia and with Ecopetrol in Colombia have also progressed during the year. All this activity has, however, been managed well within the approved budget. Development/evaluation cost recoveries have been made from clients where appropriate. The Board regularly reviews the Group business plans, activities and mode of operation against the annual budget and financial position in order to ensure the Company remains appropriately funded to meet the evolving needs of the business.

Results for the Year

The consolidated after-tax loss for the year to 30 June 2014 was £5.9m (2013: £5.0m). This included a charge of £1.7m (2013: £3.2m) for the amortisation of intangible assets and adjustments to available for sale investments, operational and general administration expenses of £2.4m (2013: £1.9m), a share option charge of £1.9m (2013:nil) and interest income of £7k (2013: £17k). The share option charge relates to new options granted during the year.

Basic and diluted loss per share was 0.74p (2013: 0.64p).

Statement of Financial Position

At 30 June 2014, the Group had total assets of £16.3m (2013: £10.3m). The most significant balances were intangible assets of £2.9m (2013: £3.6m), available for sale investments of £1.4m (2013: £2.6m) and cash of £11.1m (2013: £3.2m). Further information on the intangible assets and available for sale investments is provided in notes 14 and 15 to the Group Financial Statements.

Cash Flow

The Group ended the year with £11.1m of cash and cash equivalents (2013: £3.2m), with £2.3m (2013: £1.6m) having been utilised in its operating activities during the year. The Group continues to remain debt free.

Capital Structure

The Company had 807,241,536 ordinary shares of 1p each in issue at 30 June 2014. As announced on 6 March 2014, the Company issued a further 33,437,500 new ordinary shares raising £10.7m (before expenses). The shares placed and issued fell within the authorities granted to the Board under sections 551 and 570 of the Companies Act 2006 at the Annual General Meeting ("AGM") of 15 November 2013. These authorities will be reviewed again at the next AGM, as appropriate. The Company's current issued share capital stands at 807,241,536 ordinary shares of 1p each all with voting rights.

Treasury and Financial Risk Management

Control over treasury and financial risk management is exercised by the Board and its Audit Committee through the setting of policies and the regular review of forecasts and financial exposures. Presently, the Group's financial instruments consist principally of available for sale investments, cash and liquid resources and other items such as accounts receivable and payable, which arise directly from its operations. It is still the Group's policy not to undertake any trading activity in financial instruments, including derivatives.

The principal risks arising from the Group's financial instruments are those associated with interest, liquidity and foreign exchange. The Board reviews and establishes appropriate policies for the management of such risks and monitors them on a regular basis.

Taxation

The Group has tax losses arising in the UK of approximately £34.8m (2013: £33.7m) that are available, under current legislation, to be carried forward against future profits. £8.3m (2013: £7.9m) of the tax losses represent trading losses within Quadrise Fuels International plc, £23.7m (2013: £23.7m) represent non-trade deficits arising on intangible assets within Quadrise International Limited, £1.2m (2013: £1.2m) represent pre-trading losses incurred by subsidiaries, £1.5m (2013: £0.8m) represent management expenses incurred by Quadrise International Limited, and £0.1m (2013: £0.1m) represent capital losses within Quadrise Fuels International plc.

Outlook

Given the considerable project progress made over the last year, supported by a strengthened treasury at the year end, the Group is forecast to move towards commercial revenues in 2015. Whilst these may be modest initially, the commercial endorsement of MSAR® emulsion fuel by leading players in the marine, refining and power generation industries should provide a solid platform for rapid growth in demand over time. The market for heavy fuel oil is already well established, with over 500 million tons consumed per annum. As already demonstrated, our fuel provides a lower cost alternative to end-users, with greater environmental benefits. We do not, therefore, envisage any practical difficulty in increasing the demand for the fuel once its commercial and environmental credentials are well understood and appreciated by the market.

The Company offers a clear 'commercial framework' for each of our business modes (license, toll-processing and merchant plant) and a deep understanding of the improved refinery economics, on the basis of which we intend to establish commercial terms with our partners and clients. We therefore seek to receive our fair share of the value-add from the application of our technology and the switch to our fuel in commercial operations.

Effective cost control, budgeting, forecasting and management reporting will continued to be applied by the Board in order to maintain a strong treasury and tight resource management in the ensuing year as the Group transitions from the development phase to the commercial phase.

Hemant Thanawala
Finance Director
17 October 2014

Strategic Report
For the year ended 30 June 2014

Principal Activity

The principal activity of the Company is to develop markets for its proprietary emulsion fuel ("MSAR®") as a low cost substitute for conventional heavy fuel oil ("HFO") for use in power generation plants and industrial and marine diesel engines.

Business Review and Future Developments

The Company adopted a 'select and focus' strategy in 2010 concentrating on selected markets and clients. Considerable progress was achieved in the key programmes over the year to date. The marine fuel programme developed jointly with Mærsk passed a major milestone with confirmation of 'Proof of Concept" as planned by mid-2014. The other core projects in the Kingdom of Saudi Arabia and with Ecopetrol in Colombia have also progressed during the year. The successful raising of £10.7m (before expenses) through a share placing in March 2014 strengthened the treasury significantly. Having cash reserves of £11.1m at the year end, well-defined programmes with clients and additional management resources being engaged to support these activities, the Group is well positioned to move from the 'development and demonstration' phase to the commercial phase in the ensuing year.

A full review of the Group's activities during the year, recent events and future developments is contained in the Chairman's Statement.

Key Performance Indicators

The Group's key performance indicators are development and commercial performance against Group business plans and project timetables established with clients and financial performance and position against the approved budgets and cashflow forecasts. The Board regularly reviews the Group business plans, project timetables, budgets and cashflow forecasts in order to optimise the application of available resources. Consideration of the Group's performance against Key Performance Indicators is contained in the Chairman's Statement.

Going Concern

Following the successful placing of 33,437,500 shares at 32p each as announced on 6 March 2014, and the review of the latest business plan and related commitments, the Directors have concluded that the Group has adequate financial resources to continue in operational existence for at least the forthcoming year and therefore continue to adopt the going concern basis in preparing the accounts. Refer to Note 3 for further details.

Principal Business Risks

Set out below are certain risk factors relating to the Group's business. However, these may not include all of the risk factors that could affect future results. Actual results could differ materially from those anticipated as a consequence of these and various other factors, and those set forth in the Group's other periodic and current reports filed with the authorities from time to time.

Market risk

The marketability of MSAR® fuels is affected by numerous factors beyond the control of the Group. These include variability of price spreads between light and heavy oils and the relative competitiveness of oil, gas and coal prices both for prompt and future delivery. The Group cannot mitigate this risk by its nature, but pays close attention to the energy markets in order to be able to react to it in a timely and effective manner.

Feedstock sourcing

There is a risk in respect of appropriately located and ongoing price competitive availability of heavy oil residue feedstock as oil refiners seek to extract more transportation fuels from each barrel of crude using residue conversion processes. The Group mitigates this risk where possible by utilising its deep understanding of the global refining industry.

Commercial risks

There is a risk the Group will not achieve a commercial return due to major unanticipated change in a key variable or, more likely, the aggregate impact of changes to several variables, which results in sustained depressed margins.

The competitive position could be affected by changes to government regulations concerning taxation, duties, specifications, importation and exportation of hydrocarbon fuels and environmental aspects. Freight costs contribute substantially to the final cost of supplied products and a major change in the cost of bulk liquid freight markets could have an adverse effect on the economics of the fuels business. The Group would mitigate this risk through establishing appropriate flexibilities in the contractual framework, offtake arrangements and price risk management through hedging.

Technological risk

There is a risk that the technology used for the production of MSAR® fuel may not be adequately robust for all applications in respect of the character and nature of the feedstock and the particular parameters of transportation and storage pertaining to a specific project. This risk may jeopardise the early commercialisation of the technology and subsequent implementation of projects; or give rise to significant liabilities arising from defective fuel during plant operations. The Group mitigates this risk by ensuring that its highly experienced key personnel are closely involved with all areas of MSAR® formulation and manufacture, and that the MSAR® fuel is thoroughly tested before being put into operational use.

Competition risks

There is a risk that new competition could emerge with similar technologies sufficiently differentiated to challenge the AkzoNobel process. This could result, over time, in further price competition and pressure on margins beyond that assumed in the Group's business planning. This risk is mitigated by the limited global pool of expertise in the emulsion fuel market. The Group makes best use of this limited expertise by developing close relationships with strategic counterparties and by ensuring that key employees are suitably incentivised.

Dependence on key personnel

The Group's business is dependent on obtaining and retaining the services of a small number of key personnel of the appropriate calibre as the business develops. The success of the Group is, and will continue to be to a significant extent, dependent on the expertise and experience of the Directors and the management team and the loss of one or more personnel could have a material adverse effect on the Group. The Group mitigates this risk by ensuring that key personnel are suitably incentivised and contractually bound.

Environmental risks

The Group's operations are subject to environmental risks inherent in the oil processing and distribution industry. The Group is subject to environmental laws and regulations in connection with all of its operations. Although the Group intends to be in compliance, in all material respects, with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental spills, leakages or other circumstances that could subject the Group to extensive liability.

Further, the Group may require approval from the relevant authorities before it can undertake activities which are likely to impact the environment. Failure to obtain such approvals may prevent or delay the Group from undertaking its desired activities. The Group is unable to predict definitively the effect of additional environmental laws and regulations, which may be adopted in the future, including whether any such laws or regulations would materially increase the Group's cost of doing business, or affect its operations in any area. The Group mitigates this risk by ensuring compliance with environmental legislation in the jurisdictions in which it operates, and closely monitoring any pending regulation or legislation to ensure compliance.

No profit to date

The Group has incurred aggregate losses since its inception and it is therefore not possible to evaluate its prospects based on past performance. There can be no certainty that the Group will achieve or sustain profitability or achieve or sustain positive cash flow from its activities.

Corporate and regulatory formalities

The conduct of petroleum processing and distribution requires compliance by the Group with numerous procedures and formalities in many different national jurisdictions. It may not in all cases be possible to comply with or obtain waivers of all such formalities.

Economic, political, judicial, administrative, taxation or other regulatory factors

The Group may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, in the areas in which the Group operates and conducts its principal activities.

Ian Williams
Executive Chairman
17 October 2014

Directors

Ian Williams **Executive Chairman**
Ian joined the Masefield Group in 1999 with responsibility for the development and management of business ventures. He led the strategy to secure the portfolio of assets and business interests that culminated in the formation of International Energy Group AG. Ian's wide ranging industry experience encompassed 27 years with the Royal Dutch/Shell Group as Managing Director and Deputy Chairman of Shell South Africa, Vice President (Downstream) of Shell Philippines and Head of Strategy and Consultancy (Downstream) at Shell International Petroleum Company – in which capacity he was a member of the Shell global Downstream Oil Steering Committee. Ian was a founder and Executive Chairman of Nautical Petroleum plc and Chairman of Wilton Petroleum Limited.

Hemant Thanawala **Finance Director**
Hemant is a Chartered Accountant with over 25 years' professional and commercial experience. Hemant joined the Masefield Group, an international oil trader, as Chief Financial Officer in 2001. He was also a founder of Nautical Petroleum Plc which was listed on AIM until acquired by Cairn Energy Plc in 2013. After qualifying with KMG Thomson McLintock, now KPMG, Hemant was involved in professional practice in the UK, before working as Finance Director for the Rostel Group for nine years and as Chief Financial Officer to Premier Telesports Group for a further three.

Jason Miles **Chief Operating Officer**
Jason started his career as a process engineer with British Petroleum ("BP") Engineering in London. In 1992 he was seconded to BP's joint venture with Petroleos de Venezuela ("PDVSA") that established Orimulsion®, a novel emulsion fuel with worldwide sales of over 60 million tons. He has over 10 years of specialist technical, environmental and commercial product knowledge in the application and competitiveness of emulsion fuel for power generation. Prior to joining QFI in 2006, he was a Senior Consultant for OpenLink for two years, implementing trading and risk management solutions for oil majors. Jason read Chemical Engineering (B.Eng, Hons) at Loughborough University, has an Executive MBA with distinction from Cass Business School (City of London) and is a chartered chemical engineer (MIChemE).

Laurence Mutch **Non-Executive Director**
Laurie is a management consultant providing advice on governance, strategic planning, business development and change management to multi-national organisations. He had 25 years' experience in the energy industry with the Royal Dutch/Shell Group where he sat on the Board of Shell International Gas & Power, as Executive Director for business development in the Eastern Hemisphere, leading the commercial appraisal and development of all Shell's gas and power projects in the Middle East, South Asia, China, Philippines and the Russian Far East. From 1994 to 1996, he was the Finance Director in Shell International Gas, and Principal Executive to the International Energy Agency's Coal Industry Advisory Board ("CIAB"), a forum of coal industry leaders and a main source of advice for coal policy matters to the International Energy Agency in Paris. Prior roles include senior management positions in Shell's Coal and Chemical Divisions. During his last two years of service he was Group Chief Information Officer and on the Microsoft and Dell Enterprise Advisory Boards. Laurie holds a BSc in Mathematics & Physics and an MSc in Astrophysics.

Ian Duckels Non-Executive Director

Ian joined Quadrise Ltd in 1998 after a career span of 28 years in the oil, chemicals and mining industries working for Shell and BP. In the early '90s, as the first Chairman of the management board, Ian managed BP's newly formed Nerefco refinery in Rotterdam. He has a BSc in Chemistry, a PhD in Chemical Physics, a BSc in Mathematics & Astrophysics and is an associate of the Chartered Institute of Management Accountants.

Dilipkumar Shah Non-Executive Director

Dilipkumar ('Dilip') was appointed to the board of Quadrise on 5 November, 2010. Dilip brings with him over 25 years of commercial experience in trading, finance, manufacturing and distribution. Dilip has most recently been involved in trading/manufacturing in West Africa with focus on Nigeria, Democratic Republic of Congo and Ghana. He is a Director and/or a founder member of various companies in West Africa involved in the distribution of fertilizers/chemicals, tobacco related products and the manufacture of food products. In addition he is on the board of a number of private companies.

Philip Snaith Non-Executive Director

Philip Snaith was appointed to the board of Quadrise with effect from 8 October 2014. Philip has spent more than 35 years with the Royal Dutch Shell group in senior executive positions, latterly as General Manager of Shell International Trading & Shipping Company Limited in London, retiring from the group in 2010. Between 2004 and 2008 Mr. Snaith spent four years in Singapore as President of Shell International Trading Company – with responsibility for its Asia-Pacific trading portfolio. Concurrent with this executive position, Mr. Snaith was a non-executive director of Shell Eastern Trading Company (Pte) Ltd, a refining, marketing, supply and trading company with annual revenues of around US$55 billion, and was also Chairman of both Shell Tankers Singapore (Pte) Ltd and Shell International Shipping Services (Pte) Ltd. Mr. Snaith holds an MBA from Cranfield University, a B.Sc. (Physics) from Imperial College, London and a Diploma in Marketing (Dip.M) from the UK Chartered Institute of Marketing. Mr. Snaith is currently a partner of PSI Energy Ltd.

Directors' Report

The Directors present their report together with the audited accounts of Quadrise Fuels International plc ("the Company"), and its subsidiaries, ("the Group") for the year ended 30 June 2014.

Results and Dividends

The consolidated loss from continuing operations after taxation for the year ended 30 June 2014 was £5.9m (2013: £5.0m), including a £1.7m (2013: £3.2m) non-cash amortisation and impairment charge for intangible assets and fair value adjustment to available for sale investments. The Directors do not recommend the payment of any dividend for the year (2013: £nil).

Directors

Those who served as Directors during the year are:

- Ian Williams (Executive Chairman)
- Hemant Thanawala (Finance Director)
- Jason Miles (Non-executive Director)
- Ian Duckels (Non-executive Director)
- Laurence Mutch (Non-executive Director)
- Dilipkumar Shah (Non-executive Director)

Resolutions will be proposed at the Annual General Meeting to elect Philip Snaith as a Non-executive Director as he was appointed by the Directors since the last Annual General Meeting. Philip Snaith holds no shares in the Company. Resolutions to re-elect Ian Williams and Jason Miles as Directors will also be proposed at the Annual General Meeting. Both of these directors retire by rotation.

Directors' Interests

The interests of the Directors holding office at 30 June 2014 were as follows:

Number of Shares held:

Directors	30 June 2014 Ordinary Shares of 1p each	30 June 2013 Ordinary Shares of 1p each
Ian Williams [1]	11,616,104	11,616,104
Hemant Thanawala	7,863,400	9,363,400
Ian Duckels[2]	3,817,460	3,967,460
Jason Miles	637,007	637,007
Laurence Mutch	Nil	Nil
Dilipkumar Shah	Nil	Nil

Notes:

1 Tilehouse Limited, a Jersey registered company, holds 2,219,524 of these Ordinary shares of 1p each. Tilehouse Trust is the owner of Tilehouse Limited and Ian Williams is a beneficiary of Tilehouse Trust. The shares of Tilehouse Limited are held in the name of Brewin Nominees (Channel Islands) Limited.

2 The shares of Ian Duckels are held in the name of TD Direct Investing (Europe) Limited.

Number of share options held:

Directors	30 June 2014 Share options	30 June 2013 Share options	Exercisable up to
Ian Williams	1,500,000	1,500,000	19 April 2016
	1,000,000	1,000,000	30 November 2017
	5,000,000	–	1 April 2022
Hemant Thanawala	2,000,000	2,000,000	19 April 2016
	1,000,000	1,000,000	30 November 2017
	3,500.000	–	1 April 2022
Jason Miles	750,000	750,000	26 March 2015
	2,500,000	2,500,000	31 December 2016
	2,500,000	2,500,000	31 October 2017
	5,000,000	–	1 April 2022
Laurence Mutch	350,000	750,000	19 April 2016
	3,500.000	–	1 April 2022
Ian Duckels	1,500,000	–	1 April 2022
Dilipkumar Shah	500,000	–	1 April 2022

A total of 23.5 million share options have been granted by International Energy Group AG ("IEG"), over its own shares in QFI, to three existing QFI Directors and one current QFI employee, as well as two former QFI Directors and two former QFI employees. Of these, 6 million (2013: nil) were exercised during the year and a further 1.5m exercised following year-end. The outstanding balance of these share options has been included in the table above where applicable. Refer to Note 20 for further details.

Substantial Shareholders

The Board was aware of the following interests of 3% and over of the issued share capital of the Company as at the date of this report:

	Nature of holding	Number of ordinary shares held	Percentage of issued share capital and voting rights
International Energy Group AG	Direct	210,045,430[1]	26.02%
Ruudowen Limited	Direct	54,738,353	6.78%
Phibatec Limited	Direct	51,562,500	6.39%
Anthony Lowrie	Indirect	31,521,705	3.90%
The Anthony Davies Will trust	Direct	27,993,288	3.47%
Orangefield Corporation Trustees (Mauritius) Limited	Direct	25,781,250	3.19%

Note:

1 With reference to the 15 million share options granted by IEG and currently outstanding, as noted above, if all of the options were exercised as at the date of this report, IEG's shareholding in QFI would be reduced from 210,045,430 ordinary shares to 195,045,430 ordinary shares and the percentage interest from 26.02% to 24.16%.

Events After the End of the Reporting Period

On 1 October 2014 Jason Miles ceased to be a non-executive director and became an Executive Director and employee of the Company.

On 8 October 2014, Philip Snaith was appointed as a non-executive director of the Company.

Financial Instruments

The Group's principal financial instruments comprise available for sale investments, cash balances and other payables and receivables that arise in the normal course of business. The Group's financial risk management objectives and policies are set out in note 2.21 to the financial statements.

Directors' Liabilities

Subject to the conditions set out in the Companies Act 2006, the Company has arranged appropriate Directors' and Officers' liability insurance to indemnify the Directors against liability in respect of proceedings brought by third parties. Such provisions remain in force at the date of this report.

Disclosure of Information to Auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Group's auditors, each Director has taken all the steps that he is obliged to take as a Director in order to have made himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution to re-appoint Crowe Clark Whitehill LLP will be proposed at the next Annual General Meeting.

Board Committees

Information on the Audit Committee and Compensation Committee is included in the Corporate Governance section of the Annual Report on pages 32 – 33.

Annual General Meeting

The Annual General Meeting will be held on Friday 28 November 2014 as stated in the Notice, which accompanies this Annual Report.

By order of the Board.

Audrey Clarke
Company Secretary
17 October 2014

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' 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 elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS's") as adopted by the EU and applicable law.

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 Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are further responsible for ensuring that the Strategic Report and Report of the Directors and other information included in the Annual Report and Financial Statements is prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the Quadrise Fuels International plc website is the responsibility of the Directors; the work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

Ian Williams
Executive Chairman
17 October 2014

Report on Directors' Remuneration

Key Management Remuneration

The Compensation Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for all key management personnel, regarded as the executive Directors and Officers of the Group. The Compensation Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis and is guided by an approved remuneration policy and takes into account relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. The Compensation Committee additionally links part of key management remuneration to the Company's financial and operational performance.

Bonus awards were made to the Chairman, Ian Williams and the Finance Director, Hemant Thanawala in respect of performance for calendar year 2013 in respect of achievement of business objectives and the very significance increase in share price from December 2012 (11.39p) to December 2013 (45.55p). The award amounted to 42.5% of base salary.

Details of the nature and amount of each element of the emoluments of each member of Key Management for the year ended 30 June 2014 were as follows:

Director	Short-term employee benefits[1] £'000s	Post-employment benefits £'000s	Other long-term benefits £'000s	Termination benefits £'000s	Other benefits £'000s	Total 2014 £'000s	Total 2013 £'000s
Ian Williams	151	22	-	-	-	173	102
Hemant Thanawala	126	7	-	-	-	133	85
Jason Miles	214	-	-	-	-	214	180
Ian Duckels	33	-	-	-	-	33	22
Laurence Mutch	109	-	-	-	-	109	75
Dilipkumar Shah	-	-	-	-	-	-	-
TOTAL	633	29	-	-	-	662	464

Note:

1 Includes annual bonus

Reconciliation of Share Options Granted to Directors

13,500,000 options were granted to Executive Management of QFI and QIL and 5,500,000 options were granted to non-executive directors of QFI in April 2014. These were granted in accordance with QFI's remuneration policy of providing long term incentives. This was the first grant of options to directors that had been made since 2007.

	30 June 2014 Number of share options	30 June 2013 Number of share options
As at 1 July	**18,000,000**	18,000,000
Granted during the year by QFI	**19,000.000**	-
Exercised during the year	**(6,400,000)**	-
As at 30 June	**30,600,000**	18,000,000

The market price of the Company's shares at the end of the reporting period was 31.00p (2013: 11.75p) and the range during the year was 10.62p to 49.00p (2013: 4.62p to 15.62p) per share.

Ian Duckels
Chairman of the Compensation Committee
17 October 2014

Corporate Governance Statement

As the Company is listed on the AIM Market of the London Stock Exchange, it is not required to comply with the provisions of the UK Corporate Governance Code, (the "Code"). However, the Board is committed to the high standards of good corporate governance embodied in the Code and seeks to apply the principles of the Code where practicable for a company of Quadrise's size and complexity.

Board of Directors

The Board is responsible for the direction and overall performance of the Group with emphasis on policy and strategy, financial results and major operational issues.

The Code recommends that at least one-third of Board members should be non-executive Directors. During the year, the Board comprised the executive Chairman and Finance Director as executive Directors and three non-executive Directors who are independent of management. In addition, Jason Miles, an executive Director of QIL, is also a non-executive Director in the Company.

At each Annual General Meeting, one third of the Directors who are subject to retirement by rotation shall retire from office provided that if their number is more than three, but not a multiple thereof, then the number nearest to but not exceeding one-third shall retire.

Appropriate Directors' and Officers' liability insurance has been arranged by the Company.

Meetings of the Board of Directors

The Board meets at least four times a year, after all relevant information has been circulated in good time, to discuss a formal scheduled agenda covering key areas of the Group's affairs including operational and financial performance and quarterly management accounts.

All members of the Board are expected to attend Board Meetings, which are scheduled in advance, all directors attended at least 75% of quarterly meetings held during the year.

Audit Committee

During the year, the Audit Committee comprised two non-executive Directors and was chaired by Laurence Mutch. The chairman of the Committee provides a written or detailed verbal report as necessary of every Audit Committee meeting at the next Board Meeting.

The Audit Committee, which meets at least twice a year, is responsible for keeping under review the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditors. Due to the size of the Company, there is currently no internal audit function, although the Audit Committee has oversight responsibility for public reporting, overall good governance and the Company's internal controls.

Other members of the Board, as well as the auditors, are invited to attend the Audit Committee meetings as and when appropriate.

Compensation Committee

Ian Duckels chaired the Compensation Committee during the year and its other member is Laurence Mutch. The chairman of the Committee provides a written or detailed verbal report as necessary of every Compensation Committee meeting at the next Board Meeting.

The Compensation Committee, which meets at least twice a year, is responsible for considering the remuneration packages for executive Directors and the bonus and share option strategy for the Group and making recommendations as appropriate. The Compensation Committee works within the framework of a Compensation Policy approved by the Board.

The Compensation Committee is also responsible for reviewing the performance of the executive Directors and ensuring that they are fairly and responsibly rewarded for their individual contributions to the Group's overall performance. The Committee's scope extends to all remuneration of Directors including bonus and share options.

None of the Committee members has any day-to-day responsibility for running the Company and no Director participates in discussions about his own remuneration.

UK Bribery Act 2010

The Board has established a Bribery Policy, signed by all Directors, to achieve compliance with the UK Bribery Act 2010, which came into effect on 1 July 2011. A training programme is in place for all Directors, staff and contractors. Agreements with third parties contain statements that the Company and its associates are required to adhere at all times to the UK Bribery Act 2010.

Internal Control

The Board is responsible for the effectiveness of the Group's internal control system and is supplied with information to enable it to discharge its duties. Internal control systems are designed to meet the particular needs of the Group and to manage rather than eliminate the risk of failure to meet business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Laurence Mutch
Chairman of the Audit Committee
17 October 2014

Independent Auditor's Report to the Shareholders of Quadrise Fuels International plc

We have audited the financial statements of Quadrise Fuels International plc for the year ended 30 June 2014 which comprise of the Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Company Statement of Cash Flows, the Group and Parent Company Statement of Changes in Equity and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective Responsibilities of Directors and Auditors

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

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Chairman's Statement, Financial Review, Strategic Report, Directors' Report, Report on Directors' remuneration and Corporate Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2014 and of the group's loss for the year then ended;
- the group and parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matters Prescribed by the Companies Act 2006

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

Matters on Which we are Required to Report by Exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Leo Malkin
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor

St Bride's House
10 Salisbury Square
London EC4Y 8EH

17 October 2014

Note:
The maintenance and integrity of the Quadrise Fuels International plc website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2014

	Notes	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Continuing operations			
Other income	5	**51**	75
Production and development costs		**(720)**	(434)
Amortisation of intangible assets	14	**(685)**	(1,368)
Adjustment to available for sale investments	15	**(1,006)**	(1,819)
Other administration expenses		**(1,690)**	(1,468)
Share option charge	20	**(1,924)**	-
Foreign exchange loss		**(3)**	(1)
Operating loss	6	**(5,977)**	(5,015)
Finance costs	9	**(6)**	(5)
Finance income	10	**7**	17
Loss before tax		**(5,976)**	(5,003)
Taxation	11	**64**	41
Loss for the year from continuing operations		**(5,912)**	(4,962)
Other Comprehensive Income			
Adjustment to available for sale investments – will be recycled subsequently to profit and loss.	15	**(186)**	(1,874)
Other comprehensive loss for the year net of tax		**(6,098)**	(1,874)
Total comprehensive loss for the year		**(6,098)**	(6,836)
Loss for the year attributable to:			
Owners of the Company		**(5,835)**	(4,890)
Non-controlling interest		**(77)**	(72)
Total comprehensive loss attributable to:			
Owners of the Company		**(6,021)**	(6,764)
Non-controlling interest		**(77)**	(72)
Loss per share – pence			
Basic	12	**(0.74)p**	**(0.64)p**
Diluted	12	**(0.74)p**	**(0.64)p**

Consolidated Statement of Financial Position

As at 30 June 2014

	Notes	As at 30 June 2014 £'000	As at 30 June 2013 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**612**	560
Intangible assets	14	**2,924**	3,609
Available for sale investments	15	**1,439**	2,631
Non-current assets		**4,975**	6,800
Current assets			
Cash and cash equivalents	17	**11,081**	3,243
Trade and other receivables	18	**170**	161
Prepayments		**76**	79
Current assets		**11,327**	3,483
TOTAL ASSETS		**16,302**	10,283
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	19	**241**	234
CURRENT LIABILITIES		**241**	234
Equity attributable to equity holders of the parent			
Issued share capital	21	**8,072**	7,725
Share premium		**68,633**	58,489
Revaluation reserve	22	**1,035**	1,221
Share option reserve	22	**3,045**	1,134
Reverse acquisition reserve	22	**522**	522
Accumulated losses		**(65,126)**	(58,793)
Total shareholders' equity		**16,181**	10,298
Non-controlling interests		**(120)**	(249)
Total equity interests		**16,061**	10,049
TOTAL EQUITY AND LIABILITIES		**16,302**	10,283

The financial statements, accompanying policies and notes 1 to 31 (forming an integral part of these financial statements), were approved and authorised for issue by the Board on 17 October 2014 and were signed on its behalf by:

I. Williams
Chairman

H. Thanawala
Finance Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

	Attributable to owners of the parent								
	Issued capital £'000s	Share premium £'000s	Revaluation reserve £'000s	Share option reserve £'000s	Reverse acquisition reserve £'000s	Accumulated losses £'000s	Total £'000s	Non-controlling interest £'000s	Total equity £'000s
1 July 2012	7,225	55,780	3,095	1,134	522	(53,903)	13,853	(177)	13,676
Loss for the year	-	-	-	-	-	(4,890)	(4,890)	(72)	(4,962)
Fair value adjustments	-	-	(1,874)	-	-	-	(1,874)	-	(1,874)
Total comprehensive loss for the year	-	-	(1,874)	-	-	(4,890)	(6,764)	(72)	(6,836)
New shares issued (net of issue costs)	500	2,709	-	-	-	-	3,209	-	3,209
30 June 2013	7,725	58,489	1,221	1,134	522	(58,793)	10,298	(249)	10,049
1 July 2013	7,725	58,489	1,221	1,134	522	(58,793)	10,298	(249)	10,049
Loss for the year	-	-	-	-	-	(5,835)	(5,835)	(77)	(5,912)
Fair value adjustments	-	-	(186)	-	-	-	(186)	-	(186)
Total comprehensive loss for the year	-	-	(186)	-	-	(5,835)	(6,021)	(77)	(6,098)
New shares issued (net of issue costs)	334	9,772	-	-	-	-	10,106	-	10,106
Issue of share options	-	-	-	1,924	-	-	1,924	-	1,924
Exercise of share options	4	89	-	(13)	-	-	80	-	80
Acquisition of Minority Interest	9	283	-	-	-	(498)	(206)	206	-
30 June 2014	**8,072**	**68,633**	**1,035**	**3,045**	**522**	**(65,126)**	**16,181**	**(120)**	**16,061**

For an explanation of the nature and purpose of other reserves refer to note 22.

Consolidated Statement of Cash Flows

For the year ended 30 June 2014

	Notes	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Operating activities			
Loss before tax from continuing operations		**(5,976)**	(5,003)
Depreciation	13	**77**	23
Finance costs	9	**6**	5
Finance income	10	**(7)**	(17)
Amortisation of intangible assets	14	**685**	1,368
Adjustment to available for sale investments	15	**1,006**	1,819
Share option charge		**1,924**	-
Working capital adjustments			
(Increase)/decrease in trade and other receivables	18	**(9)**	109
Decrease in prepayments		**3**	11
Increase in trade and other payables	19	**7**	63
Cash utilised in operations		**(2,284)**	(1,622)
Finance costs	9	**(6)**	(5)
Taxation received	11	**64**	41
Net cash outflow from operating activities		**(2,226)**	(1,586)
Investing activities			
Finance income	10	**7**	17
Purchase of property, plant and equipment	13	**(129)**	(54)
Net cash outflow from investing activities		**(122)**	(37)
Financing Activities			
Issue of Ordinary share capital (net of issue costs)		**10,106**	3,209
Exercise of share options		**80**	-
Net cash inflow from financing activities		**10,186**	3,209
Net increase in cash and cash equivalents		**7,838**	1,586
Cash and cash equivalents at the beginning of the year		**3,243**	1,657
Cash and cash equivalents at the end of the year	17	**11,081**	3,243

Company Statement of Financial Position

As at 30 June 2014

	Notes	As at 30 June 2014 £'000s	As at 30 June 2013 £'000s
ASSETS			
Non-current assets			
Property, plant and equipment	13	**119**	38
Available for sale investments	15	**1,439**	2,631
Investments in subsidiaries	16	**15,433**	15,161
Non-current assets		**16,991**	17,830
Current assets			
Cash and cash equivalents	17	**10,554**	1,506
Trade and other receivables	18	**116**	32
Prepayments		**55**	56
Current assets		**10,725**	1,594
TOTAL ASSETS		**27,716**	19,424
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	19	**118**	72
Current liabilities		**118**	72
Equity attributable to equity holders of the parent			
Issued capital	21	**8,072**	7,725
Share premium		**68,633**	58,489
Revaluation reserve	22	**1,035**	1,219
Share option reserve	22	**3,045**	1,134
Accumulated losses		**(53,187)**	(49,215)
Total shareholders' equity		**27,598**	19,352
TOTAL EQUITY AND LIABILITIES		**27,716**	19,424

The financial statements, accompanying policies and notes 1 to 31 (forming an integral part of these financial statements), were approved and authorised for issue by the Board on 17 October 2014 and were signed on its behalf by:

I. Williams
Chairman

H. Thanawala
Finance Director

Company Statement of Changes in Equity

For the year ended 30 June 2014

	Accumulated losses £'000s	Issued capital £'000s	Share premium £'000s	Revaluation reserve £'000s	Share option reserve £'000s	Total £'000s
1 July 2012	(44,625)	7,225	55,780	1,219	1,134	20,733
Loss for the year	(4,590)	-	-	-	-	(4,590)
Total comprehensive loss for the year	(4,590)	-	-	-	-	(4,590)
New shares issued (net of issue costs)	-	500	2,709	-	-	3,209
30 June 2013	**(49,215)**	**7,725**	**58,489**	**1,219**	**1,134**	**19,352**
1 July 2013	(49,215)	7,725	58,489	1,219	1,134	19,352
Loss for the year	(3,972)	-	-	-	-	(3,972)
Fair value adjustments	-	-	-	(184)	-	(184)
Total comprehensive loss for the year	(3,972)	-	-	(184)	-	(4,156)
Issue of share options	-	-	-	-	1,924	1,924
Exercise of share options	-	4	89	-	(13)	80
New shares issued (net of issue costs)	-	343	10,055	-	-	10,398
30 June 2014	**(53,187)**	**8,072**	**68,633**	**1,035**	**3,045**	**27,598**

Company Statement of Cash Flows

For the year ended 30 June 2014

	Notes	Year ended 30 June 2014 £'000s	Year ended 30 June 2013 £'000s
Operating activities			
Loss before tax from continuing operations		**(3,972)**	(4,590)
Depreciation	13	**21**	17
Finance costs		**2**	2
Finance income	10	**(7)**	(17)
Adjustment to available for sale investments	15	**1,008**	3,693
Share option charge	20	**1,924**	-
Working capital adjustments			
(Increase)/decrease in trade and other receivables	18	**(84)**	224
Decrease in prepayments		**1**	20
Increase/(decrease) in trade and other payables	19	**46**	(28)
Cash utilised in operations		**(1,061)**	(679)
Finance costs		**(2)**	(2)
Net cash outflow from operating activities		**(1,063)**	(681)
Investing activities			
Finance income	10	**7**	17
Purchase of property, plant and equipment	13	**(102)**	(12)
Capital contribution to subsidiary		**-**	(2,000)
Loan from/(to) subsidiary	16	**20**	(12)
Investment in subsidiary	16	**(292)**	-
Net cash outflow from investing activities		**(367)**	(2,007)
Financing Activities			
Issue of Ordinary share capital (net of issue costs)		**10,398**	3,209
Exercise of share options		**80**	-
Net cash inflow from financing activities		**10,478**	3,209
Net increase in cash and cash equivalents		**9,048**	521
Cash and cash equivalents at the beginning of the year		**1,506**	985
Cash and cash equivalents at the end of the year	17	**10,554**	1,506

Notes to the Financial Statements

1. General Information

Quadrise Fuels International plc ("QFI", "Quadrise", "Company") and its subsidiaries (together "the Group") are engaged principally in the manufacture and marketing of emulsion fuel for use in power generation, industrial and marine diesel engines and steam generation applications. The Company's ordinary shares are listed on the AIM market of the London Stock Exchange.

QFI was incorporated on 22 October 2004 as a limited company under UK Company Law with registered number 05267512. It is domiciled at, and is registered at, Gillingham House, 38-44 Gillingham Street, London, SW1V 1HU.

2. Summary of Significant Accounting Policies

The Board has reviewed the accounting policies set out below and considers them to be the most appropriate to the Group's business activities.

2.1. Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS's") as adopted by European Union, and effective, or issued and early adopted, as at the date of these statements. The financial statements have been prepared under the historical cost convention as modified for financial assets carried at fair value.

At the date of approval of these financial statements, the following standards and interpretations were in issue but not yet effective:

IFRS 9 Financial Instruments
IFRS 14 Regulatory Deferral Accounts
IFRS 15 Revenue from Contracts with Customers
IFRIC 21 Levies
Amendment to IAS 19 – Defined Benefit Plans: Employee Contributions
Amendment to IAS 27 – Equity Method in Separate Financial Statements
Amendment to IAS 36 – Recoverable Amount Disclosures for non-Financial Assets
Amendment to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting
Amendment to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

Numerous other minor amendments to standards have been made as a result of the IASB's annual improvement project.

The preparation of financial statements in conformity with IFRS accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Financial Statement in the year of initial application.

2.2. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of entities controlled by the Group as at 30 June 2014.

All inter-company balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated on consolidation. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Accounting policies of subsidiaries are consistent with those adopted by the Group.

Control is normally evident when QFI, or a company which it controls, owns more than 50% of the voting rights of a company's share capital. Investments where the Company holds less than 20%, or if more than 20% is held but there is no significant influence held, are accounted for on a fair value basis in accordance with IAS 39 and are held as investments available for sale.

Non-controlling interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Group, whether directly or indirectly through subsidiaries, are presented in the Consolidated Statement of Financial Position and Statement of Changes in Equity within equity, separately from equity attributable to the equity holders of the group. Non-controlling interests in the results of the Group are presented on the face of the Consolidated Statement of Comprehensive Income as an allocation of the total profit or loss for the year between non-controlling interests and the equity holders of the Group.

2.3. Changes in Accounting Principles and Adoption of New and Revised Standards

The accounting policies adopted are consistent with those of the previous financial year. There have been no new or revised standards or interpretations during the year which have had an impact on the financial information of the Group.

2.4. Significant Accounting Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial period are discussed below:

- **Intangible Assets –** The Group tests intangible assets annually for impairment or more frequently if there are indications that they might be impaired. This requires an estimation of the value in use of the intangible asset. Estimating the value in use requires management to make an estimate of the expected future cash flows from the intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying value of intangible assets at 30 June 2014 is determined to be £2.9m (2013: £3.6m). Further details are given in Note 14.

- **Available for Sale Investments** – The Group reviews the fair value of its unquoted equity instruments at each statement of financial position date. This requires management to make an estimate of the fair value of the unquoted securities in the absence of an active market. Uncertainty also exists due to the early stage of development of certain of the investments. The fair value of available for sale investments at 30 June 2014 is determined to be £1.4m (2013: £2.6m). Further details are given in Note 15.

2.5. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenues can be reliably measured. Revenue is recognised at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue for the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Interest income

Revenue is recognised as interest accrues.

Dividends

Revenue is recognised when the Group's right to receive the payment is established.

2.6. Foreign Currencies

The Group financial statements are presented in sterling, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded using the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the statement of financial position date. Any resulting exchange differences are included in the statement of comprehensive income. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The following exchange rates are used in the Group's major currencies:

	ISO Code	Statement of Financial Position (closing rate at 30 June 2014)	Statement of Comprehensive Income (average rate throughout the financial year)
United States	USD	1.7028	1.6259
Canada	CAD	1.8154	1.7407
Europe	EUR	1.2480	1.1981

2.7. Finance Costs

Finance costs include interest charges and other costs incurred in connection with the borrowing of funds and are expensed as incurred. Interest and costs are accounted for on the accruals basis and are recognised through the statement of comprehensive income in full. No interest or borrowing costs have been capitalised.

2.8. Business Combinations

Acquisition of subsidiaries is accounted for using the purchase method. The results of businesses acquired are consolidated from the effective date of acquisition, whereby upon acquisition of a business or an associate, net assets are stated at fair value.

On 18 April 2006, Zareba plc (renamed Quadrise Fuels International plc) became the legal parent of Quadrise International Limited in a share-for-share transaction. Due to the relative size of the companies, the shareholders of Quadrise International Limited became the majority shareholders of Quadrise Fuels International plc. Accordingly, the substance of the combination was that Quadrise International Limited acquired Quadrise Fuels International plc and was therefore accounted for as a reverse acquisition under IFRS 3.

2.9. Intangible Assets

Intangible assets acquired separately are measured initially at cost. The costs of intangible assets acquired in a business combination are measured at the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment loss.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortisation period or method, as appropriate, and treated as a change in accounting estimate. The intangible assets of finite life are amortised over 93 months. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expenses category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable and, if not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits.

2.10. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated using a straight line method with an allowance for estimated residual values. Rates are determined based on the estimated useful lives of the assets as follows:

Plant and equipment	4 to 15 years

Additions to property, plant and equipment are comprised of the cost of the contracted services, direct labour and materials. Depreciation commences in the month the asset is placed in service.

2.11. Financial Instruments

Financial assets and liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group currently does not use derivative financial instruments to manage or hedge financial exposures or liabilities.

2.12. Investments and other Financial Assets

Financial assets are classified as either financial assets at fair value through profit and loss, loans and receivables, held to maturity investments or available for sale financial assets, as appropriate. When financial assets are recognised initially, they are at fair value. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date being, for example, the day that the Group commits to purchase the asset. Regular way purchases or sales of financial assets are those that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial Assets at Fair Value through Profit or Loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

Investments in Subsidiaries

Investments in subsidiaries are carried at cost less impairment. The Company tests investments annually for impairment, or more frequently if there are indications that they might be impaired. Impairment is based on the value in use of the subsidiaries..

Available-for-Sale Investments

Available-for-sale investments are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit and loss. After initial recognition, available for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the statement of comprehensive income.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the closure of business on the statement of financial position date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value, discounted cash flow analysis and option pricing models.

2.13. Impairment

At each statement of financial position date, reviews are carried out on the carrying amounts of tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where the asset does not generate cash flows that are independent from the other assets, estimates are made of the cash-generating unit to which the asset belongs. Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value, less costs to sell, and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a discount rate appropriate to the specific asset or cash-generating unit. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised immediately in the statement of comprehensive income.

2.14. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash-in-hand bank balances, call money and unrestricted time deposit balances with a maturity of 90 days or less.

2.15. Trade and Other Receivables and Payables

Trade and other receivables and trade and other payables are initially recognised at fair value. Fair value is considered to be the original invoice amount, discounted where material, for short-term receivables and payables. Long term receivables and payables are measured at amortised cost using the effective interest rate method. Where receivables are denominated in a foreign currency, retranslation is made in accordance with the foreign currency accounting policy previously stated.

2.16. Derecognition and Impairment of Financial Assets and Liabilities

Financial Assets

A financial asset is derecognised where:

- theright to receive cash flows from the asset has expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; or
- the Group has transferred the rights to receive cash flows from the asset, and
    - either has transferred substantially all the risks and rewards of the asset or
    - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

2.17. Taxation

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Deferred Tax

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investment in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes related to the same taxation authority and that authority permits the Group to make a single net payment.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the statement of comprehensive income.

2.18. Employee Benefits

The Group maintains various defined contribution plans for providing employee benefits, which conform to laws and practices in the countries concerned. Retirement benefit plans are generally funded by contributions from both the employees and the Companies to independent entities (multi-employer plan) that operate the retirement benefit schemes. Current service cost for defined contribution plans is equivalent to the employer's contributions due for that period. The Group's contributions to the defined contribution pension plans are charged to the statement of comprehensive income in the year to which they relate.

2.19. Share-based Payments

Employees (including Directors and senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby these individuals render services as consideration for equity instruments ("equity-settled transactions"). These individuals are granted share option rights approved by the Board, which can only be settled in shares of the respective companies that award the equity-settled transactions. Share options rights are also granted to these individuals by a major shareholder over their shares held. No cash settled awards have been made or are planned.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant individuals become fully entitled to the award ("vesting point"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments and value that will ultimately vest. The statement of comprehensive income charge for the year represents the movement in the cumulative expense recognised as at the beginning and end of that period.

The fair value of share-based remuneration is determined at the date of grant and recognised as an expense in the statement of comprehensive income on a straight-line basis over the vesting period, taking account of the estimated number of shares that will vest. The fair value is determined by use of a Black Scholes model.

2.20. Separately Disclosable Items

Items that are material in size and unusual and infrequent in nature are presented as separately disclosable items in the statement of comprehensive income or separately disclosed in the notes to the financial statements. The Directors are of the opinion that the separate recording of these items provides helpful information about the Group's underlying business performance.

2.21. Financial Risk Management, Recognition and Accounting

The Group's multi-national operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, credit risks, equity securities prices, liquidity and interest rates. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group. The Board has approved the risk management policies applied by the Group.

These policies are implemented by central finance that prepares regular reports to enable prompt identification of financial risks so that appropriate actions may be taken. The Group has a policy and procedures manual that sets out specific guidelines to manage foreign exchange risk, interest rate risk, credit risk and the use of financial instruments to manage these. No forward hedging activities are undertaken unless approved by the Board.

2.22. Financial Risk Management Objectives and Policies

The QFI business model relies on bespoke contracts that do not contain any derivative financial instruments. The Group does not enter into any forward exchange rate contracts.

The main financial risks arising from the Group's activities are cash flow interest rate risk, liquidity risk, foreign currency risk, price risk (fair value) and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised as:

- **Cash Flow Interest Rate Risk** – the Group's exposure to the risk of changes in market interest rates relates primarily to the Group's deposit accounts with major banking institutions. The Group's policy is to manage its interest income using a mixture of fixed and floating rate deposit accounts.

- **Liquidity Risk** – the Group raises funds as required on the basis of budgeted expenditure and inflows. When funds are sought, the Group balances the costs and benefits of equity and debt financing. When funds are received they are deposited with banks of high standing in order to obtain market interest rates.

- **Foreign Currency Risk** – the Group's significant operations are in the UK, however movements in exchange rates can affect its financial results. Currently this risk to the financial position of the Group is not considered to be significant to warrant hedging or other risk management solutions.

- **Price Risk** – the carrying amount of the following financial assets and liabilities approximate to their fair value due to their short term nature: cash accounts, accounts receivable and accounts payable. Available for sale investments are valued at fair value based on recent shareholder transactions or the underlying net asset base. The Group monitors market conditions regularly and considers the market conditions when buying or selling investments.

- **Credit Risk** – with respect to credit risk arising from other financial assets of the Group, which comprise cash and time deposits and accounts receivable, the Group's exposure to credit risk arises from default of the counterparty, with a minimum exposure equal to the carrying amount of these instruments. The credit risk on cash is limited as cash is placed with substantial financial institutions.

2.23. Events After the End of the Reporting Period

Post year-end events that provide additional information about the Group's position at the statement of financial position date and are adjusting events are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes when material.

2.24. Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which is the Board, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and head office expenses.

2.25. Leasing Commitments

Office rental charges payable under operating leases are charged to the Statement of Comprehensive Income as part of administration expenses over the lease term.

3. Going Concern

The Group's business activities and financial position, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement.

The Directors have carried out a detailed assessment of going concern as part of the financial reporting process, taking into consideration a number of matters including forecast cash flows and medium term business plans and expectations over timing of future revenues and realisable value of investments.

On the basis of this assessment, the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

4. Segmental Information

For the purpose of segmental information the reportable operating segment is determined to be the business segment. The Group principally has two business segments, the results of which are regularly reviewed by the Board:

- A business to produce emulsion fuel (or supply the associated technology to third parties) as a low cost substitute for conventional heavy fuel oil ("HFO") for use in power generation plants and industrial and marine diesel engines.
- The holding of a portfolio of non-managed interests, comprising the Available for Sale Investments discussed in note 15.

Information regarding the results of each reportable segment is as follows:

Business Segments

Year ended 30 June 2014	Emulsion fuel £'000s	Non-managed interests £'000s	Total £'000s
Revenue – sale to external customers	-	-	-
Segment result	(2,036)	(1,274)	(3,310)
Unallocated net corporate expenses			(2,667)
Operating loss			(5,977)
Finance costs			(6)
Finance income			7
Loss before tax			(5,976)
Taxation			64
Loss for the year from continuing operations			5,912

As at 30 June 2014	Emulsion fuel £'000s	Non-managed interests £'000s	Total £'000s
Assets and liabilities			
Segment assets	4,018	1,439	5,457
Unallocated corporate assets			10,845
Total assets			16,302
Segment liabilities	122	-	122
Unallocated corporate liabilities			119
Total liabilities			241
Other segment information			
Amortisation of intangible assets	685	-	685
Impairment of intangible assets	-	-	-

Year ended 30 June 2013	Emulsion fuel £'000s	Non-managed interests £'000s	Total £'000s
Revenue – sale to external customers	-	-	-
Segment result	(2,257)	(2,253)	(4,510)
Unallocated net corporate expenses			(508)
Operating loss			(5,018)
Finance costs			(2)
Finance income			17
Loss before tax			(5,003)
Taxation			41
Loss for the year from continuing operations			4,962

As at 30 June 2013	Emulsion fuel £'000s	Non-managed interests £'000s	Total £'000s
Assets and liabilities			
Segment assets	6,020	2,631	8,651
Unallocated corporate assets			1,632
Total assets			10,283
Segment liabilities	163	-	163
Unallocated corporate liabilities			71
Total liabilities			234
Other segment information			
Amortisation of intangible assets	1,368	-	1,368
Impairment of intangible assets	-	-	-

Geographical Segments

The Group's main geographical segments during the year were Europe and Canada. The following table presents certain asset information regarding the Group's geographical segments.

	30 June 2014 £'000s	30 June 2013 £'000s
Non-current assets		
Europe	**3,536**	4,169
Canada	**1,439**	2,631
Total	**4,975**	6,800

5. Other Income

Other income includes:	Year ended 30 June 2014 £'000s	Year ended 30 June 2013 £'000s
Recoverable costs recharged to related parties	**51**	54
Other recoverable costs recharged	**-**	21
Total	**51**	75

6. Operating Loss

Operating loss is stated after charging:	Year ended 30 June 2014 £'000s	Year ended 30 June 2013 £'000s
Fees payable to the Company's auditor for the audit of the Company's annual accounts.	**14**	16
Fees payable to the Company's auditor and its associates for other services:		
Audit of accounts of subsidiaries	**15**	16
Tax compliance services	**8**	8
Consultants and other professional fees (including legal)	**179**	242
Depreciation of property, plant and equipment	**77**	23
Amortisation of intangible assets	**685**	1,368

7. Staff Cost

Head count	Year ended 30 June 2014	Year ended 30 June 2013
Average number of employees of the Group (including executive Directors employed by the Company) during the year was:	**Number**	Number
Management	**2**	2
Technical staff / support / other	**4**	4

Staff costs	Year ended 30 June 2014 £'000s	Year ended 30 June 2013 £'000
Wages and salaries	**559**	445
Social security costs	**52**	39
Pension costs	**48**	30
Total	**659**	514

Included in total staff costs are the costs of the Executive Directors as employed by the Company as follows:

Director	Year ended 30 June 2014 £'000s	Year ended 30 June 2013 £'000s
Ian Williams		
Wages and salaries	151	95
Pension costs	22	7
	173	102
Hemant Thanawala		
Wages and salaries	126	79
Pension costs	7	6
	133	85
Total	306	187

Aggregate emoluments of the Directors of the Company were as follows		
Salaries and fees	633	473
Pension costs	30	13
Total	663	486

Non-executive Directors fees for the year amounted to £88k (2013: £73k). Consulting fees paid to non-executive Directors for the year amounted to £253k (2013: £204k)

The highest paid Director's remuneration totalled £214k (2013: £180k), represented by all aggregate emoluments.

Directors share option expenses for the year amounted to £1,885k (2013: £nil), of which £496k related to options granted to Ian Williams, and £347k related to options granted to Hemant Thanawala.

Refer to the Report of Directors' Remuneration (on page 30) for further details, the Key Management Personnel referred to therein are the Directors of the Company.

Further details regarding Non-executive Directors remuneration are disclosed in note 25 – Related Party Transactions.

8. Losses Attributable to Quadrise Fuels International plc

The loss for the year dealt with in the accounts of Quadrise Fuels International plc was £4.0m (2013: £4.6m). As provided by s.408 of the Companies Act 2006, no statement of comprehensive income is presented in respect of Quadrise Fuels International plc.

9. Finance Costs

	Year ended 30 June 2014 £'000s	Year ended 30 June 2013 £'000s
Bank charges	**6**	5
Total	**6**	5

10. Finance Income

All finance income recognised during the current and prior year has arisen from interest on bank deposits and loans.

11. Taxation

	Year ended 30 June 2014 £'000s	Year ended 30 June 2013 £'000s
UK corporation tax credit	**(64)**	(41)
Total	**(64)**	(41)

No liability in respect of corporation tax arises as a result of trading losses.

Tax Reconciliation	Year ended 30 June 2014 £'000s	Year ended 30 June 2013 £'000s
Loss on continuing operations before taxation	**(5,976)**	(5,003)
Loss on continuing operations before taxation multiplied by the UK corporation tax rate of 22.5% (2013: 23.75%)	**(1,345)**	(1,188)
Effects of:		
Impairment of available for sale investments	**227**	432
R&D tax credit	**(64)**	(41)
Tax losses carried forward	**1,118**	756
Total taxation credit on loss from continuing operations	**(64)**	(41)

The Group has tax losses arising in the UK of approximately £34.8m (2013: £33.7m) that are available, under current legislation, to be carried forward against future profits. £8.3m (2013: £7.9m) of the tax losses carried forward represent trading losses within Quadrise Fuels International plc, £23.7m (2013: £23.7m) represent non-trade deficits arising on intangible assets within Quadrise International Limited, £1.2m (2013: £1.2m) represent pre-trading losses incurred by subsidiaries, £1.5m (2013: £0.8m) represent management expenses incurred by Quadrise International Limited, and £0.1m (2013: £0.1m) represent capital losses within Quadrise Fuels International plc.

A deferred tax asset representing these losses and other timing differences at the statement of financial position date of approximately £7.3m (2013: £7.8m) has not been recognised as a result of existing uncertainties in relation to its realisation.

12. Loss Per Share

The calculation of loss per share is based on the following loss and number of shares:

	Year ended 30 June 2014	Year ended 30 June 2013
Loss for the year (£'000s)	**(5,835)**	(4,890)
Weighted average number of shares:		
Basic	**783,491,125**	758,844,761
Diluted	**783,491,125**	758,844,761
Loss per share:		
Basic	**(0.74)p**	(0.64)p
Diluted	**(0.74)p**	(0.64)p

Basic loss per share is calculated by dividing the loss for the year from continuing operations of the Group by the weighted average number of ordinary shares in issue during the year..

For diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive options over ordinary shares. Potential ordinary shares resulting from the exercise of share options have an anti-dilutive effect due to the Group being in a loss position. As a result, diluted loss per share is disclosed as the same value as basic loss per share. The 27.1m dilutive share options issued by the Company and which are outstanding at year-end could potentially dilute earnings per share in the future if exercised when the Group is in a profit making position.

13. Property, plant and equipment

Consolidated	Leasehold Improvements £'000s	Computer Equipment £'000s	Software £'000s	Office Equipment £'000s	Plant and machinery £'000s	Total £'000s
Cost						
Opening balance – 1 July 2013	17	14	17	16	531	595
Additions	94	7	-	-	28	129
Disposals	(17)	-	-	-	-	(17)
Closing balance – 30 June 2014	94	21	17	16	559	707
Depreciation						
Opening balance – 1 July 2013	(12)	(4)	(5)	(3)	(11)	(35)
Depreciation charge for the year	(11)	(3)	(4)	(3)	(56)	(77)
Disposals	17	-	-	-	-	17
Closing balance – 30 June 2014	(6)	(7)	(9)	(6)	(67)	(95)
Net book value at 30 June 2014	**88**	**14**	**8**	**10**	**492**	**612**

Company	Leasehold Improvements £'000s	Computer Equipment £'000s	Software £'000s	Office Equipment £'000s	Plant and machinery £'000s	Total £'000s
Cost						
Opening balance – 1 July 2013	17	12	18	16	-	63
Additions	94	8	-	-	-	102
Disposals	(17)	-	-	-		(17)
Closing balance – 30 June 2014	94	20	18	16	-	148
Depreciation						
Opening balance – 1 July 2013	(12)	(4)	(6)	(3)	-	(25)
Depreciation charge for the year	(11)	(3)	(4)	(3)	-	(21)
Disposals	17	-	-	-	-	17
Closing balance – 30 June 2014	(6)	(7)	(10)	(6)	-	(29)
Net book value at 30 June 2014	**88**	**13**	**8**	**10**	**-**	**119**

Property, plant and equipment

Consolidated	Leasehold Improvements £'000s	Computer Equipment £'000s	Software £'000s	Office Equipment £'000s	Plant and machinery £'000s	Total £'000s
Cost						
Opening balance – 1 July 2012	17	14	13	9	488	541
Additions	-	-	4	7	43	54
Closing balance – 30 June 2013	17	14	17	16	531	595
Depreciation						
Opening balance – 1 July 2012	(5)	(1)	(1)	-	(5)	(12)
Depreciation charge for the year	(7)	(3)	(4)	(3)	(6)	(23)
Closing balance – 30 June 2013	(12)	(4)	(5)	(3)	(11)	(35)
Net book value at 30 June 2013	5	10	12	13	520	560

Company	Leasehold Improvements £'000s	Computer Equipment £'000s	Software £'000s	Office Equipment £'000s	Plant and machinery £'000s	Total £'000s
Cost						
Opening balance – 1 July 2012	17	12	13	9	-	51
Additions	-	-	5	7	-	12
Closing balance – 30 June 2013	17	12	18	16	-	63
Depreciation						
Opening balance – 1 July 2012	(5)	(1)	(2)	-	-	(8)
Depreciation charge for the year	(7)	(3)	(4)	(3)	-	(17)
Closing balance – 30 June 2013	(12)	(4)	(6)	(3)	-	(25)
Net book value at 30 June 2013	5	8	12	13	-	38

14. Intangible Assets

Consolidated	QCC royalty payments £'000s	MSAR® trade name £'000s	Technology and know-how £'000s	Total £'000s
Cost				
Opening balance – 1 July 2013	7,686	3,100	25,901	36,687
Additions	-	-	-	-
Closing balance – 30 June 2014	7,686	3,100	25,901	36,687
Amortisation and Impairment				
Opening balance – 1 July 2013	(7,686)	(176)	(25,216)	(33,078)
Amortisation	-	-	(685)	(685)
Impairment	-	-	-	-
Closing balance – 30 June 2014	(7,686)	(176)	(25,901)	(33,763)
Net book value at 30 June 2014	**-**	**2,924**	**-**	**2,924**

Consolidated	QCC royalty payments £'000s	MSAR® trade name £'000s	Technology and know-how £'000s	Total £'000s
Cost				
Opening balance – 1 July 2012	7,686	3,100	25,901	36,687
Additions	-	-	-	-
Closing balance – 30 June 2013	7,686	3,100	25,901	36,687
Amortisation and Impairment				
Opening balance – 1 July 2012	(7,686)	(176)	(23,848)	(31,710)
Amortisation	-	-	(1,368)	(1,368)
Impairment	-	-	-	-
Closing balance – 30 June 2013	(7,686)	(176)	(25,216)	(33,078)
Net book value at 30 June 2013	-	2,924	685	3,609

Intangible assets comprise intellectual property with a cost of £36.7m, including assets of finite and indefinite life. QCC's royalty payments of £7.7m and the MSAR® trade name of £3.1m are termed as assets having indefinite life as it is assessed that there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the Group. The assets with indefinite life are not amortised. The remaining intangibles amounting to £25.9m, primarily made up of technology and know-how, are considered as finite assets and were amortised over 93 months. The Group does not have any internally generated intangibles.

The Group tests intangible assets annually for impairment, or more frequently if there are indications that they might be impaired. The recoverable amount of intangible assets is determined based on a value in use calculation using cash flow forecasts derived from the most recent financial model information available. These cash flow forecasts extend to the year 2031 to ensure the full benefit of all current projects is realised. The key assumptions used in these calculations include discount rates, turnover projections, growth rates, joint venture participation expectations, expected gross margins and the lifespan of the project. Management estimates the discount rates using pre-tax rates that reflect current market assessments of the time value of money and risks specific to expected future projects.

For the MSAR® trade name and technology and know-how intangible, the growth rate used for the extrapolation of cash flows beyond budgeted projections is 2.5% (2013: 2.5%) and the pre-tax discount rate applied to the cash flow projections is 12% (2013: 12%).

A 5% increase in the discount rate used would result in no impairment charge for the MSAR® trade name intangible asset or the Technology and know-how intangible asset. A 5% decrease in the discount rate used would also result in no impairment charge.

Amortisation of Intangible Assets

The Board has reviewed the accounting policy for intangible assets and has amortised those assets which have a finite life. A key asset that fit this description was the combination of rights secured under the AkzoNobel Alliance Agreement together with other unpatented technologies, industry know-how and trade secrets, which drive the principal business case for Quadrise. On 20 November 2013, the Alliance Agreement was replaced by two new agreements: The Co-operation and Exclusive Purchase and Supply Agreement, and the Joint Development Agreement, which deal respectively with commercial matters and joint research and technology development.

At 30 June 2014, the Technology and know-how asset was fully amortised. The amortisation of this intangible has resulted in a non-cash charge of £0.685m (2013: £1,368k) to the statement of comprehensive income for the year ended 30 June 2014.

15. Available for Sale Investments

	Consolidated 30 June 2014 £'000s	Consolidated 30 June 2013 £'000s	Company 30 June 2014 £'000s	Company 30 June 2013 £'000s
Unquoted securities				
Opening balance	**2,631**	6,324	**2,631**	6,324
Changes in fair value	**(186)**	(1,874)	**(184)**	-
Impairment charge	**(1,006)**	(1,819)	**(1,008)**	(3,693)
Closing balance	**1,439**	2,631	**1,439**	2,631

Unquoted securities represent the Group's investment in Quadrise Canada Corporation ("QCC"), Paxton Corporation ("Paxton"), Optimal Resources Inc. ("ORI") and Porient Fuels Corporation ("Porient"), all of which are incorporated in Canada.

At the statement of financial position date, the Group held a 20.44% share in the ordinary issued capital of QCC, a 3.75% share in the ordinary issued capital of Paxton, a 9.54% share in the ordinary issued capital of ORI and a 16.86% share in the ordinary issued capital of Porient.

QCC is independent of the Group and is responsible for its own policy-making decisions. There have been no material transactions between QCC and the Group during the year or any interchange of managerial personnel. As a result, the Directors do not consider that they have significant influence over QCC and as such this investment is not accounted for as an associate.

The Group has no immediate intention to dispose of its available for sale investments unless a beneficial opportunity to realise these investments arises.

Given that there is no active market in the shares of any of above companies, the Directors have determined the fair value of the unquoted securities at 30 June 2014. In this regard, the Directors considered other factors such as past equity placing pricing and assessment of risked net present value of the enterprises to arrive at their conclusion on any impairment for all of the unquoted securities.

The QCC shares were valued at CAD$0.41 on 1 July 2013. Shareholder communications received during the period to 30 June 2014 indicate that the business model of QCC continues to remain uncertain, as does the possibility of any material value being recovered from QCC's asset base. On that basis, the directors made a full provision against the existing carrying value of the 3,682,500 QCC shares held at 30 June 2014, resulting in a charge of £823k.

The Paxton shares were valued at CAD$4.00 per share as at 1 July 2013. Shareholder communications received since 1 July 2013 show that Paxton continues to make progress in its business activities and there is therefore no indication of impairment in this investment. Based on this, the Directors have concluded that the value of CAD$4.00 per share continues to reflect the fair value of the 652,874 shares held in Paxton as at 30 June 2014. The total value of the Paxton investment as at 30 June 2014 is £1.44m.

ORI shares were valued at CAD$0.02 per share on 1 July 2013. Although ORI continues to operate, the viability of its present business model continues to remain highly doubtful and no material amounts are expected to be realised from its remaining assets. The directors have therefore made a full provision against the existing carrying value of the 5,682,500 ORI shares held at 30 June 2014, resulting in a charge of £70k.

The Porient shares were valued at CAD$0.001 per share on 1 July 2013. Porient is yet to be defined into a business with active projects and the current prospects of this happening are doubtful. Based on this, the Directors concluded that the investment should also be fully provided against, resulting in a charge of £2k.

16. Investments in Subsidiaries

	Company 30 June 2014 £'000s	Company 30 June 2013 £'000s
Direct Investment		
Opening balance	**20,979**	18,979
Capital contribution	**-**	2,000
Closing balance	**20,979**	20,979
Loans from Subsidiaries		
Opening balance	**(5,818)**	(5,830)
Amounts loaned from subsidiaries	**272**	12
Closing balance	**(5,546)**	(5,818)
Total	**15,433**	15,161

The Company tests investments annually for impairment, or more frequently if there are indications that they might be impaired. Impairment is based on the value in use of the subsidiaries. The Directors performed a review of the value in use of the investments at 30 June 2014 by assessing the value in use of the financial assets and liabilities in the underlying subsidiaries. Based on this the Directors concluded that no impairment is necessary for the year ended 30 June 2014. Holdings in subsidiaries are detailed in note 27

17. Cash and Cash Equivalents

	Consolidated 30 June 2014 £'000s	Consolidated 30 June 2013 £'000s	Company 30 June 2014 £'000s	Company 30 June 2013 £'000s
Cash at bank	11,081	3,243	10,554	1,506
Total	11,081	3,243	10,554	1,506

18. Trade and Other Receivables

	Consolidated 30 June 2014 £'000s	Consolidated 30 June 2013 £'000s	Company 30 June 2014 £'000s	Company 30 June 2013 £'000s
Trade receivables	11	38	-	-
Other receivables	145	111	102	21
Receivable from related parties	14	12	14	11
Total	170	161	116	32

Group receivables of £nil (2013: £nil) and Company receivables of £nil (2013: nil) were past due at year-end.

Amounts due from related parties at year end amounted to £14k (2013:£12k).

19. Trade and Other Payables

	Consolidated 30 June 2014 £'000s	Consolidated 30 June 2013 £'000s	Company 30 June 2014 £'000s	Company 30 June 2013 £'000s
Trade payables	109	140	50	25
Employee benefits payable	-	2	-	1
Payable to related party	18	6	3	1
Accruals	114	86	65	45
Total	241	234	118	72

There are no material differences between the fair value of trade and other payables and their carrying values at year-end.

Trade payables as at 30 June 2014 amount to 24 days (2013: 35 days) of purchases made in the year. All trade payables balances are less than 30 days old.

Amounts due to related parties at year end amounted to £18k (2013:£6k).

20. Share Options

Movement in the year:

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the year:

	Number 30 June 2014	WAEP (pence) 30 June 2014	Number 30 June 2013	WAEP (pence) 30 June 2013
Outstanding as at 1 July	**30,000,000**	**5.27**	34,750,000	7.16
Granted during the year	**20,000,000**	**34.56**	-	-
Expired during the year	**-**	**-**	(4,750,000)	19.09
Exercised during the year	**(6,400,000)**	**2.19**	-	-
Options outstanding as at 30 June	**43,600,000**	**19.16**	30,000,000	5.27
Exercisable as at 30 June	**30,183,333**	**12.35**	30,000,000	5.27

The weighted average remaining contractual life of the 43.6 million options outstanding at the statement of financial position date is 4.91 years (2013: 3.6 years). The weighted average share price during the year was 29.07p (2013: 10.96p) per share.

The expected volatility of the options reflects the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The expected life of the options is based on historical data available at the time of the option issue and is not necessarily indicative of future trends, which may not necessarily be the actual outcome.

The Share Option Scheme is an equity settled plan and fair value is measured at the grant date of the option.

On 9 October 2013, the Company issued 1 million share options to employees with an exercise price of 23.25p. The weighted fair value of the options granted was 7p. A charge of £40k has been charged to the Statement of Comprehensive Income for the year in relation to these options.

The fair value was calculated using the Black Scholes option pricing model. The inputs were as follows:

Stock price	23.25p
Exercise price	23.25p
Interest rate	0.5%
Volatility	68.29%
Time to maturity	1.3 years

On 2 April 2014, the company issued 19 million share options to directors with an exercise price of 35.16p. The weighted average fair value of the options granted was 22p. A charge of £1.9m has been charged to the Statement of Comprehensive Income for the year in relation to these options.

The fair value was calculated using the Black Scholes option pricing model. The inputs were as follows:

Stock price	31.38p
Exercise price	35.16p
Interest rate	0.5%
Volatility	93.29%
Time to maturity	5.0 years

21. Share Capital

The company has one class of ordinary share capital which carries no rights to fixed income, any preferences or restrictions.

	2014 £'000	2013 £'000
Issued and fully paid:		
807,241,536 (2013: 772,543,391) Ordinary shares of £0.01 each	**8,072,415**	7,725,434

On 6 March 2014, the company issued 33,437,500 new Ordinary Shares of 1p each at a price of 32 pence per share to raise gross proceeds of £10.7 million by means of a placing.

On 1 April 2014, Laurie Mutch, a non-executive director of the Company, exercised 400,000 options to subscribe for Ordinary Shares in the Company.

On 7 May 2014, the Company issued 860,645 new Ordinary Shares in the Company to an executive staff member in consideration for the acquisition by Quadrise International Limited of his 6.25% holding in each of Quadrise Marine Limited, Quadrise KSA Limited, Quadrise Americas Limited and Quadrise Asia Limited.

22. Revaluation and Other Reserves

Nature and purpose of other reserves

Revaluation reserve

The revaluation reserve is used to record increases in the fair value of available for sale investments and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity. The reserve can only be used to pay dividends in limited circumstances.

Reverse acquisition reserve

The reverse acquisition reserve arose on the reverse acquisition of Zareba plc (now Quadrise Fuels International plc) by Quadrise International Limited on 18 April 2006 as accounted for under IFRS 3.

Share option reserve

The share option reserve is used to record the cumulative fair value of share options granted by the Company.

23. Pension Commitments

For direct employees of Quadrise Fuels International plc, the Company contributes between 7% and 20% of salary to a defined contribution pension scheme. Pension cost to the Company for the year amounted to £48k (2013: £30k).

24. Derivatives and Other Financial Instruments

The Group's principal financial instruments comprise available for sale investments, cash balances, accounts payable and accounts receivable arising in the normal course of its operations.

The financial instruments of the Group and the Company at year-end are:

	Consolidated 30 June 2014 £'000s	Consolidated 30 June 2013 £'000s	Company 30 June 2014 £'000s	Company 30 June 2013 £'000s
Financial assets				
Available for sale investments	**1,439**	2,631	**1,439**	2,631
Loans and receivables – Cash and cash equivalents	**11,081**	3,243	**10,554**	1,506
Loans and receivables – Trade and other receivables	**170**	161	**116**	32
Financial liabilities				
Other financial liabilities – Trade and other payables	**241**	234	**118**	72

All receivables and payables are current and due within 30 days.

Foreign currency exchange risk

The Group does not generally undertake foreign currency hedging. The majority of the Group's transactions are denominated in British pounds and it uses this as its reporting currency. Exposure to any foreign exchange movements exists primarily in European, American and Canadian currencies.

The Group had available for sale investments in Canada amounting to £1,439k (2013: £2,631k) as at the statement of financial position date. These investments are represented in Canadian dollars amounting to CAD$2,611k (2013: CAD$4,208k).

A 10% strengthening of the GBP against the CAD at the statement of financial position date would have decreased equity by £131k (2013: £239k) whilst a 10% weakening of the GBP against the CAD would have increased equity by £144k (2013: £263k). This analysis assumes that all other variables remain constant and would only occur if the available for sale investments were fair valued.

The net monetary assets in other currencies at 30 June 2014 were US$1k (2013: US$263k) and €31k (2013: €13k).

A 10% strengthening of the GBP against the USD at the statement of financial position date would have decreased profit and loss by £nil (2013: £15k) whilst a 10% weakening of the GBP against the USD would have increased profit and loss by £nil (2013: £nil). This analysis assumes that all other variables remain constant.

A 10% strengthening of the GBP against the Euro at the statement of financial position date would have decreased profit and loss by £2.3k (2013: £1k) whilst a 10% weakening of the GBP against the Euro would have increased profit and loss by £2.5k (2013: £1.1k). This analysis assumes that all other variables remain constant..

Interest rate risk

The Group has floating rate financial assets in the form of deposit accounts with major banking institutions; however, it is not currently subjected to any other interest rate risk.

Based on cash balances at the statement of financial position date, a rise in interest rates of 1% will increase profit and loss by approximately £106k (2013: £15k) per annum.

Liquidity risk

The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations. The Group takes liquidity risk into consideration when deciding its sources of funds.

Credit risk

The Group had receivables of £170k at 30 June 2014 (2013: £161k), of which £14k (2013: £12k) was receivable from related parties. Receivables of £170k represent the maximum credit risk to which the Group is exposed.

Capital risk management

The Group defines capital as the total equity of the Group. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Fair value of financial assets and liabilities

There are no material differences between the fair value of the Group's financial assets and liabilities and their carrying values in the financial information.

Borrowings Facilities

The Group had no external borrowing facilities as at 30 June 2014.

25. Related Party Transactions

Non-executive Director Laurence Mutch is also a Director of Laurie Mutch & Associates Limited, which has provided consulting services to the Group. The total fees charged for the year amounted to £60k (2013: £81k), out of which £60k (2013: £46k) was for consulting services and £nil (2013: £34k) for non-executive Director fees. The balance payable at the statement of financial position date was £4k (2013: £6k).

Ian Duckels is also a Director of Ritoil Associates Limited, which has provided consulting services and non-executive director services to the Group. The total fees charged for the year related to non-executive Director fees and amounted to £nil (2013: £24k), out of which £nil (2013: £3k) was for consulting services and £nil (2013: £21k) for non-executive Director fees with a balance of £nil (2013: £nil) payable at the statement of financial position date.

Jason Miles is also a Director of ROE Projects Limited, which has provided consulting services to the group. The total fees charged for the year amount to £242k (2013: £198k). The balance payable at the statement of financial position date was £15k (2013: nil).

Ian Williams and Hemant Thanawala are directors of International Energy Services Limited ("IESL"). QFI provided services to IESL during the year for which QFI received income of £51k (2013:£54k) The balance receivable at the statement of financial position date was £14k (2013: £12k).

On 7 May 2014, the Company issued 860,645 new ordinary shares in the Company, equating to a value of £292k, to an executive staff member in consideration for the acquisition by Quadrise International Limited of his 6.25% holding in each of Quadrise Marine Limited, Quadrise KSA Limited, Quadrise Americas Limited and Quadrise Asia Limited.

QFI defines key management personnel as the Directors of the Company. There are no transactions with Directors, other than their remuneration as disclosed in the Report of Directors' Remuneration.

26. Ultimate Parent Undertaking and Controlling Party

The Directors have determined that there is no Controlling Party as no individual shareholder holds a controlling interest in the Company.

27. Subsidiaries

The financial statements include the financial statements of Quadrise Fuels International plc and the following subsidiaries:

Name	Country of incorporation/ registration	Percentage interest held and voting rights	Class of share held
Quadrise International Limited	United Kingdom	100%	Ordinary
Quadrise Limited	United Kingdom	100%	Ordinary
Quadrise KSA Limited	United Kingdom	93.75%	Ordinary
Quadrise Americas Limited	United Kingdom	93.75%	Ordinary
Quadrise Marine Limited	United Kingdom	93.75%	Ordinary
Quadrise Asia Limited	United Kingdom	93.75%	Ordinary

Quadrise Fuels International plc and its subsidiaries are involved in activities such as enhanced heavy oil recovery, conversion of heavy oil, refinery upgrade projects manufacture and sale of MSAR® to large energy consumers.

28. Commitments and Contingencies

The Group and the Company have entered into a commercial lease for office rental. This lease expires on 25 March 2019, and there are no restrictions placed on the Group or Company by entering into this lease. The minimum future lease payments for the non-cancellable lease are as follows:

	30 June 2014	30 June 2013
Office premises		
One year	76,789	54,816
Two to five years	397,458	-
After five years	-	-

Additionally, the Group and the Company have no capital commitments or contingent liabilities as at the statement of financial position date.

29. Comparative information

The following figures have been reclassified to conform with the presentation of the current financial year:

Consolidated Statement of Comprehensive Income (Extract):	Year ended 30 June 2013 As restated £'000s	Year ended 30 June 2013 As previously reported £'000s
Other income	75	75
Production and development costs	(434)	(112)
Amortisation of intangible assets	(1,368)	(1,368)
Impairment of available for sale investments	(1,819)	(1,819)
Other administration expenses	(1,468)	(1,790)
Foreign exchange loss	(1)	(1)
Operating loss	(5,015)	(5,015)

30. Events After the End of the Reporting Period

On 1 October 2014 Jason Miles ceased to be a non-executive director and became an Executive Director and employee of the Company.

On 8 October 2014, Philip Snaith was appointed as a non-executive director of the Company

31. Copies of the Annual Report

Copies of the annual report will be available shortly on the Company's website at www.quadrisefuels.com and from the Company's registered office, Gillingham House, 38-44 Gillingham Street, London, SW1V 1HU.

Corporate Information

Registered Office
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