



POWERHOUSE ENERGY GROUP PLC

COMPANY NUMBER 03934451

**ANNUAL REPORT AND CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013**

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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	16 Great Queen Street London WC2B 5DG, United Kingdom
Website	www.powerhouseenergy.net
Bankers	HSBC 79 Piccadilly London W1J 8EU, United Kingdom
Nominated Adviser and Broker	Sanlam Securities UK Limited 10 King William Street London EC4N 7TW, United Kingdom
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

Another year of building a solid foundation for PowerHouse Energy Group, plc (PHEG)

Fiscal year 2013, brought a number of challenges and opportunities. By and large, each was met head-on, and a positive outcome was achieved on behalf of the company. We were able to convert a number of previously unsettled debts into equity in the company, and several long-held disputes were resolved amicably and in the shareholders' best interests. Much of the year was spent working with the team at Pyromex, the creators of the Ultra High Temperature Gasification Reactor.

By August 2013, the company had achieved its most significant milestone since the IPO- that of the completion of the acquisition of the 70 per cent interest in Pyromex Holding, AG, Pyromex AG, and Pyromex GmbH not already owned by the company. The acquisition of the Pyromex group of companies has positioned us to integrate the companies into a workable whole, with each member of the team moving in concert with the others. This acquisition has brought the technology completely under the control of PHEG and has allowed us to begin taking the necessary steps to deliver a viable commercial platform.

By December, 2013, the successful testing and commissioning of the company's first nominal 5 tonne per day unit had been completed in Switzerland and Pyromex was awarded the EU Certification verifying its compliance with all regulatory, safety, and environmental standards necessary for sales and operation throughout the European Union. As part of the commissioning process the machine was run through the entire thermal cycle dozens of times- more often than would be required in an entire year's operation- with very good results.

A number of projects are being developed around the use of the nominal 5 tonne per day machine and we are confident that these projects will result in sales for the company. We have hosted over 50 individuals and companies who have expressed interest in our system, and we continue to support these potential customers in their permitting and pre-project development efforts.

One of the very attractive features of our Pyromex process is our ability to "tune" the gas composition and create a very high volume stream of hydrogen gas. Due to this ability we made the decision to acquire a beta version of the AFC Fuel Cell- a technology that appears to be ideally suited to operate in conjunction with our gasification reaction. We are planning a robust testing program with the AFC Fuel Cell when the unit is delivered in Q1 of next year. We are confident that the two technologies, working in concert, will deliver energy from waste with an efficiency not yet seen in the market.

A major benefit of the successful commissioning of the 5 tonne per day unit has been that we have developed a number of new modifications and innovations that we will be integrating into our 25 tonne per day plant in Eitting, Germany. These innovations have dramatically improved the operational efficiency and maintenance ability of the plant. We look forward to implementing these enhancements in our Eitting facility this next year.

Our current focus is to build out the commercial capabilities of the company and begin rolling out sales and revenues based on our core technology. There are over 130 companies operating in the Waste to Energy space, each with its own claims. However, we believe that we have created the most environmentally friendly, economically efficient, modular system available on the market today. We are enjoying inquiries from Asia, India, the United States, South America and, of course, from across Europe. We are confident that this next year will allow us to gain the traction necessary to begin driving the company forward.

PHEG operations, including the completion of the acquisition of Pyromex, was funded through a continuation of the Hillgrove Investments Pty Ltd, (Hillgrove) Convertible Loan Agreement dated June 19 2012 which allows Hillgrove, at its discretion, to further fund company operations as it has been doing to date. Furthermore, Hillgrove has provided a Letter of Support to ensure that the company's debts are paid as and when they are due and within the normal course of business. Finally, Hillgrove has extended the maturity date of the note from 8 October 2014, to 7 October 2015.

Due to the increase in operational expenses PHEG was required to assume in the wake of the acquisition of the Pyromex companies, Hillgrove requested, and was granted, a fixed and floating charge (debenture) over the assets of PHEG, including all shares of Pyromex Holding, AG, on 24 February 2014.

The company has continued to operate with a very lean approach to the business as we better understand our customers' needs and how our technology and platform solve the significant challenges inherent in carbon-neutral waste destruction and green-energy generation - all the while operating safely and generating only a minor amount of completely non-toxic, non-leaching, residue which can be perfectly utilized in the construction industry.

As these are our accounts up to 31 December 2013, they do not reflect the settlement of the large debt due to Aspermont and other parties post year end. However, that loan was settled at a price of less than face-value, and eliminated a significant distraction to management. It was announced earlier this year 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. We remain in active discussion with Renewme to finalize an amicable agreement.

The annual accounts for the year ended 31 December 2013 show separate accounts for both the Company and the Group. The Company accounts have been presented prior to the Group accounts as the Board of Directors believes that this more accurately represents the ongoing position of PHEG.

The Group accounts include the results of the Pyromex group as PHEG has acquired Pyromex in totality. However, as can be seen in the Auditor's Report, the Pyromex accounts have not been finalized and may be subject to revision. Previously, due to challenges with the Pyromex technology, but subsequently resolved, the asset value of our 30% holding of the company was impaired, however with the completion of the nominal 5 tonne per day unit, and several innovations in the development of the unit, applicable to our 25 TPD unit (and the clear path to building a 50TPD unit) further investments made during the year have not been impaired.

The principal risks of the company are included in note 13 of the annual report. A key risk for the Company, which of maintaining the cash resources necessary to operate as a going concern, has been mitigated through the provision of the convertible loan agreement and letter confirming its current intention to continue to provide financial support for the next 12 months provided by Hillgrove Investments Pty. Ltd.

The Directors have a reasonable expectation that the Company will have adequate resources to continue as a going concern for the foreseeable future. Thus we continue to adopt the going concern basis of accounting for the preparation of the annual financial statements.

The Waste to Energy market continues to grow dramatically. We're now wholly a part of that through our acquisition of the Pyromex technology. The challenges of the future are now those of execution. We have all of the parts. We have created a solid foundation on which a robust company can be built. It is our intention to create a showplace of our Eitting facility (next to the Munich Airport), and to leverage the tremendous demand for non-toxic, waste to energy solutions. Ours is one of the few- no tar, no smoke, no ash, and no toxins. Clean synthesis gas, and green, renewable energy from waste is the result of our process. We're now positioned to begin our commercial roll-out of our technology and I look forward to reporting progress in the coming year.

Sincerely,

Keith Allaun
Chairman

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 2013. 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 28 August 2014.

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 acquired and fully developed Pyromex technology. 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.

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 5.

The Company financial statements for the year ended 31 December 2013 are set out on pages 11 to 20. The Company loss for the year after taxation amounted to £678,462 (2012: Profit of £554,528). Included in last year's profit was a credit for waiver of its £1,109,068 intercompany loan with its subsidiary, Powerhouse Energy, Inc. The Group financial statements are set out on pages 23 to 36. The Group loss for the year after taxation amounted to \$1,204,365 (2012: \$2,206,710). The net liabilities of the Company are £1,129,769 (2012: £1,125,229) with the movement in the year set out on page 11. The net liabilities of the Group are \$2,640,832 (2012: \$2,302,034) with the movement in the year set out on page 24.

The Directors do not recommend the payment of a dividend (2012: £nil).

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

Details of significant events since the balance sheet date are contained in note 15 to the Company financial statements.

Charitable and political donations

During the year, the Company and Group made no charitable or political donations (2012: £nil).

Research and development

During the year, no research and development expenditure was incurred by the Company. The Group incurred no research and development related costs during the year (2012: £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 2013 were as follows:

	Number of ordinary shares of 1.0p each	Percentage of voting rights
Pershing Nominees Limited	83,615,642	24.0
Lynchwood Nominees Limited	61,239,496	17.6
Roy Nominees Limited	32,732,534	9.4
Linc Energy Limited	28,350,000	8.1
Dilato Holding Pty Limited	24,989,765	7.2
Hillgrove Investments Pty Limited	20,000,000	5.7
Ferlim Nominees Limited	17,831,996	5.1

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 2013 were 73 days (2012: 131 days) and for the Group 113 days (2012: 189 days).

Going concern basis

The Directors 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 2014.

Keith Allaun
Director

STRATEGIC REPORT

Business review

During the year under review the Company has continued to work with and fully develop a commercial platform based on the Pyromex Technology it has acquired and brought fully under PowerHouse control. During this year, the first commercially available 5 tonne per day (nominal) unit was manufactured. A full review of the business and an indication of future developments is set out in the Chairman's report on page 4 to 5.

While the Company has not finalized a sale, several sales are in current negotiation, and others are expected based upon the significant apparent interest in visiting the facility for commercial demonstrations of the unit in operation. Additionally, a re-commissioning of the Eitting facility, based upon the newly engineered and design developments of the 5 TPD unit is expected in the near term. Once operational, this unit will begin to produce revenues from both tipping fees and electrical generation. Should sales fail to materialise the Company will continue to receive financial support from Hillgrove Investments Pty Limited as noted below.

The Company loss for the year is £678,462 (2012: profit of £554,528). Included in last year's profit was a credit for the waiver of an intercompany loan of £1,109,068.

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

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.

The directors have assumed that the RenewMe settlement (note 9) will be resolved and will have minimal impact on cash flow.

Further information Company's principal risks are detailed in note 13 on page 19.

Approved by the Board of Directors and signed on behalf of the Board on 30 June 2014.

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 Allaun
Director
30 June 2014

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 2013 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes 1 to 16. 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 2013 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 2013. 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.

Simon Manning (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom
30 June 2014

COMPANY STATEMENT OF COMPREHENSIVE INCOME

	Note	31 December 2013 £	31 December 2012 £
Revenue		-	45,000
Administrative expenses	2	(404,309)	(354,571)
Operating loss		(403,935)	(309,571)
Finance income		-	2
Finance costs	3	(274,153)	(124,972)
Impairment of investment	7	-	(119,999)
Loan waivers	10	-	1,109,068
(Loss)/profit before taxation		(678,462)	554,528
Income tax expense	4	-	-
Total comprehensive (expense)/income		(678,462)	554,528
(Loss)/earnings per share (pence)	5	(0.22)	0.19
Diluted (loss) / earnings per share (pence)	5	(0.22)	<0.01

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 2012	2,842,712	45,981,597	781,808	389,494	(51,746,419)	(1,750,808)
<i>Transactions with equity participants:</i>						
- Shares issued to settle liabilities	20,200	7,070	-	-	-	27,270
- Conversion of warrants	2,432	41,349	-	-	-	43,781
- Total comprehensive income	-	-	-	-	554,528	554,528
Balance at 31 December 2012	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 issues 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)	(678,088)
Balance at 31 December 2013	3,483,079	46,030,203	781,808	389,494	(51,814,353)	(1,129,769)

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

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	2013 £	2012 £
ASSETS			
Non-current assets			
Property, plant and equipment	6	114	343
Investments	7	1,038,026	1
Total non-current assets		1,038,140	344
Current Assets			
Trade and other receivables	8	169,086	2,310
Cash and cash equivalents		41,417	7,125
Total current assets		210,503	9,435
Total assets		1,248,643	9,779
LIABILITIES			
Non-current liabilities			
Loans	10	-	(194,308)
Current liabilities			
Trade and other payables	9	(847,063)	(728,978)
Loans	10	(1,531,349)	(211,722)
Total current liabilities		(2,378,412)	(940,700)
Net liabilities		(1,129,769)	(1,125,229)
EQUITY			
Share capital	11	3,483,079	2,865,344
Share premium		46,030,203	46,030,016
Deferred shares		1,171,302	1,171,302
Accumulated losses		(51,814,353)	(51,191,891)
Total deficit		(1,129,769)	(1,125,229)

The financial statements of PowerHouse Energy Group Plc, Company number 03934451, were approved by the board of Directors and authorised for issue on 28 June 2014 and signed on its behalf by:

Keith Allaun
Director

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

COMPANY STATEMENT OF CASH FLOWS

	2013 £	2012 £
Cash flows from operating activities		
(Loss) /Profit after taxation	(678,462)	554,528
Adjustments for:		
- Depreciation and amortisation	229	729
- Finance costs	274,153	124,972
- Finance income	-	(2)
- Waiver of loan by PowerHouse Energy, Inc.	-	(1,109,068)
- Impairment of non-current assets	-	119,999
Changes in working capital:		
- (Increase)/Decrease in trade and other receivables	(166,776)	114,510
- Increase/(Decrease) in trade and other payables	118,085	(100,188)
- Movement in loans – intercompany	-	(99,519)
Net cash used in operations	(452,772)	(394,039)
Cash flows from investing activities		
Disposal/ (purchase) of tangible assets	-	1,771
Net cash flows generated from investing activities	-	1,771
Cash flows from financing activities		
Share (purchase)/ issue	(455,975)	43,791
Finance income	-	2
Finance costs	(274,153)	(124,972)
Loans	1,148,609	406,030
Net cash flows from financing activities	418,294	324,841
Net decrease in cash and cash equivalents	34,290	(67,427)
Cash and cash equivalents at beginning of period	7,125	74,552
Cash and cash equivalents at end of period	41,415	7,125

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 2013 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 accounts. The cash flow forecast assumes no further funding of PowerHouse Energy, Inc. and Pyromex by the Company and a favourable settlement outcome to RenewMe liability (see note 9) and the settlement post year end of the Aspermont loan (see note 10).

The convertible loan obtained from Hillgrove Investments Pty Limited (see note 10) is considered sufficient to settle outstanding creditors, maintain the Company's reduced overhead and other planned events for at least the next 12 months from the signing date of these accounts. 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 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 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 income statement 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.

1.7. Operating Leases

The Company has no operating leases.

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.

1.9. Income tax expense

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

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.

On 8th August 2013 the Company acquired the remaining 70 per cent of Pyromex AG. The investment is carried at cost less accumulated impairment. Cost was determined using cash plus the fair value of shares issued to acquire the investment. This investment is carried at cost due to the successful completion of the first unit, further details are set out in the Chairman's report on pages 4 and 5.

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. The investment in PowerHouse Energy, Inc. was held at £1 by recognising a further impairment in the prior year. The investment in Pyromex AG is held at cost, due to the successful completion of the first unit no impairment is deemed necessary.

2. Administrative expenses

Included in administrative expenses are:

	2013	2012
	£	£
Directors' fees	106,047	64,409
Depreciation	229	729
Operating leases	-	27,200
Net foreign exchange loss	2,966	1,414
Auditor's remuneration – Company's audit	10,000	10,000

3. Finance costs

	2013	2012
	£	£
Aspermont loan	67,000	118,442
Hillgrove Investments Pty Limited	207,153	6,530
	274,153	124,972

4. Income tax expense

As the Company incurred a loss, no current tax is payable (2012: £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 £2,709,420 (2012: £1,678,673).

5. (Loss)/Earnings per share

	2013	2012
Total comprehensive (loss)/profit (£)	(678,275)	554,528
Weighted average number of shares	312,273,426	285,085,115
Weighted average number of dilutive shares	1,816,072	139,500,000
(Loss)/Earnings per share in pence	(0.22)	0.19
Diluted (loss)/profit per share in pence	(0.22)	<0.01

6. Property, plant and equipment

	Office equipment £
Opening carrying value	343
Depreciation	(229)
Net carrying value	114

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.

The original investment of 30 per cent in Pyromex AG was held in Powerhouse Energy Inc. During the year to 31 December 2012 this was transferred to Powerhouse Energy Plc at a value of £1.

During the year the company purchased the remaining 70 per cent of Pyromex AG and the Company holds 100 per cent of the common stock and voting rights of the subsidiary. Cost of the investments are stated at purchase price. The 70 per cent is held at cost as the first unit is now functional and no impairment is deemed necessary.

	2013	2012
	£	£
Investment - Cost	48,947,154	47,909,129
Accumulated impairment	(47,909,128)	(47,909,129)
	1,038,026	1

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.

8. Trade and other receivables

	2013	2012
	£	£
Other receivables	8,467	-
VAT receivable	956	2,310
Pyromex	159,663	-
	169,086	2,310

The receivable from Pyromex AG of £159,663 is repayable on demand, is unsecured and attracts interest at a rate of 10 per cent per annum.

9. Trade and other payables

	2013	2012
	£	£
Trade payables	90,877	38,792
RenewMe	720,225	653,896
Other accruals	35,961	36,290
	847,063	728,978

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 meet its obligations, all remaining amounts (EUR 800,000) due under the original settlement agreement have been recognised as a liability.

It was announced post year end 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.

10. Loans

	2013	2012
	£	£
Aspermont loan (shown as current)	328,739	211,722
Hillgrove Investments Pty Limited (shown as current / prior year non-current)	1,202,609	194,308
	1,531,348	406,030

The Aspermont loan consists of Aspermont Ltd, Dilato Holdings Pty Ltd and Tesla Nominees Pty Ltd. These parties collectively provided a facility of £100,000 to the Company repayable by 18 May 2012, which incurs interest at a default rate of 7 per cent per month. Since the balance sheet date the Company has negotiated for the loan to be converted to equity. On 2 April 2014 the Company negotiated a settlement to repay the loan in full by way of issue and allotment for 11,500,000 1 pence shares in the Company.

The loan from PowerHouse Energy, Inc. was waived during the prior year.

Hillgrove Investments Pty Limited ("Hillgrove") has provided the Company with a convertible loan agreement amounting to £1,202,609 – 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 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
Balance at 1 January 2012	284,271,197	17,373,523	9,737,353
Issue of shares to settle liabilities	2,020,000	-	-
Exercise of Warrants	243,229	-	-
Balance at 31 December 2012	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		
Conversion of warrants	11		
Balance at 31 December 2013	348,307,926	17,373,523	9,737,353

12. Convertible instruments

	<i>Average exercise price</i>	<i>Exercisable</i>			Total
		Currently	Within 1 year	1 to 5 years	
Driftwood	12.4 £0.120	-	535,500	2,421,429	2,956,929
		-	535,500	2,421,429	2,956,929

12.1. Warrants

Warrant holders holding 9,493,448 warrant instruments to subscribe ordinary shares at an exercise price of £0.180 per share. 1,100 warrants were exercised at a price of 18p, the remaining 9,492,349 lapsed on 29 June 2013.

12.2. Linc Energy

Linc Energy Limited held options to acquire ordinary shares as follows up to a value of US\$6,000,000 (£3,882,741), exercisable at any time in the 30 month period following Admission (29 June 2011) at a price equal to a 20 per cent discount to the previous 60 day volume weighted price of an ordinary share. The options expired on 29 December 2013.

12.3. Hillgrove

Hillgrove Investments Pty Limited held an option to acquire ordinary shares up to a value of US\$3,000,000 (£1,941,371), exercisable at any time in the 30 month period following Admission (29 June 2011) at a price equal to a 20 per cent discount to the previous 60 day volume weighted price of an ordinary share. The options expired on 29 December 2013.

In addition, Hillgrove has the option at any time to convert its loan of £1,202,609 in part or whole at a conversion price of 1p per share.

12.4. 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.

12.5. Other

Kailing Wang, John Carter Brookhart and Andrew Forbes each held 833,333 options over ordinary shares at an exercise price of US\$0.30 (£0.186) per share exercisable at any time up to 10 June 2013. These options expired on 10 June 2013.

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.

13.2. Reliance on the Pyromex technology

As a result of technical issues identified since the Group's investment in Pyromex technology, there has been material reductions to the carrying values of assets previously recognised. This highlights the Company's dependency on its exploitation of the Pyromex technology. In the event the Pyromex technology continues to be unproven competing technologies may capture the market targeted by the Pyromex technology resulting in reduced returns for shareholders.

13.3. Resolution to Aspermont and RenewMe obligations

In assessing the going concern, the Directors have assumed that the obligation to RenewMe (see note 9) is resolved with minimal impact on cash flows. Discussions are on-going and RenewMe seem willing to support the Company. However, there is no absolute certainty that these liabilities will be settled as anticipated. Aspermont has, since the balance sheet date agreed to convert the loan balance to equity (see note 10)

14. Directors' Remuneration

The Directors who held office at 31 December 2013 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 Directors who held office at 31 December 2013 had the following options over ordinary shares, including those of a connected person:

	Number of instruments	Exercise price	Date exercisable	Expiry date
Nigel Brent Fitzpatrick	103,459	£0.18	29 June 2012	29 June 2013

These options have now expired.

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

	2013	2013	2013	2013	2012
	£	£	£	£	£
	Salary/Fee	Pension	Benefits	Total	Total
Nigel Brent Fitzpatrick	-	-	-	-	-
James John Pryn Greenstreet	-	-	-	-	-
Robert Keith Allaun	106,047	-	-	-	64,409

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 its shareholding in the Company.

During the year Hillgrove Investments Pty Limited loaned the company a further £801,148 and charged £207,513 interest. The balance outstanding at the year end was £1,202,609 (2012: £194,308)

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 2013 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 16. 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 2013 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 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 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 were unable to determine whether adequate accounting records have been kept.

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 matters

We have reported separately on the parent Company financial statements of PowerHouse Energy Group plc for the year ended 31 December 2013. The opinion in that report is unqualified.

Simon Manning (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom
28 June 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2013 US\$	Year ended 31 December 2012 US\$
Revenue		3,330	19,756
Cost of sales		(46,825)	-
Gross (loss) /profit		(43,495)	19,756
Administrative expenses	2	(614,132)	(594,520)
Operating loss		(657,627)	(574,764)
Finance income		1	4
Loan waivers		-	352,322
Loss of control	1.2	-	(1,309,296)
Equity accounted loss	1.2	-	(475,646)
Finance expenses	4	(386,556)	(210,272)
Loss before taxation		(1,044,182)	(2,217,652)
Income tax credit	5	-	10,942
Loss after taxation		(1,044,182)	(2,206,710)
Foreign exchange arising on consolidation		(160,183)	(36,462)
Foreign exchange included in profit and loss arising from loss of control		-	1,095,440
Total comprehensive expense		(1,204,365)	(1,147,732)
Total comprehensive expense attributable to:			
Owners of the Company		(1,204,365)	(592,078)
Non-controlling interests		-	(555,654)
Loss per share (US\$)	6	<(0.01)	(0.05)

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 2012	80,050,893	(18,090,906)	(63,781,669)	1,665,494	(156,188)
<i>Transactions with equity participants:</i>					
- Shares issued to settle warrants	43,850	-	-	-	43,850
- Exercise of warrants	67,876	-	-	-	67,876
- Pryomex, loss of control	-	-	-	(1,109,840)	(1,109,840)
<i>Total comprehensive income:</i>					
- Loss after taxation	-	(1,606,239)	-	(600,471)	(2,206,710)
- Foreign exchange included in profit and loss arising from loss of control	-	-	1,095,440	-	1,095,440
- Foreign exchange arising on consolidation	-	-	(81,729)	44,817	(36,462)
Balance at 31 December 2012	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 arising on consolidation	-	-	(160,183)	-	(160,183)
Balance at 31 December 2013	81,188,059	(20,901,510)	(62,927,381)	-	(2,640,832)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2013 US\$	31 December 2012 US\$
ASSETS			
Non-current assets			
Intangible assets	7	2,087,081	-
Property, plant and equipment	8	665,160	957
Total non-current assets		2,752,241	957
Current Assets			
Trade and other receivables	10	54,311	3,790
Cash and cash equivalents	11	69,617	11,492
Total current assets		123,928	15,282
Total assets		2,876,169	16,239
LIABILITIES			
Non-current liabilities			
Loans	13	-	(313,399)
Total non-current liabilities		-	(313,399)
Current liabilities			
Loans	13	(2,542,038)	(401,400)
Trade and other payables	14	(2,974,963)	(1,603,474)
Total current liabilities		(5,517,001)	(2,004,874)
Total liabilities		(5,517,001)	(2,318,273)
Net liabilities		(2,640,832)	(2,302,034)
EQUITY			
Shares and stocks		81,188,059	80,162,619
Other reserves		(62,927,381)	(62,767,508)
Accumulated losses		(20,901,510)	(19,697,145)
Non-controlling interests		-	-
Total deficit		(2,640,832)	(2,302,034)

The financial statements were approved by the board of Directors and authorised for issue on 30 June 2014 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

	Note	Year ended 31 December 2013 US\$	Year ended 31 December 2012 US\$
Cash flows from operating activities			
Loss before taxation		(1,204,365)	(2,217,652)
Adjustments for:			
- Finance income		(1)	(4)
- Finance costs		386,556	210,272
- (Loss of control) / Fair value gain on step acquisition		-	1,309,296
- Equity accounted loss		-	475,646
- Loan waivers		-	(352,322)
- Impairment of non-current assets		-	-
- Depreciation and amortisation		322	124,049
- Common stock and shares issued for services		-	-
- Foreign exchange revaluations		(160,183)	(99,327)
Changes in working capital:			
- Decrease/ (Increase) in trade and other receivables		(50,251)	226,580
- (Decrease)/ Increase in trade and other payables		1,371,489	(569,617)
- Taxation paid		-	(800)
Net cash used in operations		343,567	(893,876)
Cash flows from investing activities			
Disposal (purchase) of tangible and intangible assets		-	2,846
Loss of control / reverse acquisition	1.2	-	(11,010)
Net cash flows used in investing activities		-	(8,164)
Cash flows from financing activities			
Common stock issue (net of issue costs)		(756,919)	111,276
Finance income		1	4
Finance costs		(386,556)	(210,272)
Loans received/(repaid)		864,202	627,197
Net cash flows from financing activities		(282,272)	528,655
Net increase / (decrease) in cash and cash equivalents		61,295	(373,385)
Cash and cash equivalents at beginning of period		11,492	382,445
Foreign exchange on cash balances		(3,170)	2,432
Cash and cash equivalents at end of period		69,617	11,492

The notes numbered 1 to 16 are an integral part of the financial information.
756,919

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 2012 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

Reverse takeover

On 29 June 2012, PowerHouse Energy Group plc acquired 100 per cent of the common stock holding of PowerHouse Energy, Inc. by issuing 273,766,453 PowerHouse Energy Group plc shares to the common stockholders of PowerHouse Energy, Inc. ("the Reverse Takeover").

The Reverse Takeover has been treated as a reverse acquisition under IFRS3 (2008) "Business combinations" whereby PowerHouse Energy, Inc. has been treated as the acquirer PowerHouse Energy Group plc.

A reverse takeover reserve (included with other reserves) has been created to account for the fair value of the consideration for the reverse acquisition and to account for the change in the equity structure from that of PowerHouse Energy, Inc. to that of the legal holding Company, PowerHouse Energy Group plc.

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. These results show the impact of the acquisition of Pyromex.

	US\$
Intangible assets	1,057,963
Tangible assets	665,160
	<hr/>
Net assets acquired	1,723,123
	<hr/>
Attributable to:	
- Owners of the Company – 100%, recognised as investment in subsidiary	1,723,123

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 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 2013;
- 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:

	2013 Closing	2013 Average
British Pounds	1.6564	1.4089
Swiss Francs	1.1244	1.0933
EURO	1.3783	1.3491

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 accounts. The cash flow forecast assumes no further funding of PowerHouse Energy, Inc. and Pyromex by the Company and a favourable settlement outcome to RenewMe liability (see note 9) and the settlement post year end of the Aspermont loan (see note 10).

The convertible loan obtained from Hillgrove Investments Pty Limited (see note 10) is considered sufficient to settle outstanding creditors, maintain the Company's reduced overhead and other planned events for at least the next 12 months from the signing date of these accounts. 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 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.

1.8. Operating Leases

The Group has no operating leases.

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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

1.11. Goodwill

Goodwill arose on the Reverse listing and the acquisition of Pyromex and represents the excess of the consideration transferred over the in net 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.

1.13. Plant, property 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. Common stock, 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 1 (amended)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
IFRS 7 (amended)	Disclosures – Transfers of Financial Assets
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 1 (amended)	Presentation of Items of Other Comprehensive Income
IAS 12 (amended)	Deferred Tax: Recovery of Underlying Assets
IAS 19 (revised)	Employee Benefits
IAS 27 (revised)	Separate Financial Statements
IAS 28 (revised)	Investments in Associates and Joint Ventures
IAS 32 (amended)	Offsetting Financial Assets and Financial Liabilities

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

The Directors do not anticipate that the adoption of these standards and interpretations in future reporting periods will have a material impact on the Group's results.

2. Administrative expenses

	2013 US\$	2012 US\$
Employee expenses	29,594	(577,628)
Depreciation and amortisation	322	124,049
Professional fees	149,702	169,375

Included in employee expenses for the year ended 31 December 2012 are the release of the obligation to pay accrued wages as part of the agreements reached with various employees. At 31 December 2013, the Group had no employees.

3. Employee benefits

	2013 US\$	2012 US\$
Wages and salaries	29,594	(598,462)
Employer's taxes and social security costs	-	24,075
Pension costs	-	12,849
Healthcare and other	-	3,910
Total employee benefits	29,594	(577,628)

4. Finance expenses

	2013 US\$	2012 US\$
Citi bank business loan	-	2,476
Management loans	-	2,437
Other	-	3,841
Hillgrove Investments Pty Limited	292,083	10,842
Aspermont	94,470	191,036
Total finance expenses	386,556	210,272

5. Income tax credit

	2013 US\$	2012 US\$
Current taxation	-	(800)
Deferred taxation	-	11,742
Total taxation credit	-	10,942

6. Loss per share

	2013	2012
Loss after taxation—attributable to owners of the Company (US\$)	(1,204,365)	(12,581,950)
Weighted average number of shares	285,425,948	245,331,092
Loss per share (US\$)	<(0.01)	(0.05)

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 2012				
Cost	4,035,356	27,931,414	990,840	32,957,610
Accumulated amortisation and impairment	(4,035,356)	(25,868,576)	(990,840)	(30,894,772)
Net carrying value	-	2,062,838	-	2,062,838
Amortisation	-	(117,421)	-	(117,421)
Pyromex loss of control	-	(2,005,446)	-	(2,005,446)
Foreign exchange fluctuations	-	60,029	-	60,029
Closing carrying value	-	-	-	-
At 31 December 2012				
Cost	4,035,356	-	990,840	5,026,196
Accumulated amortisation and impairment	(4,035,356)	-	(990,840)	(5,026,196)
At 1 January 2013	-	-	-	-
Net carrying value	-	-	-	-
Amortisation	-	-	-	-
Pyromex acquisition	-	2,087,081	-	2,087,081
Foreign exchange fluctuations	-	-	-	-
Closing carrying value	-	-	-	-
At 31 December 2013				
Cost	4,035,356	2,087,081	990,840	5,026,196
Accumulated amortisation and impairment	(4,035,356)	-	(990,840)	(5,026,196)
	-	2,087,081	-	2,087,081

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.

Due to the impairment of the Group's primary intangible asset, the Pyromex technology, the entire amount of goodwill recognised from the reverse acquisition has been impaired.

Licence agreements represent 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 20			
Cost	6,949,862	45,926	6,995,788
Accumulated depreciation	(5,160,586)	(9,566)	(5,170,152)
Opening carrying value	1,789,276	36,360	1,825,636
Depreciation	-	(6,628)	(6,628)
Pyromex loss of control	(1,842,079)	(26,965)	(1,869,044)
Foreign exchange fluctuations	52,803	(2,767)	(50,036)
Closing carrying value	-	957	(1,925,708)
At 31 December 2013			
Cost	-	957	957
Accumulated depreciation	-	-	-
Net carrying value	-	957	957
Depreciation	-	(322)	(322)
Pyromex acquisition	662,272	2,699	2,699
Disposals	-	-	-
Foreign exchange fluctuations	-	(446)	(446)
	662,272	2,888	665,160

9. Inventories

Inventories consist solely of work in progress. No expense for the cost of inventories sold has been recognised (2012: nil). There were no write downs or reversal of write downs in the current or prior period.

10. Trade and other receivables

	2013 US\$	2012 US\$
Other receivables	33,526	
VAT receivable	20,785	3,790
Total trade and other receivables	54,311	3,790

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	2013 US\$	2012 US\$
Accrued dividends on preferred stock	13.1	-	33,000
Management loans	13.2	-	-
Citibank business loan	13.3	-	26,913
Aspermont loan	13.4	550,036	341,487
Hillgrove Investments Pty Limited	13.5	1,992,002	313,399
Total loans		2,542,038	714,799
Classified as:			
- Current		2,512,038	401,400
- Non-current		-	313,399

13.1. Preferred stock

The preferred stock holders exchanged their stock holding in PowerHouse Energy, Inc. for shares in PowerHouse Energy Group plc.

13.2. Management loans

Loans from management were waived as part of the settlement agreement entered into with employees.

13.3. Citibank business loan

The loan was settled in full during the year.

13.4. Aspermont loan

The Aspermont loans consist of Aspermont Ltd, Dilato Holdings Pty Ltd and Tesla Nominees Pty Ltd. These parties collectively provided a facility of £100,000 to the Group repayable by 18 May 2012, which incurs interest at a default rate of 7 per cent per month.

Since the balance sheet date the Company has negotiated for the loan to be converted to equity. On 2 April 2014 the Company negotiated a settlement to repay the loan in full by way of issue and allotment for 11,500,000 1 pence shares in the Company.

13.5. Hillgrove Loan

Hillgrove Investments Pty Limited ("Hillgrove") has provided the PowerHouse Energy Group plc with a convertible loan agreement amounting to \$1,992,002 – 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

	2013 US\$	2012 US\$
Trade creditors	1,445,921	227,104
RenewMe	1,155,966	1,036,000
Customer deposits	-	150,000
Other accruals	373,076	190,370
Total trade and other payables	2,974,963	1,603,474
Classified as:		
- Current	2,974,963	1,603,474
- 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 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.

It was announced post year end 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.

15. Seasonality

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

16. Directors' Remuneration

The Directors who held office at 31 December 2013 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 Directors who held office at 31 December 2013 had the following options over ordinary shares, including those of a connected person:

	Number of instruments	Exercise price	Date exercisable	Expiry date
Nigel Brent Fitzpatrick	103,459	£0.18	29 June 2012	29 June 2013

These options have now expired.

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

	2013	2013	2013	2013	2012
	\$	\$	\$	\$	\$
	Salary/Fee	Pension	Benefits	Total	Total
Nigel Brent Fitzpatrick	-	-	-	-	-
James John Pryn Greenstreet	-	-	-	-	-
Robert Keith Allaun	176,032	-	-	-	106,919

Service contracts

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

17. Post balance sheet events and contingent liabilities

On 28 June 2014 Hillgrove Investments Pty Limited, provided a letter of intent indicating that pursuant to the terms of the convertible loan agreement (see note 3) which allows for an increase of the amount loaned at Hillgrove's sole discretion, to continue to provide adequate financial support to the Company to ensure the Company may meet its obligations as they fall due and to ensure it operates as a going concern for a period of at least twelve months from the date of the letter pending any unforeseeable or material changes to the Company's current circumstances.

Additionally, Hillgrove extended the repayment date of the note from its originally scheduled repayment date of 8 October 2014 to 7 October 2015.

The Aspermont loan consists of Aspermont Ltd, Dilato Holdings Pty Ltd and Tesla Nominees Pty Ltd. These parties collectively provided a facility of \$165,640 to the Company repayable by 18 May 2012, which incurs interest at a default rate of 7 per cent per month. Since the balance sheet date the Company has negotiated for the loan to be converted to equity. On 2 April 2014 the Company negotiated a settlement to repay the loan in full by way of issue and allotment for 11,500,000 1 pence shares in the Company.

NOTICE TO THE ANNUAL GENERAL MEETING

Notice is given that the annual general meeting of the members of the Company will be held at 10.00 a.m. on 28 August 2014 at the offices of Sanlam Securities UK Limited at 10 King William Street, London, EC4N 7TW. The meeting will consider and, if thought fit, pass the following resolutions:

Ordinary business

The following resolutions will be proposed as **ordinary resolutions**:

1. That the Accounts and the Reports of the Directors and of the Auditors for the year ended 31 December 2013 be received.
2. That James Greenstreet, who is retiring by rotation, be reappointed as a Director.
3. That Deloitte LLP be appointed as auditor of the Company from the conclusion of this meeting until the conclusion of the next Annual General Meeting at which accounts are laid and that the Board of Directors be authorised to set the level of their remuneration for the ensuing year.

Special business

The following resolution will be proposed as an **ordinary resolution**:

4. That, in accordance with section 551 CA 2006, the Directors are generally and unconditionally authorised, and in substitution for any previous authority, to allot the equity securities, as defined in section 560 CA 2006, up to an aggregate nominal amount of £450,000, such authority, unless previously revoked or varied by the Company in general meeting, to expire on 27 August 2015 or, if earlier, the date of the Company's next annual general meeting, except that the Directors may allot relevant securities pursuant to an offer or agreement made before the expiry of the authority.

The following resolution will be proposed as a **special resolution**:

5. That, subject to the passing of Resolution 5, under section 570 CA 2006, the Directors are authorised, in substitution for any previous authority, to allot equity securities, as defined in section 560 CA 2006, wholly for cash for the period commencing on the date of this resolution and expiring on 27 August 2015 or, if earlier, the date of the Company's next annual general meeting, as if section 561 CA 2006 did not apply to such allotment, except that the Directors may allot relevant securities following an offer or agreement made before the expiry of the authority and provided that the authority is limited to:
 - a. the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where their holdings are proportionate, as nearly as possible, to the respective number of ordinary shares held, or deemed to be held, by them, but subject to any exclusions or arrangements the Directors think necessary or expedient for the purpose of dealing with fractional entitlements or legal or practical problems under the laws of any territory or the requirements of any recognised regulatory body or stock exchange in any territory; and
 - b. the allotment of equity securities, otherwise than in accordance with paragraph 6(a), up to a maximum nominal value of £450,000.

Serious loss of capital

To consider whether any, and if so what, steps should be taken to address the serious loss of capital within the Company, pursuant to section 656(1) of the Companies Act 2006.

By order of the Board

Keith Allaun
30 June 2014

Registered Office:

16 Great Queen Street
London

WC2B 5DG

PowerHouse Energy Group plc

Registered in England and Wales No. 3934451

Notes to the notice of AGM

Form of proxy

1. A form of proxy with proxy notes has been included with these accounts.

Total voting rights

2. As at noon on today's date, the Company's issued share capital comprised 388,496,474 ordinary shares of 1p each, 17,373,523 deferred shares of 4.5p each and 9,737,353 deferred shares of 4p each. Each ordinary share carries the right to one vote at a general meeting of the Company and the deferred shares carry no voting rights. Therefore, the total number of voting rights in the Company as at noon on today's date is 388,496,474.

Communication

3. Members who have general queries about voting by proxy should contact the Company's registrar, Neville Registrars Limited at Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA.