



# **POWERHOUSE ENERGY GROUP PLC**

**COMPANY NUMBER 03934451**

## **ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

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# COMPANY INFORMATION

Directors	Robert Keith Allaun (Executive Chairman) Nigel Brent Fitzpatrick (Non-Executive Director) James John Pryn Greenstreet (Non-Executive Director)
Company secretary	Nigel Brent Fitzpatrick
Company number	03934451
Registered office	55 Bingley Road Saltaire Shipley BD18 4SB
Website	<a href="http://www.powerhouseenergy.net">www.powerhouseenergy.net</a>
Bankers	HSBC 79 Piccadilly London W1J 8EU, United Kingdom
Nominated Adviser and Broker	Allenby Capital Limited 3 St Helen's Place London EC3A 6AB
Registrar	Neville Registrars Limited Neville House, 18 Laurel Lane Halesowen B63 3DA, United Kingdom
Auditor	Deloitte LLP 1 City Square Leeds LS1 2AL, United Kingdom

# CHAIRMAN'S REPORT

Dear Shareholder,

Thank you for supporting PowerHouse Energy Group plc for another year. As you are well aware, 2014 proved to be as disruptive and challenging as any year the Company has faced.

Our expectation upon acquiring the Pyromex technology was that we would have full cooperation from its technical and management teams, as well as operational partners, in Switzerland and Germany. Unfortunately, that was not the case. After exhaustive efforts to recover relationships already severely damaged by the previous management of Pyromex, and upon having full and complete access, for the first time, to the technology, historical and testing data, and the Eiting facility, the Board of PowerHouse made the difficult decision to abandon further development of the Pyromex technology and focus on its in-house proprietary technology for ultra-high temperature gasification with a new team based on a new approach.

As highlighted in various announcements the Company made in late 2014, the Board was still confident that we could overcome the difficult technical challenges with the acquired technology and create a long-term relationship with our partners in Munich. Unfortunately, by early 2015, it became evident that those relationships were irreparable, the technology was seriously flawed, and it became obvious that it was in the best interests of the shareholders of PowerHouse to wind-down both the Swiss and German operations. The Company issued an announcement on 6 February 2015 about the closing of its Pyromex division in Switzerland and the demonstration facility and small testing unit in Munich.

The decision to close down Pyromex and focus on newly engineered Australian Technology, the G3-UHT System, is expected to benefit the Company greatly. It has allowed us to develop a more robust and reliable technology, based on the latest science of ultra-high temperature gasification, and incorporates significant improvements and efficiencies. Equally as importantly, the new technology represents a truly commercial Waste Gasification Technology which has a much lower cost base.

Questions that had plagued the Pyromex technology since the day we purchased it were answered and eliminated as risk-factors. Additionally, with the elimination of the Pyromex issues we gained complete control of every component of the engineering life-cycle: the science, the development, the engineering, the testing regimes, and the ultimate deployment of the G3- UHT technology.

The closing of Pyromex has allowed the Company to focus on completing the development process in a reliable (and documented) manner which we know will afford PowerHouse the opportunity to expand its market approach and secure opportunities in the Waste-to-Energy market in Asia and the Middle East.

It is my role for the immediate future to focus upon ushering in our newly developed technology and building out the commercial marketing and sales efforts.

As has been demonstrated by newly derived taxation schemes in the UK, the EU, and more often these days, within the ASEAN markets, landfill will no longer be considered an acceptable solution to the challenges of waste disposal. Waste products that are not recyclable are imbued with a tremendous amount of recoverable energy. Waste that is land-filled, or incinerated, today can be gasified, reducing the impact on the land, and the potential threat to groundwater supplies. The energy recovered can produce thousands of megawatts to heat and power our homes. It can be recovered in a manner that is far superior in efficiency and far more environmentally friendly than incineration.

Depending on the calorific value of the waste-stream ("feedstock") available to PowerHouse, the G3- UHT technology can potentially convert each tonne of municipal solid waste into one megawatt of electricity. Every 24 tonnes of waste will generate one megawatt of electricity per day. If we process 1,000 tonnes of waste per day, we can potentially produce 42 Mw of saleable, renewable, green power.

The newly established goal of PowerHouse is to lead the development of power generation infrastructure for our cities. Our aim is to build a minimum of 1000 megawatts of power generation capacity in conjunction with waste-sites, transfer stations, and biomass producers over the next five years. This represents a significant evolution of our recent business objectives. However, it is a vision worth outlining and pursuing.

Recycling is increasing everywhere. However, waste will neither be eliminated in this, nor the coming generation. The Board hopes that PowerHouse can help to solve the problem of waste-elimination and become a key provider of power infrastructure.

The world's population continues to grow. More and more of our population is moving to the middle class and consuming more electricity than ever. Electrical demand is outstripping electrical generation throughout the ASEAN region and India. The two key issues of how to produce clean, green and renewable, power and what to do with the waste of billions of people in an environmentally accepted manner, will become ever more important as time goes on.

Our approach is an expansion of the plan we have been developing over the past three years: working to not only develop the technology to use in partnership and joint-ventures with existing waste facilities, but to also acquire, own, and manage waste facilities on which we will operate our technology.

We are currently in the process of identifying locations which will allow us to build waste driven (municipal solid waste, tyres, biomass) power stations sites using the PowerHouse Gasification processes and systems like the G3-UHt.

Obviously the Company will require significant restructuring and build-out to achieve this vision. The first step of that restructuring was the winding-down of the Pyromex entities. This allows us to move forward with a fresh start and jettison the baggage inherited from prior management. This is the first of several steps that will allow us to achieve our vision, and it will require tremendous effort on the part of the team and our partners, but I know that I speak for all when I say that the near-term sacrifice will be worth the achievement of our larger vision.

This larger vision is in complete accord with our previously stated goals. However the execution has yet to meet our expectations. As a management team and as a Board, we believe in the potential of our technology.

We are within 30 days of completion of the commissioning of the newly designed PHE G3-UHt Gasification System in Australia. This unit will demonstrate the complete process: from feedstock injection, to the gasification of waste, to the cleanup of the synthesis gas, and finally, to generation of electricity. A complete, well-tested and proven technology model that we can rollout commercially.

Our intention is to secure several waste sites through various contracts and to commence low-volume pilot operations. Additionally we will continue to test multiple feed-stocks and provide on-going data for continuous development and improvement of our entire system.

We hope that within the coming year, we will commence construction of our first large-scale, commercial, waste-to-energy electrical generation site. Each site will be secured by a third party power-purchase agreement (PPA,) effectively monetizing all electricity produced on site.

The above model will be enhanced in many markets by acquiring, or splitting the "tip fee" for the acquisition of feed-stock. However in some Asian markets the tip-fee is negligible, but the PPA, alone, will generate a tremendous return on investment given our innovative technology, low-cost of manufacturing, and modular design.

As shareholders will be aware, PowerHouse has for some time been relying exclusively on the continuing financial support provided of Hillgrove Investments Pty Limited ("Hillgrove"). This support has been provided by advances under a convertible loan note facility dated 19 June 2012 (the Convertible Loan Agreement"). As at 31 December 2014, the amount owing to Hillgrove under the convertible loan note was £2,181,004. Subsequent to the financial year end, a further £90,000 of advances have been provided under the facility. On 26 June 2015, Hillgrove provided a letter of comfort to the Company confirming that it is willing to continue to provide adequate financial support to PowerHouse to ensure the Company may meet its legitimate obligations as and when they fall due, and to ensure it operates as a going concern for a period of at least twelve months from 30 June 2015, pending any unforeseeable or material changes to the Company's current circumstances.

In order to provide the on-going financial support outlined above, it is a requirement of Hillgrove that the Company agrees to the following new conditions to the Convertible Loan Agreement:

- Hillgrove may convert notes issued under the Convertible Loan Agreement at its sole discretion, with the Company being required to act on a notice of conversion within 14 days of receipt of such notice;
- The conversion price for all current and future amounts issued and to be issued under the Convertible Loan Agreement is changed from 1.0 pence per ordinary share to 0.5 pence per ordinary share; and
- Powerhouse must complete relevant commercial negotiations, demonstrated by signed contracts, so as at least one commercial Waste-to-Energy project is commenced within the next 12 months.

If Hillgrove deems that a breach of these conditions or a material change has been made, it will give PowerHouse 30 days notice for the breach to be remedied. If the breach is not remedied within 30 days then Hillgrove reserves its rights under the Convertible Loan Agreement to call for immediate repayment of all outstanding amounts under the Convertible Loan Agreement.

As the proposed conversion price of 0.5 pence per ordinary share is below the nominal value of the Company's existing ordinary shares, the change to the conversion price outlined above will require the approval of PowerHouse shareholders at general meeting. The Company intends to seek shareholder approval for this change at its Annual General Meeting to be held in September 2015. Notice of this meeting will be sent to shareholders in due course.

If at any time Hillgrove was to withdraw its on-going financial support of PowerHouse, then it is likely that the Company would have insufficient funds to continue and the Company would no longer be a going concern. In addition, if PowerHouse shareholders do not approve the resolutions necessary to effect the change in conversion price outlined above, this may also lead to Hillgrove withdrawing its financial support.

The changes to the Convertible Loan Agreement constitute a Related Party Transaction under the AIM Rules for Companies as Hillgrove (including its Associates) is a Substantial Shareholder of the Company. The Board (excluding Mr Allaun, who is not considered independent for this purpose) consider, having consulted with Allenby Capital Limited, the Company's Nominated Adviser, the changes to the Convertible Loan Agreement are fair and reasonable insofar as shareholders of the Company are concerned.

The opportunities for the Company continue to grow with inquiries coming from many countries. The Board believes the Company is approaching a position when we can begin to take advantage of these opportunities for the first time and I look forward to reporting on developments in the coming year.

Additionally I'd like to express my thanks to the non-executive members of our Board of Directors: Mr. Brent Fitzpatrick and Mr. James Greenstreet. They have provided a solid and knowledgeable sounding board to our team.

As always I thank you for your continued support of the Company and hope to see many of you at the upcoming annual general meeting.

Sincerely,



**Keith Allaun**

Chairman

30 June 2015

# DIRECTORS' REPORT

The Directors present their report along with the Company's financial statements and the consolidated financial statements for the year ended 31 December 2014. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and will be laid before the shareholders of the Company at the Annual General Meeting to be held on 10 September 2015.

## Principal activities

The principal activities of the Group will be to maintain minimal expenditures whilst it begins to fully exploit and commercially roll-out our newly developed PHE G3-UHT Waste-to-Energy System. Our Ultra-high temperature gasification reactor converts waste materials such as non-recyclable plastic, bio-mass, and other waste streams into a high-quality, clean, synthesis gas composed primarily of hydrogen and carbon monoxide.

Principal Activities for the year ended 31 December 2014 were to commence the transfer and rebuilding of the demonstration and small testing facility in Munich using the existing Pyromex technology which had been acquired.

During the course of the decommissioning, a thorough engineering evaluation of the facility was conducted. During this evaluation and due to the discovery of previously undisclosed test data, the Company came to the conclusion that the Pyromex technology was severely flawed and would require drastic and dramatic re-engineering, re-design, and new construction.

Additionally, the Company entered into difficult negotiations with the site owner to create a long-term opportunity for both parties. Unfortunately, it became obvious early in 2015, that those negotiations would not be fruitful as unreasonable demands were being made on the part of the site owner. PowerHouse made the decision to abandon the negotiations, abandon the now de-commissioned (and non-repairable) plant, and to close all Pyromex related technology development and commercial operations on the Continent. We subsequently made the decision to move principal engineering and commercial operations to Brisbane, Australia. The newly engineered, designed, and constructed, PHE G3-UHT system is nearing the completion of commissioning which, according to our engineers, should conclude by 31 July 2015. Demand for our new technology is increasing, with Australia, Asia, and the UK being principal drivers.

## Review of developments and future prospects

A more thorough review of the development of the business together with an indication of future proposed developments is included in the Chairman's Report set out on pages 4 to 6.

The Company financial statements for the year ended 31 December 2014 are set out on pages 13 to 22. The Company loss for the year after taxation amounted to £2,549,999 (2013: Loss of £678,462). The increased loss before tax was driven by the write off of £937,682 (2013: nil) due from Pyromex AG due to its liquidation and by an impairment of £1,038,026 (2013: nil) to reduce the carrying value of the investment in Pyromex AG to nil. The Group financial statements are set out on pages 24 to 36. The Group loss for the year after taxation amounted to \$4,904,980 (2013: \$1,204,365). The net liabilities of the Company are £2,409,972 (2013: £1,129,769) with the movement in the year set out on page 13. The net liabilities of the Group are \$5,422,734 (2013: \$2,640,832) with the movement in the year set out on page 25.

The Directors do not recommend the payment of a dividend (2013: £nil).

Principal risks and uncertainties are discussed in note 13 to the Company financial statements.

There have been no significant events since the balance sheet date other than those discussed in this Directors' Report and the Strategic Report.

## Research and development

The Group or Company incurred no research and development related costs during the year (2013: £nil).

### Substantial shareholdings

Shareholders holding in excess of 3 per cent of the issued share capital of the Company, which the Company was aware of as at 31 December 2014 were as follows:

	Number of ordinary shares of 1.0p each	Percentage of voting rights
Pershing Nominees Limited	85,362,984	21.97
Lynchwood Nominees Limited	60,880,427	15.67
Linc Energy Limited	28,350,000	7.30
Roy Nominees Limited	25,306,417	6.51
Dilato Holding Pty Limited	24,989,765	6.43
Hillgrove Investments Pty Limited	20,000,000	5.15

### Directors

The Directors, who served during the year, and subsequently, were as follows:

Robert Keith Allaun	Executive Chairman
Nigel Brent Fitzpatrick	Non-Executive Director
James John Pryn Greenstreet	Non-Executive Director

### Corporate Governance

As AIM companies are not required to provide corporate governance disclosures, the Directors have chosen not to do so.

### Payment to suppliers

The Group does not have a standard or code which deals specifically with the payment of suppliers. Total creditor days for the Company the year ended 31 December 2014 were 121 days (2013: 73 days) and for the Group 120 days (2013: 113 days).

### Going concern basis

The Directors have considered the uncertainties relating to the Company's ability to continue trading and upon receipt of a letter of support from Hilgrove Investments, continue to adopt the going concern basis of accounting for the preparation of the annual financial statements, further explanation is available in to note 1.3 of the Company accounts.

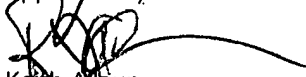
### Auditor

Each of the persons being a Director at the date of approval of this report confirm that:

- So far as the director is aware there is no relevant audit information of which the Company's auditor is unaware; and
- The Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of s.418 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board on 30 June 2015.

  
Keith Allaun  
Director

# STRATEGIC REPORT

## Business review

The principal activities of the Group will be to maintain minimal expenditures whilst it begins to fully exploit and commercially roll-out our newly developed PHE G3-UHT Waste-to-Energy System. Our Ultra-high temperature gasification reactor converts waste materials such as non-recyclable plastic, bio-mass, and other waste streams into a high-quality, clean, synthesis gas composed primarily of hydrogen and carbon monoxide.

Principal Activities for the year ended 31 December 2014 were to commence the rebuilding and transfer of the demonstration and small testing facility in Munich using the existing Pyromex technology which had been acquired. However during the course of the decommissioning and thorough evaluation of the facility, and the discovery of previously undisclosed test data, the Company came to the conclusion that the Pyromex technology was severely flawed and would require drastic and dramatic re-engineering, re-design, and new construction. Additionally, the Company entered into difficult negotiations with the site owner to create a long-term opportunity for both parties.

Unfortunately, it became obvious early in 2015, that those negotiations would not be fruitful as unreasonable demand were being made on the part of the site owner. PowerHouse made the decision to abandon the negotiations, abandon the now de-commissioned (and non-repairable) plant, and to close all Pyromex related technology development and commercial operations on the Continent.

We subsequently made the decision to move principal engineering and commercial operations to Brisbane, Australia. The newly engineered, designed, and constructed, PHE G3-UHT system is expected to be within 30 days of completion of commissioning as this is written. Demand for our new technology is increasing, with Australia, Asia, and the UK being principal drivers.

The Company loss for the year is £2,549,999 (2013: loss of £678,462). Further details regarding financial performance are included in the Directors' report on page 7.

The Company has no employees and has a board of 3 male directors.

## Principal activities and review of developments

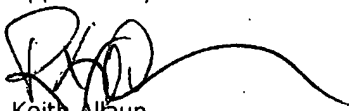
The Directors' Report contains details of the Company's principal activities and a review of significant developments.

## Principal risks and uncertainties

The availability of funding remains a principal risk for the company. The company is dependent on continued financial support from Hillgrove Investments Pty Limited to maintain its minimal operational costs.

Further information Company's principal risks are detailed in note 13 on page 21.

Approved by the Board of Directors and signed on behalf of the Board on 30 June 2015.

  
Keith Allaun  
Director

## DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International

Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.


The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

BY ORDER OF THE BOARD

  
Keith Allam  
Director  
30 June 2015

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POWERHOUSE ENERGY GROUP PLC

We have audited the parent company financial statements of Powerhouse Energy Group plc for the year ended 31 December 2014 which comprise the Statement of Comprehensive Income, the Statement of Financial position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 15. 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.

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

## Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the parent company 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 parent company 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 parent 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matter 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 parent company 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.

**Other matter**

We have reported separately on the group financial statements of Powerhouse Energy Group plc for the year ended 31 December 2014. That report includes a disclaimer of opinion in respect of the audit evidence available to us and, as a result of this, we have been unable to express an opinion on the Group financial statements.

A handwritten signature in black ink, appearing to read 'Simon Manning', with a long horizontal stroke extending to the right.

Simon Manning (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Leeds, United Kingdom  
30 June 2015

# COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	31 December 2014 £	31 December 2013 £
<b>Revenue</b>		-	-
Administrative expenses	2	(1,182,488)	(404,309)
Restructuring costs	7	(1,038,026)	-
<b>Operating loss</b>		<b>(2,220,514)</b>	(404,395)
Finance costs	3	(329,485)	(274,153)
<b>Loss before taxation</b>		<b>(2,549,999)</b>	(678,462)
Income tax expense	4	-	-
<b>Total comprehensive loss</b>		<b>(2,549,999)</b>	(678,462)
Loss per share (pence)	5	(0.65)	(0.22)
Diluted loss per share (pence)	5	(0.65)	(0.22)

## COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £	Share premium £	Deferred shares (4.0p) £	Deferred shares (4.5p) £	Retained earnings £	Total £
Balance at 1 January 2013	2,865,344	46,030,016	781,808	389,494	(51,191,891)	(1,125,229)
<i>Transactions with equity participants:</i>						
- Shares issued as consideration	601,725	-	-	-	-	601,725
- Shares issued to settle liabilities	15,999	-	-	-	-	15,999
- Conversion of warrants	11	187	-	-	-	198
- Credit to opening reserves	-	-	-	-	56,000	56,000
- Total comprehensive loss	-	-	-	-	(678,462)	(678,462)
Balance at 31 December 2013	3,483,079	46,030,203	781,808	389,494	(51,814,353)	(1,129,769)
<i>Transactions with equity participants:</i>						
Shares issues to settle liabilities	183,319	365,459	-	-	-	548,778
- Shares issues to settle liabilities	115,000	288,898	-	-	-	403,898
- Shares issues to settle liabilities	79,567	183,553	-	-	-	263,120
- Shares issues to settle liabilities	4,000	-	-	-	-	4,000
- Shares issues to settle liabilities	20,000	30,000	-	-	-	50,000
- Total comprehensive loss	-	-	-	-	(2,549,999)	(2,549,999)
Balance at 31 December 2014	3,884,965	46,898,113	781,808	389,494	(54,364,352)	(2,409,972)


The notes numbered 1 to 16 are an integral part of the financial information.

# COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	2014 £	2013 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	-	114
Investments	7	-	1,038,026
<b>Total non-current assets</b>		-	1,038,140
<b>Current Assets</b>			
Trade and other receivables	8	5,841	169,086
Cash and cash equivalents		25	41,417
<b>Total current assets</b>		5,866	210,503
<b>Total assets</b>		5,866	1,248,643
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans	10	-	-
<b>Current liabilities</b>			
Trade and other payables	9	(234,834)	(847,063)
Loans	10	(2,181,004)	(1,531,349)
<b>Total current liabilities</b>		(2,415,838)	(2,378,412)
<b>Net liabilities</b>		(2,409,972)	(1,129,769)
<b>EQUITY</b>			
Share capital	11	3,884,965	3,483,079
Share premium		46,898,113	46,030,203
Deferred shares		1,171,302	1,171,302
Accumulated losses		(54,364,352)	(51,814,353)
<b>Total deficit</b>		(2,409,972)	(1,129,769)

The financial statements of PowerHouse Energy Group Plc, Company number 03934451, were approved by the board of Directors and authorised for issue on 30 June 2015 and signed on its behalf by:

  
 Keith Alloun  
 Director

The notes numbered 1 to 16 are an integral part of the financial information.

# COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 £	2013 £
<b>Cash flows from operating activities</b>		
Loss after taxation	(2,549,999)	(678,462)
Adjustments for:		
- Depreciation of property, plant and equipment	114	229
- Finance costs	329,485	274,153
- Waiver of loan due from subsidiary	937,682	-
- Impairment of non-current assets	1,038,026	-
Changes in working capital:		
- Decrease/(Increase) in trade and other receivables	3,582	(166,776)
- (Decrease)/Increase in trade and other payables	(612,229)	118,085
- Increase in loan to subsidiary	(778,019)	-
<b>Net cash used in operations</b>	<b>(1,631,358)</b>	<b>(452,772)</b>
<b>Cash flows from financing activities</b>		
Proceeds on issue of shares	1,224,691	(455,975)
Finance costs	(329,485)	(274,153)
New loans raised	1,053,556	1,148,609
Repayment of borrowings	(358,794)	-
<b>Net cash flows from financing activities</b>	<b>1,589,968</b>	<b>418,294</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(41,390)</b>	<b>34,290</b>
Cash and cash equivalents at beginning of period	41,415	7,125
<b>Cash and cash equivalents at end of period</b>	<b>25</b>	<b>41,415</b>

The notes numbered 1 to 16 are an integral part of this financial information.

# NOTES TO THE COMPANY ACCOUNTS

## 1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information.

### 1.1. Basis of preparation

This financial information is for the year ended 31 December 2014 and has been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted for use by the European Union and the Companies Act 2006. These accounting policies and methods of computation are consistent with the prior year.

### 1.2. Judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgements or complexity, or areas where assumptions or estimates are significant to the financial statements such as the impairment of investments and going concern are disclosed within the relevant notes.

### 1.3. Going concern

The Directors have considered all available information about the future events when considering going concern. The Directors have reviewed cash flow forecasts for 12 months following the date of these Financial Statements.

The convertible loan obtained from Hillgrove Investments Pty Limited (see note 10) is considered sufficient to settle outstanding creditors, maintain the Company's reduced overheads and other planned events for at least the next 12 months from the signing date of these Financial Statements. In addition, the Company is in receipt of a letter of intention of financial support from Hillgrove Investments Pty Limited to ensure the Company continues to meet its obligations as they fall due and to ensure it operates as a going concern for a period of at least 12 months. Based on this, the Directors acknowledge the uncertainties surrounding the availability of future funding but believe it is appropriate to continue to adopt the going concern basis of accounting for the preparation of the annual financial statements.

### 1.4. Foreign currency translation

The financial information is presented in sterling which is the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are revalued to the exchange rate at date of settlement or at reporting dates (as appropriate). Exchange gains and losses resulting from such revaluations are recognised in the income statement.

Foreign exchange gains and losses are presented in the statement of comprehensive income within 'administrative expenses'.

### 1.5. Revenue

Revenue represents the amounts (excluding VAT) derived from the supply of management and administration services to the Company's subsidiary, PowerHouse Energy, Inc. Revenue is recognised when amounts fall due under the formalised contract.

### 1.6. Employee costs

The Company has no employees (2013: nil).

### 1.7. Operating Leases

The Company has no operating leases (2013: nil).

### **1.8. Finance income and expenses**

Finance income and expenses are recognised as they are incurred or as a result of financial assets or liabilities being measured at amortised cost using the effective interest method. No finance expenses were incurred in the production of a qualifying asset (2013: nil).

### **1.9. Income tax expense**

The tax expense for the period comprises current and deferred tax.

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Temporary differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

### **1.10. Plant, property and equipment**

Plant, property and equipment is stated at cost less accumulated depreciation. Cost represents the cost of acquisition or construction, including the direct cost of financing the acquisition or construction until the asset comes into use.

Depreciation on plant, property and equipment is provided to allocate the cost less the residual value by equal instalments over their estimated useful economic lives of 3 years.

The expected useful lives and residual values of plant, property and equipment are reviewed on an annual basis and, if necessary, changes in useful life or residual value are accounted for prospectively.

### **1.11. Other non-current assets**

Other non-current assets represent the investment in PowerHouse Energy, Inc. The investment is carried at cost less accumulated impairment. Cost was determined using the fair value of shares issued to acquire the investment.

### **1.12. Trade and other receivables**

Trade receivables are recognised at fair value. Subsequently they are carried at their initial recognition value less any impairment losses.

### **1.13. Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits and are recognised and subsequently carried at fair value.

### **1.14. Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### **1.15. Loans**

Loans are financial obligations arising from funding received and used to support the operational costs of the Company. These are initially recognised at fair value. Loans are subsequently carried at amortised cost using the effective interest method.

### **1.16. Adoption of new and revised standards**

New and revised standards adopted during the year and those standards and interpretations in issue but not yet effective are shown in note 1.22 to the Group financial statements.

### 1.17. Impairment testing

Assets not subsequently carried at fair value are reviewed periodically for indications of impairment. On recognition of an impairment event, the book values of the assets are compared to their recoverable amount. In the event the recoverable amount is less than the book value, asset is reduced to the recoverable amount and the difference recognised as an expense.

### 2. Administrative expenses

Included in administrative expenses are:

	2014 £	2013 £
Directors' fees	100,000	106,047
Depreciation	114	229
Operating leases	-	-
Net foreign exchange (profit)/loss	(148)	2,966
Auditor's remuneration – Company's audit	10,000	10,000
Impairment loss recognised on loans receivable carried at amortised cost (note 10)	937,682	-

### 3. Finance costs

	2014 £	2013 £
Other loan interest	75,159	67,000
Shareholder loan interest	254,326	207,153
	<u>329,485</u>	<u>274,153</u>

### 4. Income tax expense

As the Company incurred a loss, no current tax is payable (2013: £nil). In addition, there is no certainty about future profits from which accumulated tax losses could be utilised and accordingly no deferred tax asset has been recognised. Tax losses amount to £5,178,487 (2013: £2,709,420).

The tax charge is lower (2013: lower) than the standard rate of tax. Differences are explained below.

	2014 £	2013 £
<b>Current tax</b>		
Loss before taxation	2,549,999	678,462
Tax credit at standard UK corporation tax rate of 21% (2013 – 23%)	535,500	156,046
Effects of:		
Expenses not deductible for tax purposes	(414,938)	-
Deferred tax not recognised	(120,562)	(156,046)
Income tax expense	<u>-</u>	<u>-</u>

### 5. Loss per share

	2014	2013
Total comprehensive loss (£)	(2,549,999)	(678,275)
Weighted average number of shares	376,628,030	312,273,426
Weighted average number of dilutive shares	2,732,739	1,816,072
Loss per share in pence	(0.68)	(0.22)
Diluted loss per share in pence	(0.68)	(0.22)

## 6. Property, plant and equipment

	Office equipment £
Opening carrying value	114
Depreciation	(114)
Net carrying value	-

The cost value of fixed assets is £3,202 (2013: £3,202 and 2012: £3,431).

Accumulated depreciation is £3,202 (2013: £3,088 and 2012: £3,317).

## 7. Investments

Other non-current asset consists of the investment in PowerHouse Energy, Inc and Pyromex AG. PowerHouse Energy, Inc. is incorporated in California in the United States of America and the Company holds 100 per cent of the common stock and voting rights of the subsidiary. Pyromex AG is based in Zug, Switzerland and the Company holds 100 per cent of the shares and voting rights of the subsidiary.

	2014 £	2013 £
Investment - Cost	48,947,154	48,947,154
Accumulated impairment	(47,909,128)	(47,909,128)
Impairment recognised in the period	( 1,038,026)	-
	-	1,038,026

The cost of the Powerhouse Energy Inc investment was determined using an issue price of 17.5 pence (the price of the Company's shares on re-listing after the reverse takeover) for the 273,766,456 shares issued to acquire PowerHouse Energy, Inc. During the period the investment in Pyromex AG was impaired to a nil carrying value due to the wind down of operations that commenced after the balance sheet date. The investment in Powerhouse Energy Inc was already impaired to nil value at 1 January 2014.

## 8. Trade and other receivables

	2014 £	2013 £
Other receivables	5,841	9,423
Amounts due from subsidiary undertakings	-	159,663
	5,841	169,086

The receivable from Pyromex AG was written off in the year due to the wind down of operations.

## 9. Trade and other payables

	2014 £	2013 £
Trade payables	32,567	90,877
RenewMe	171,447	720,225
Other accruals	30,820	35,961
	234,834	847,063

RenewMe Limited had been granted exclusive rights by Pyromex to use, own, assemble and install and operate Pyromex systems in territories also licensed to the Company's subsidiary PowerHouse Energy, Inc. The Company entered into a settlement agreement with RenewMe whereby the parties agreed to change the respective exclusive rights pertaining to the Pyromex technology. Under the original settlement agreement Powerhouse Energy, Inc. had the obligation to pay five instalments of EUR 200,000 annually beginning 30 June 2011. The Company guaranteed the obligations under the agreement of PowerHouse Energy, Inc. As PowerHouse Energy, Inc is unable to meets its obligations, all remaining amounts (EUR 800,000) due under the original settlement agreement have been recognised as a liability.

On 3 March 2014 the Company announced that a settlement had been reached with RenewMe to release its claimed geographical licenses to use our technology under a disputed royalty agreement with Pyromex and other claims against the company in return for €211,000 and the issue of 18,331,996 new Ordinary Shares in the Company. While the equity portion of that settlement has been satisfied, the cash payment has not been settled and the agreement has not been completed. The Company is in active discussion with RenewMe to finalize an agreement.

Capital commitments not accrued for at the period end amounted to £100,000 (2013: £nil) and related to plant and machinery that had not yet been received.

## 10. Loans

	2014 £	2013 £
Other loan	-	328,739
Shareholder loan	<b>2,181,004</b>	1,202,609
	<b><u>2,181,004</u></b>	<b><u>1,531,348</u></b>

On 2 April 2014 the Company negotiated a settlement to repay the other loan in full by way of issue and allotment for 11,500,000 1 pence shares in the Company to Aspermont Limited.

Hillgrove Investments Pty Limited ("Hillgrove") has provided the Company with a convertible loan agreement amounting to £2,181,004 – which can be increased at Hillgrove's option. On 24 February 2014 the Company announced that it had entered into a debenture with Hillgrove. The loan is secured by a debenture over the assets of the company, and carries interest of 15 per cent per annum. Hillgrove has the option at any time to convert the loan in part or whole at a conversion price of 1p per share. Hillgrove have provided a letter of support indicating they are willing to increase the loan amount pending any unforeseeable or material changes to the Company's current circumstances.

## 11. Share capital

	1.0 p Ordinary shares	4.5 p Deferred shares	4.0 p Deferred shares
Shares at 1 January 2013	286,534,426	17,373,523	9,737,353
Issue of shares for consideration	60,172,400		
Issue of shares to settle liabilities	1,599,994		
Exercise of Warrants	11		
<b>Shares at 31 December 2013</b>	<b>348,307,926</b>	<b>17,373,523</b>	<b>9,737,353</b>
Issue of shares to settle liabilities	<b>40,188,668</b>		
<b>Shares at 31 December 2014</b>	<b><u>388,496,594</u></b>	<b><u>17,373,523</u></b>	<b><u>9,737,353</u></b>
<b>At 31 December 2014 (£)</b>	<b>3,884,965</b>	<b>781,808</b>	<b>389,494</b>
At 31 December 2013 (£)	3,483,079	781,808	389,494

## 12. Convertible instruments

	Notes	Average exercise price	Exercisable			Total
			Currently	Within 1 year	1 to 5 years	
Driftwood	12.4	£0.120	2,956,929	-	-	<b>2,956,929</b>
			<u>2,956,929</u>	<u>-</u>	<u>-</u>	<b><u>2,956,929</u></b>

### 12.1. Warrants

No warrants are held (2013:nil).

### 12.2. Hillgrove

Hillgrove has the option at any time to convert its loan of £2,181,004 in part or whole at a conversion price of 1p per share.

### 12.3. Driftwood

On 13 July 2011, PowerHouse Energy Group plc granted 2,956,929 options over ordinary shares to Driftwood Capital Pty Limited (as trustee for Driftwood Capital Unit Trust) exercisable as follows:

- 535,500 after 1 October 2013 at an exercise price of US\$0.12 (£0.074) per share; and
- 2,421,429 after 1 April 2014 at an exercise price of US\$0.21 (£0.130) per share.

### 12.4. Directors

On 8 December 2014, Powerhouse Energy Group plc granted 11,000,000 options over ordinary shares to the Board, under the Powerhouse Energy Group plc Unapproved Share Option Plan 2011. The options may be exercised between the Grant date and the tenth anniversary of the grant date and will lapse if not exercised during that period. No charge has been included in the Statement on Comprehensive Income as it is not currently foreseen that the options will vest.

The options have an exercise price of 2.5p per share.

The options were granted as follows:

Mr Keith Allaun	- 5,000,000
Mr Brent Fitzpatrick	- 3,000,000
Mr James Greenstreet	- 3,000,000

## 13. Material risks

### 13.1. Requirement for further funds

In assessing the going concern, the Directors have reviewed cash flow forecasts for 12 months following the date of these accounts. The cash flow forecasts assumed no further funding of PowerHouse Energy, Inc. and Pyromex. The financial support provided by Hillgrove Investments Pty Limited is considered sufficient to maintain the Company's reduced overhead and other planned events. The Company is dependent on this continued support to cover its operational costs.

In the event the Company requires other equity financing, or the conversion option in the Hillgrove loan is exercised, remaining shareholders will be diluted.

#### 14. Directors' Remuneration

The Directors who held office at 31 December 2014 had the following interests, including any interests of a connected person in the ordinary shares of the Company:

	Number of ordinary shares of 1.0p each	Percentage of voting rights
Nigel Brent Fitzpatrick	103,459	<0.1

The remuneration of the Directors of the Company paid for the year or since date of appointment, if later, to 31 December 2014 is:

	2014 £ Salary/Fee	2014 £ Pension	2014 £ Benefits	2014 £ Total	2013 £ Total
Nigel Brent Fitzpatrick	-	-	-	-	-
James John Pryn Greenstreet	-	-	-	-	-
Robert Keith Allaun	100,000	-	-	100,000	106,047

#### *Service contracts*

Brent Fitzpatrick and James Greenstreet have service contracts which can be terminated by providing three months' written notice.

#### 15. Related Parties

Hillgrove Investments Pty Limited is a related party by virtue of it's shareholding in the Company.

During the year Hillgrove Investments Pty Limited loaned the company a further £724,069 and charged £254,326 interest. The balance outstanding at the year end was £2,181,004 (2013: £1,202,609).

Other transactions with other related parties were conducted on an arms' length basis and totalled £15,074 (2013; £nil).

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POWERHOUSE ENERGY GROUP PLC

We were engaged to audit the Group financial statements of PowerHouse Energy Group plc for the year ended 31 December 2014 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flow and the related notes 1 to 17. 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.

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

## **Respective responsibilities of Directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Group 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 Group 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. Because of the matter described in the basis for disclaimer of opinion on financial statements paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

## **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 parent 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Basis for disclaimer of opinion on financial statements**

The audit evidence available to us was limited because we were unable to obtain accounting records in respect of PowerHouse Energy, Inc. and Pyromex Holding AG. As a result of this we have been unable to obtain sufficient appropriate audit evidence concerning the state of the Group's affairs as at 31 December 2014 and of its loss of the year then ended.

## **Disclaimer of opinion on financial statements**

Because of the significance of the matter described in the basis for disclaimer of opinion on financial statements paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on the Group financial statements.

## **Opinion on other matter prescribed by the Companies Act 2006**

Notwithstanding our disclaimer of an opinion on the financial statements, in our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

## **Matters on which we are required to report by exception**

Arising from the limitation of our work referred to above:


- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

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:

- certain disclosures of Directors' remuneration specified by law are not made.

**Other matter**

We have reported separately on the parent Company financial statements of PowerHouse Energy Group plc for the year ended 31 December 2014. The opinion in that report is unmodified.



Simon Manning (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Leeds, United Kingdom  
30 June 2015

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Year ended 31 December 2014 US\$	Year ended 31 December 2013 US\$
<b>Revenue</b>		-	3,330
Cost of sales		-	(46,825)
<b>Gross loss</b>		-	(43,495)
Administrative expenses	2	<b>(4,517,504)</b>	(614,132)
<b>Operating loss</b>		<b>(4,517,504)</b>	(657,627)
Finance income		-	1
Finance expenses	4	<b>(530,471)</b>	(386,556)
<b>Loss before taxation</b>		<b>(5,047,975)</b>	(1,044,182)
Income tax credit	5	-	-
<b>Loss after taxation</b>		<b>(5,047,975)</b>	(1,044,182)
Foreign exchange arising on consolidation		<b>142,995</b>	(160,183)
<b>Total comprehensive loss</b>		<b>(4,904,980)</b>	(1,204,365)
<b>Total comprehensive loss attributable to:</b>			
Owners of the Company		<b>(4,904,980)</b>	(1,204,365)
Non-controlling interests		-	-
Loss per share (US\$)	6	<b>&lt;(0.01)</b>	<(0.01)

The notes numbered 1 to 16 are an integral part of the financial information.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Shares and stock US\$	Accumulated losses US\$	Other reserves US\$	Non-control- ling interests US\$	Total US\$
Balance at 1 January 2013	80,162,619	(19,697,145)	(62,767,508)	-	(2,302,034)
<i>Transactions with equity participants:</i>					
- Shares issued to settle liabilities	998,864	-	-	-	998,864
- Shares issues to settle liabilities	26,558	-	-	-	26,558
- Conversion of warrants	18	-	310	-	328
<i>Total comprehensive income:</i>					
- Loss after taxation	-	(1,204,365)	-	-	(1,204,365)
- Foreign exchange included in profit and loss arising from loss of control	-	-	1,095,440	-	1,095,440
- Foreign exchange arising on consolidation	-	-	(160,183)	-	(160,183)
<b>Balance at 31 December 2013</b>	<b>81,188,059</b>	<b>(20,901,510)</b>	<b>(62,927,381)</b>	<b>-</b>	<b>(2,640,832)</b>
<i>Transactions with equity participants:</i>					
- Shares issued to settle liabilities	285,978	-	570,116	-	856,094
- Shares issues to settle liabilities	179,400	-	450,681	-	630,081
- Shares issued to settle liabilities	124,125	-	286,343	-	410,468
- Shares issues to settle liabilities	6,240	-	-	-	6,240
- Shares issued to settle liabilities	31,200	-	46,800	-	78,000
<i>Total comprehensive income:</i>					
- Loss after taxation	-	(4,204,988)	-	-	(4,204,988)
- Foreign exchange arising on consolidation	-	-	142,195	-	142,195
<b>Balance at 31 December 2014</b>	<b>81,815,002</b>	<b>(25,806,490)</b>	<b>(61,431,246)</b>	<b>-</b>	<b>(5,422,734)</b>

The notes numbered 1 to 16 are an integral part of the financial information.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	31 December 2014 US\$	31 December 2013 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	7	-	2,087,081
Property, plant and equipment	8	2,455	665,160
<b>Total non-current assets</b>		<b>2,455</b>	<b>2,752,241</b>
<b>Current Assets</b>			
Trade and other receivables	10	43,846	54,311
Cash and cash equivalents	11	816	69,617
<b>Total current assets</b>		<b>44,662</b>	<b>123,928</b>
<b>Total assets</b>		<b>47,117</b>	<b>2,876,169</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans	13	-	-
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Current liabilities</b>			
Loans	13	(3,402,366)	(2,542,038)
Trade and other payables	14	(2,067,485)	(2,974,963)
<b>Total current liabilities</b>		<b>(5,469,851)</b>	<b>(5,517,001)</b>
<b>Total liabilities</b>		<b>(5,469,851)</b>	<b>(5,517,001)</b>
<b>Net liabilities</b>		<b>(5,422,734)</b>	<b>(2,640,832)</b>
<b>EQUITY</b>			
Shares and stocks		81,815,002	81,188,059
Other reserves		(61,431,246)	(62,927,381)
Accumulated losses		(25,806,490)	(20,901,510)
Non-controlling interests		-	-
<b>Total deficit</b>		<b>(5,422,734)</b>	<b>(2,640,832)</b>

The financial statements were approved by the board of Directors and authorised for issue on 30 June 2015 and signed on its behalf by:



Keith Allaun  
Director

The notes numbered 1 to 16 are an integral part of the financial information.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Year ended 31 December 2014 US\$	Year ended 31 December 2013 US\$
<b>Cash flows from operating activities</b>			
Loss before taxation		(4,904,980)	(1,204,365)
Adjustments for:			
- Finance income		-	(1)
- Finance costs		530,471	386,556
- Impairment of non-current assets		2,087,081	-
- Depreciation and amortisation		662,705	322
- Foreign exchange revaluations		142,195	(160,183)
Changes in working capital:			
- Decrease/ (Increase) in trade and other receivables		10,465	(50,251)
- (Decrease)/ Increase in trade and other payables		(907,478)	1,371,489
- Taxation paid		-	-
<b>Net cash used in operations</b>		<b>(2,379,542)</b>	<b>343,567</b>
<b>Cash flows from investing activities</b>			
Disposal (purchase) of tangible and intangible assets		-	-
<b>Net cash flows used in investing activities</b>		<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Common stock issue (net of issue costs)		1,980,883	(756,919)
Finance income		-	1
Finance costs		(530,471)	(386,556)
Loans received/(repaid)		862,484	864,202
<b>Net cash flows from financing activities</b>		<b>2,312,896</b>	<b>(282,272)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(66,646)</b>	<b>61,295</b>
Cash and cash equivalents at beginning of period		69,617	11,492
Foreign exchange on cash balances		(2,155)	(3,170)
<b>Cash and cash equivalents at end of period</b>		<b>816</b>	<b>69,617</b>

The notes numbered 1 to 16 are an integral part of the financial information.

# NOTES TO THE CONSOLIDATED ACCOUNTS

## 1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group financial information.

### 1.1. Basis of preparation

This consolidated financial information is for the year ended 31 December 2014 and has been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted for use by the European Union and the Companies Act 2006. These accounting policies and methods of computation are consistent with those used in prior years.

### 1.2. Consolidation and goodwill

#### Pyromex acquisition

On 8 August 2013; the Company acquired the remaining 70% interest in Pyromex. Pyromex is accounted as a wholly owned subsidiary of the Group. The original 30 per cent was held as an investment which had been impaired to nil due to the uncertainties surrounding the technology.

During the period the remaining 70% investment in Pyromex AG was impaired to a nil carrying value due to the wind down of operations that commenced after the balance sheet date.

### 1.3. Judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgements or complexity, or areas where assumptions or estimates are significant to the financial statements such as the impairment of assets and going concern are disclosed with the notes

### 1.4. Foreign currency translation

The financial information is presented in US dollars which is the Group's functional currency.

#### 1.4.1. Transactions and balances in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are revalued to the exchange rate at date of settlement or at reporting dates (as appropriate). Exchange gains and losses resulting from such revaluations are recognised in the Statement of Comprehensive Income.

Foreign exchange gains and losses are presented in the income statement within 'administration expenses'.

#### 1.4.2. Consolidation

The results and financial position of Group entities with a different functional currency to the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate of 31 December 2014;
- Income and expenses for each income statement are translated at average exchange rates over the period of consolidation; and
- the resulting exchange differences are recognised in other comprehensive income.

The principal rates used for translation are:

	2014 Closing	2014 Average
<b>British Pounds</b>	<b>1.5586</b>	<b>1.6075</b>
<b>Swiss Francs</b>	<b>1.0072</b>	<b>1.0658</b>

### **1.5. Going concern**

The Directors have considered all available information about the future events when considering going concern. The Directors have reviewed cash flow forecasts for 12 months following the date of these Financial Statements.

The convertible loan obtained from Hillgrove Investments Pty Limited (see note 10) is considered sufficient to settle outstanding creditors, maintain the Company's reduced overheads and other planned events for at least the next 12 months from the signing date of these Financial Statements. In addition, the Company is in receipt of a letter of intention of financial support from Hillgrove Investments Pty Limited to ensure the Company continues to meet its obligations as they fall due and to ensure it operates as a going concern for a period of at least 12 months. Based on this, the Directors acknowledge the uncertainties surrounding the availability of future funding but believe it is appropriate to continue to adopt the going concern basis of accounting for the preparation of the annual financial statements.

### **1.6. Revenue**

Revenue represents the amounts (excluding sales tax) derived from sales of power generation plus associated services.

Revenue from the sale of goods is recognised when the risk and rewards associated with the goods has been transferred to the purchaser. Revenue from services is recognised over the period of performance of the services.

### **1.7. Employee costs**

The group has no employees (2013: nil).

### **1.8. Operating Leases**

The Group has no operating leases (2013: nil).

### **1.9. Finance income and expenses**

Finance income and expenses are recognised as they are incurred or as a result of financial assets or liabilities being measured at amortised cost using the effective interest method. No finance expenses were incurred in the production of a qualifying asset.

### **1.10. Income tax expense**

The tax expense for the period comprises current and deferred tax.

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Temporary differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

### **1.11. Goodwill**

Goodwill arose on the acquisition of Pyromex and represents the excess of the consideration transferred over the fair value of the net identifiable assets, liabilities and contingent liabilities acquired. Goodwill is stated at cost less any impairment losses recognised.

### **1.12. Intangible assets**

Intangible assets arose on the acquisition of Pyromex and include trademarks and intellectual property related to the Pyromex technology. These were recognised at fair value at the acquisition date and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the fair value of the intangible assets over their estimated useful lives of 3 years. During the period the investment in Pyromex AG was impaired to a nil carrying value due to the wind down of operations that commenced after the balance sheet date.

### **1.13. Property, plant and equipment**

Plant, property and equipment are stated at cost less accumulated depreciation. Cost represents the cost of acquisition or construction, including the direct cost of financing the acquisition or construction until the asset comes into use.

Depreciation on plant, property and equipment is provided to allocate the cost less the residual value by equal instalments over their estimated useful economic lives of 3 to 7 years.

An item of plant, property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss is included in the Statement of Comprehensive Income.

### **1.14. Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads. It excludes borrowing costs.

### **1.15. Trade and other receivables**

Trade receivables are recognised at fair value. Subsequently they are carried at their initial recognition value less any impairment losses.

### **1.16. Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits.

### **1.17. Deferred taxation**

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date except as otherwise required by IAS 12.

A deferred tax asset is recognised where, having regard to all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements.

Deferred tax assets or liabilities are not recognised if they arise from the initial recognition of goodwill or from initial recognition of an asset or liability that at the time of the transaction affects neither accounting nor taxable profit nor loss. Except, however, where an asset or a liability is initially recognised from a business combination a deferred tax asset or liability is recognised as appropriate.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### **1.18. Loans**

Loans are financial obligations arising from funding received from financiers and the founding stockholders. These were recognised at fair value, net of any transaction costs incurred. Loans are subsequently carried at amortised cost using the effective interest method.

### 1.19. Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 1.20. Share capital and share premium

Proceeds from the issue of common stock or ordinary and deferred shares have been classified as equity. Costs directly attributable to the issue of these equity instruments are shown as a deduction, net of tax, from the proceeds.

### 1.21. Share based payments

The Group has used share-based compensation, whereby the Group receives services from employees or service providers in exchange for consideration for options in the share capital or shares of the Group. The fair value of the services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the services received, unless that fair value cannot be reliably measured, in which case the fair value of the of the stock and shares issued is used.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

### 1.22. Adoption of new and revised standards

There have been no standards or interpretations that have been adopted that have affected the amounts reported in these financial statements. As at the date of approval of the financial information, the following standards and interpretations were in issue but not yet effective:

IFRS 9	Financial Instruments
IFRS 10 (amended)	Consolidated Financial Statements
IFRS 11 (amended)	Joint Arrangements
IFRS 12 (amended)	Disclosure of Interests in Other Entities
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IAS 1 (amended)	Presentation of Items of Other Comprehensive Income
IAS 16 (amended)	Property, Plant and Equipment
IAS 19 (revised)	Employee Benefits
IAS 27 (amended)	Separate Financial Statements
IAS 28 (amended)	Investments in Associates and Joint Ventures
IAS 38 (amended)	Intangible assets

In addition, there are certain requirements of Improvements to IFRSs which are not yet effective.

The Directors are still assessing the impact of the adoption of these standards on the Group's results but do not anticipate that there will be a material impact on the Group's results.

## 2. Administrative expenses

Included in administrative expenses are;

	<b>2014</b>	2013
	<b>US\$</b>	US\$
Employee expenses	-	29,594
Impairment of Goodwill	<b>1,874,735</b>	-
Depreciation and amortisation	<b>595,159</b>	322
Professional fees	-	149,702
	<hr/>	<hr/>

At 31 December 2014, the Group had no employees (2013: nil).

### 3. Employee benefits

	2014 US\$	2013 US\$
Wages and salaries	-	29,594
Total employee benefits	-	29,594

### 4. Finance expenses

	2014 US\$	2013 US\$
Shareholder loan interest	409,465	292,083
Other loan interest	121,006	94,470
Total finance expenses	530,471	386,556

### 5. Income tax credit

	2014 US\$	2013 US\$
Current taxation	-	-
Deferred taxation	-	-
Total taxation credit	-	-

The tax charge is lower (2013: lower) than the standard rate of tax. Differences are explained below.

	2014 US \$	2013 US \$
<b>Current tax</b>		
Loss before taxation	5,047,975	1,044,182
Tax credit at standard UK corporation tax rate of 21% (2013 – 23%)	1,060,075	240,161
Effects of:		
Expenses not deductible for tax purposes	(646,661)	-
Deferred tax not recognised	(413,414)	(240,161)
Income tax expense	-	-

### 6. Loss per share

	2014	2013
Loss after taxation—attributable to owners of the Company (US\$)	(4,904,980)	(1,204,365)
Weighted average number of shares	285,425,948	285,425,948
Loss per share (US\$)	<(0.01)	<(0.01)

As the Group incurred a loss, potential ordinary shares are anti-dilutive and accordingly no diluted earnings per share has been presented.

## 7. Intangible assets

	Goodwill	Pyromex technology	Licence agreements	Total
At 1 January 2013				
Cost	4,035,356	2,087,081	990,840	<b>7,113,277</b>
Accumulated amortisation and impairment	(4,035,356)	-	(990,840)	<b>(5,026,196)</b>
Net carrying value	-	2,087,081	-	<b>2,087,081</b>
Closing carrying value				
At 31 December 2013				
Cost	4,035,356	2,087,081	990,840	<b>7,113,277</b>
Accumulated amortisation and impairment	(4,035,356)	-	(990,840)	<b>(5,026,196)</b>
At 1 January 2014	-	2,087,081	-	<b>2,087,081</b>
Net carrying value	-	-	-	-
Impairment recognised in period	-	(1,874,735)	-	<b>(1,874,735)</b>
Pyromex acquisition	-	-	-	-
Foreign exchange fluctuations	-	(212,346)	-	<b>(212,346)</b>
Closing carrying value				
At 31 December 2014				
Cost	-	-	-	-
Accumulated amortisation and impairment	-	-	-	-

Goodwill was recognised as the excess of the fair value of the consideration determined in accordance with IFRS 3 accounting for reverse acquisitions over the fair value of the net liabilities acquired. Following the decision to wind down the Pyromex operation as discussed in the Directors' Report, the Goodwill has been impaired to a carrying value of nil.

Licence agreements represented the capitalised licence fees paid by PowerHouse Energy, Inc. to Pyromex and RenewMe for rights associated with the Pyromex technology.

## 8. Property, plant and equipment

	Pyromex equipment	Office equipment	Total
At 1 January 2013			
Cost	662,272	45,926	<b>6,995,788</b>
Accumulated depreciation	-	(9,566)	<b>(5,170,152)</b>
Opening carrying value	662,272	36,360	<b>1,825,636</b>
Depreciation	-	(6,628)	<b>(6,628)</b>
Pyromex loss of control	(1,842,079)	(26,965)	<b>(1,869,044)</b>
Closing carrying value	-	957	<b>(1,925,708)</b>
At 31 December 2013			
Cost	662,272	2,888	<b>665,160</b>
Accumulated depreciation	-	-	-
Net carrying value	-	2,888	<b>665,160</b>
Depreciation	(594,726)	(433)	(595,159)
Foreign exchange fluctuations	(67,546)	-	(67,546)
At 31 December 2014	-	2,455	<b>2,455</b>

## 9. Inventories

The Group has no inventories (2013: nil).

## 10. Trade and other receivables

	2014 US\$	2013 US\$
Other receivables	34,734	33,526
VAT receivable	9,112	20,785
Total trade and other receivables	<b>43,846</b>	54,311

## 11. Cash and cash equivalents

Cash and cash equivalents consist solely of cash balances in bank accounts.

## 12. Deferred taxation

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets in respect of losses.

## 13. Loans

	Notes	2014 US\$	2013 US\$
Other loan	13.1	-	550,036
Shareholder loan	13.2	<b>3,402,366</b>	1,992,002
Total loans		<b>3,402,366</b>	2,542,038
Classified as:			
- Current		<b>3,402,366</b>	2,542,038
- Non-current		-	-

### 13.1. Other loan

On 2 April 2014 the Company negotiated a settlement to repay the Aspermont loan in full by way of issue and allotment for 11,500,000 1 pence shares in the Company.

### 13.2. Shareholder Loan

Hillgrove Investments Pty Limited ("Hillgrove") has provided the PowerHouse Energy Group plc with a convertible loan agreement amounting to \$3,402,366 – which can be increased at Hillgrove's option. The loan is secured by a debenture over the assets of the company, repayable on 8 October 2014 and carries interest of 15 per cent per annum.

Hillgrove have provided a letter of support indicating they are willing to increase the loan amount pending any unforeseeable or material changes to the Group's current circumstances.

## 14. Trade and other payables

	2014 US\$	2013 US\$
Trade creditors	1,701,144	1,445,921
RenewMe	316,721	1,155,966
Other accruals	49,620	373,073
Total trade and other payables	<b>2,067,485</b>	2,974,963

#### 14. Trade and other payables (continued)

Trade and other payables are classified as:

- Current	2,067,485	2,974,963
- Non-current	-	-

##### 14.1. RenewMe

RenewMe Limited had been granted exclusive rights by Pyromex to use, own, assemble and install and operate Pyromex systems in territories also licensed to the Group's subsidiary PowerHouse Energy, Inc. The Group entered into a settlement agreement with RenewMe whereby the parties agreed to change the respective exclusive rights pertaining to the Pyromex technology. Under the original settlement agreement Powerhouse Energy, Inc. had the obligation to pay five instalments of EUR 200,000 annually beginning 30 June 2011. The Group guaranteed the obligations under the agreement of PowerHouse Energy, Inc. As PowerHouse Energy, Inc is unable to meet its obligations, all remaining amounts (EUR 800,000) due under the original settlement agreement have been recognised as a liability.

On 3 March 2014 the Group announced that a settlement had been reached with RenewMe to release its claimed geographical licenses to use our technology under a disputed royalty agreement with Pyromex and other claims against the company in return for €211,000 and the issue of 18,331,996 new Ordinary Shares in the Group. While the equity portion of that settlement has been satisfied, the cash payment has not been settled and the agreement has not been completed. The Group is in active discussion with RenewMe to finalize an agreement.

Capital commitments not accrued for at the period end amounted to £100,000 (2013: £nil) and related to plant and machinery that had not yet been received.

##### 15. Seasonality

The Group's business is not subject to any consistent seasonal fluctuations.

##### 16. Directors' Remuneration and share interests

The Directors who held office at 31 December 2014 had the following interests, including any interests of a connected person in the ordinary shares of the Company:

	Number of ordinary shares of 1.0p each	Percentage of voting rights
Nigel Brent Fitzpatrick	103,459	<0.1

The remuneration of the Directors of the Company paid for the year or since date of appointment, if later, to 31 December 2013 is:

	2014 \$ Salary/Fee	2014 \$ Pension	2014 \$ Benefits	2014 \$ Total	2013 \$ Total
Nigel Brent Fitzpatrick	-	-	-	-	-
James John Pryn Greenstreet	-	-	-	-	-
Robert Keith Allaun	161,000	-	-	161,000	161,000

##### Service contracts

Brent Fitzpatrick and James Greenstreet have service contracts which can be terminated by providing three months' written notice.