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The whole text of this document should be read. Attention is drawn, in particular, to the risk factors set out in Part III of this document which should be carefully considered.

This document, which comprises an admission document for the purposes of the AIM Rules for Companies, has been drawn up in accordance with such rules and has been issued in connection with the application for admission to trading of the Enlarged Share Capital on AIM. This document does not constitute, and the Company is not making, an offer to the public within the meaning of sections 85 and 102B of FSMA. This document is not an approved prospectus for the purposes of section 85 of FSMA and has not been prepared in accordance with the Prospectus Rules of the UK and has not been filed with the Financial Conduct Authority or approved by any other authority which could be a competent authority or delegate authority for the purposes of the Prospectus Directive.

The Existing Directors and the Proposed Director of the Company, whose names and functions appear on page 4 of this document and the Company, accept responsibility both collectively and individually for the information contained in this document. To the best of the knowledge and belief of each of the Existing Directors and the Proposed Director (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

## **KleenAir Systems International plc**

*(Incorporated in England and Wales under the Companies Act 1985 with registered number 5075088)*

**Proposed acquisition of Inspirit Energy Limited  
Proposed change of name to Inspirit Energy Holdings plc  
Subscription for 41,000,000 new Ordinary Shares at 1p per share  
Approval of a waiver of Rule 9 of the City Code  
Admission of Enlarged Share Capital to trading on AIM  
and  
Notice of General Meeting**

*Nominated Adviser and Broker*

### **Westhouse Securities Limited**

*Ordinary Shares in issue at  
the date of this document*

<i>Number</i>	<i>Amount</i>
73,139,505	£73,139.51

*B Ordinary Shares in issue at  
the date of this document*

<i>Number</i>	<i>Amount</i>
1,221,200	£1,221.20

*Ordinary Shares in issue immediately  
following Admission*

<i>Number</i>	<i>Amount</i>
477,860,705	£477,860.71

*B Ordinary Shares in issue  
immediately following Admission*

<i>Number</i>	<i>Amount</i>
0	£0

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. The Ordinary Shares are not traded on any other recognised investment exchange and no other such applications have

been made. Application will be made for the Enlarged Share Capital of the Company, including the Existing Ordinary Shares, the Consideration Shares, the Subscription Shares, the Hebolux Shares and the Conversion Shares, to be admitted to trading on AIM. It is expected that Admission will become effective and trading in the new Ordinary Shares will commence on AIM at 8.00 a.m. on 24 July 2013.

Westhouse Securities Limited, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as nominated adviser and broker to the Company and will not be responsible to any person other than the Company for providing the protections afforded to its customers or for advising any other person on the contents of this document or any matter, transaction or arrangement referred to herein. The responsibilities of Westhouse Securities Limited as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to London Stock Exchange and are not owed to the Company or to any Director, Shareholder or any other person. Westhouse Securities Limited is not making any representation or warranty, express or implied, as to the contents of this document. Westhouse Securities Limited has not authorised or approved the contents of, or any part of, this document. No liability whatsoever is accepted by Westhouse Securities Limited for the accuracy of any information or opinions contained in this document or for the omission of any information from this document.

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful or would impose any unfulfilled registration, publication or approval requirements on the Company or, Westhouse Securities Limited and, in particular, is not for distribution into the United States, Canada, Australia, Japan or the Republic of South Africa. The Ordinary Shares have not been and will not be registered under the applicable securities laws of the United States, Canada, Australia, Japan or the Republic of South Africa and the Ordinary Shares may not be offered or sold directly or indirectly within the United States, Canada, Australia, Japan or the Republic of South Africa or to, or for the account or benefit of, any national, resident or citizen of the United States, Canada, Australia, Japan or the Republic of South Africa. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions.

#### **Forward-looking statements**

This document contains certain forward-looking statements that are subject to certain risks and uncertainties, in particular statements regarding the Enlarged Group's plans, goals and prospects. The Enlarged Group's actual results and operations could differ materially from those anticipated in such forward looking statements as a result of many factors including the risks faced by the Enlarged Group which are described in Part III and elsewhere in this document. These statements and the assumptions that underlie them are based on the current expectations of the Directors and are subject to a number of factors, many of which are beyond their control. As a result, there can be no assurance that actual results will not differ materially from those described in this document.

**Notice convening a general meeting of KleenAir to be held at the registered offices of KleenAir at 2 London Wall Buildings, London, EC2M 5PP at 11.00 a.m. on 23 July 2013 is set out at the end of this document. The enclosed Form of Proxy for use at the General Meeting should be completed and returned to the Company's registrars, Share Registrars Limited, 9 Lion & Lamb Yard, Farnham, Surrey, GU9 7LL as soon as possible and to be valid must arrive no later than 11.00 a.m. on 21 July 2013. Completion and return of Forms of Proxy will not preclude Shareholders from attending and voting at the General Meeting should they so wish. Alternatively, eligible Shareholders may use the CREST Proxy Voting Service, details in respect of which are contained in the notice of General Meeting.**

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) from the Company's registered office from the date of this document until the date which is one month from the date of Admission. A copy of this document will also be available from the Company's website [www.kleenair-systems.com](http://www.kleenair-systems.com) (up to Admission) or [www.inspirit-energy.com](http://www.inspirit-energy.com) (following Admission).

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## DIRECTORS, SECRETARY AND ADVISERS

<b>Existing Directors</b>	John William Gunn ( <i>Executive Chairman</i> ) Jubeenh Nazhat ( <i>Non-Executive Director</i> )* Nilesh Jagatia ( <i>Finance Director</i> )
<b>Proposed Directors</b>	Neil George Luke ( <i>Non-Executive Director</i> )
<b>Registered Office</b>	2nd Floor, Number 2 London Wall Buildings London EC2M 5PP
<b>Telephone number</b>	+44 (0) 20 7048 9400
<b>Company Secretary</b>	Jubeenh Nazhat
<b>Nominated Adviser and Broker</b>	Westhouse Securities Limited Heron Tower 110 Bishopsgate London EC2N 4AY
<b>Solicitors to the Company</b>	Nabarro LLP Lacon House 84 Theobald's Road London WC1X 8RW
<b>Solicitors to the Nominated Adviser and Broker</b>	K&L Gates LLP One New Change London EC4M 9AF
<b>Registered Auditor and Reporting Accountants</b>	PKF Littlejohn LLP 1 Westferry Circus Canary Wharf London E14 4HD
<b>Registrars</b>	Share Registrars Limited Suite E, First Floor 9 Lion and Lamb Yard Farnham Surrey, GU9 7LL
<b>Website containing AIM Rule 26 disclosures up to Admission</b>	<a href="http://www.kleenair-systems.com">www.kleenair-systems.com</a>
<b>Website containing AIM Rule 26 disclosures following Admission</b>	<a href="http://www.inspirit-energy.com">www.inspirit-energy.com</a>

\*On Admission, Jubeenh Nazhat will become an Executive Director of the Company

## **EXPECTED TIMETABLE OF PRINCIPAL EVENTS**

Publication of Admission Document	1 July 2013
Latest time and date for lodging forms of proxy for the General Meeting	11.00 a.m. on 21 July 2013
General Meeting	11.00 a.m. on 23 July 2013
Completion	8.00 a.m. on 24 July 2013
Expected date of Admission and commencement of dealings in the Enlarged Share Capital on AIM	8.00 a.m. on 24 July 2013
CREST accounts credited in respect of Subscription Shares	8.00 a.m. on 24 July 2013
Despatch of definitive share certificates in respect of Subscription Shares by	30 July 2013

Note: Each of the above dates is subject to change at the absolute discretion of the Company.

## **READMISSION STATISTICS**

Subscription Price	1 p
Number of Ordinary Shares in issue at the date of this document	73,139,505
Number of B Ordinary Shares in issue at the date of this document	1,221,200
Number of B Ordinary Shares to be converted to Ordinary Shares on Admission	1,221,200
Number of Deferred Shares in issue at the date of this document and on Admission	400,932
Number of Consideration Shares to be issued	350,000,000
Number of Ordinary Shares to be issued to Hebolux S.A. upon conversion of the Hebolux Loan	10,000,000
Number of Subscription Shares being subscribed for	41,000,000
Number of Warrants being subscribed for	20,500,000
Gross proceeds of the Subscription	£410,000
Estimated net proceeds of the Subscription receivable by the Company	£396,000
Percentage of Enlarged Share Capital represented by the Subscription Shares	c.8.6 per cent.
Percentage of Enlarged Share Capital represented by the Consideration Shares	c.73.2 per cent.
Number of Ordinary Shares in issue immediately following Admission of the Enlarged Share Capital	477,860,705
Market capitalisation of the Company at the Subscription Price on Admission	c. £4.8 million
New AIM symbol	INSP
ISIN code	GB00B44W9L31

# PART I

## LETTER FROM THE EXECUTIVE CHAIRMAN OF THE COMPANY **KleenAir Systems International plc**

(incorporated and registered in England and Wales with number 5075088)

**Existing Directors:**

John William Gunn (*Executive Chairman*)

Jubeenh Nazhat (*Non-Executive Director*)

Nilesh Jagatia (*Finance Director*)

**Registered Office:**

2<sup>nd</sup> Floor, Number 2

London Wall Buildings

London EC2M 5PP

1 July 2013

*To the holders of Ordinary Shares and for information purposes, to the holders of B Ordinary Shares, Options and Warrants*

Dear Shareholder,

**Proposed acquisition of Inspirit Energy Limited  
Proposed change of name to Inspirit Energy Holdings plc  
Subscription for 41,000,000 Ordinary Shares at 1p per share  
Approval of waiver of Rule 9 of the City Code  
Admission of Enlarged Share Capital to trading on AIM  
and  
Notice of General Meeting**

### 1. Introduction

The Company announced on 28 June 2013 that it has conditionally agreed to acquire the entire issued share capital of Inspirit not already owned by it, for an aggregate deemed consideration of £3.5 million, to be satisfied by the issue of the Consideration Shares.

Inspirit is developing a micro combined heat and power (“mCHP”) boiler appliance (the “Appliance”) for the commercial and residential market, based on the mCHP technology originally being developed by Disenco, the rights to which were acquired from Disenco by Somemore, a subsidiary of Inspirit. The Appliance will be fired by gas and is being designed to drive a generator that produces up to 3kW of mains voltage electricity (with the capability to be exported to the utility grid) whilst at the same time generating up to 15kW of thermal output for local use.

The electricity generation process in the Appliance uses a Stirling engine, which was invented by Robert Stirling in 1816. Further details on Inspirit and its business are set out in Part II of this document.

KleenAir does not hold any investments other than its 17.05 per cent. shareholding in Inspirit. Accordingly, the nature of its business and financial and trading prospects reflect those of Inspirit, about which further information is set out in Part II of this document.

On 10 June 2013, following a share price movement, trading in the Ordinary Shares on AIM was suspended pending the publication of an admission document by the Company, or an announcement that it will not proceed with the Acquisition. Following publication of this document, it is expected that restoration of trading in the Ordinary Shares will occur from 7.30 a.m. today.

On 10 June 2013, being the day that trading in the Ordinary Shares was suspended, the market capitalisation of KleenAir was c. £1.8 million (including the B Ordinary Shares, which are not quoted but have been given an assumed value equal to the Ordinary Shares, but excluding the Deferred Shares) and the Company proposes to issue Consideration Shares for a deemed consideration in excess of 100 per cent. of its market capitalisation. Accordingly, the Acquisition constitutes a reverse takeover under the AIM Rules for Companies and, as such, is conditional on approval by Existing Shareholders which will be sought at a general meeting of the Company to be held on 23 July 2013, notice of which is set out at the end of this document.

In addition, certain shareholders of Inspirit are deemed by the Panel to be acting in concert. As such, the issue of the Consideration Shares to the Vendors would result in the obligation by the Concert Party to make a general offer for the Company under Rule 9 of the City Code unless there is an independent vote at a general meeting to waive this requirement (the "Waiver"). Accordingly a resolution will be proposed at the Company's general meeting to approve the Waiver (the "Whitewash Resolution").

Alongside the Acquisition, the Company has also conditionally raised £410,000 (gross) by way of a subscription for 41.0 million new Ordinary Shares (the "Subscription Shares") at a price of 1 pence per ordinary share (the "Subscription Price") (the "Subscription"), from 10 new and existing investors, including Rothschild Nominees Limited, which is a Shareholder in the Company and a member of the Concert Party. The issue of the Subscription Shares is conditional on Admission. As part of the Subscription, the Subscribers will be issued with one warrant for each two Subscription Shares (the "Warrants"), comprising a total of 20.5 million Warrants. The Warrants are exercisable into Ordinary Shares in the Company at a price of 1 pence per Ordinary Share at any time within 12 months from the date of Admission. In the event of an allotment of shares by way of capitalisation of profits or reserves to Shareholders, the number of Ordinary Shares under the Warrant will increase or decrease in due proportion (and exercise price adjusted accordingly). In the event of an adjustment, the number of Ordinary Shares under the Warrant will carry not less than the same proportion of voting rights and entitlement to participate in the profits and assets of the Company as if there was no adjustment. Holders of the Warrant are entitled to participate in offers as if they had rights in the underlying shares. On a liquidation, the holder of the Warrant is entitled to realise out of the assets available *pari passu* with ordinary shareholders such sum as it could have received had it exercised the warrants in full. No application will be made for admission of the Warrants to trading on AIM. The net proceeds of the Subscription receivable by the Company are expected to be approximately £396,000 after the payment to Ascend Capital plc of £14,000 commission.

The Company has in issue 1,221,200 B Ordinary Shares which have the same economic rights as the Ordinary Shares but do not have any voting rights. Pursuant to the Company's articles of association, the B Ordinary Shares may be converted to Ordinary Shares at any time at the request of the holder of the B Ordinary Shares. The B Ordinary Shares were created in June 2009 to prevent the original subscriber, Lionel Simons, from carrying voting rights over 30 per cent. or more of the Company. In May 2010, Lionel Simons transferred all his B Ordinary Shares to John Gunn. John Gunn continues to own 1,221,200 B Ordinary Shares, representing 100 per cent. of the issued B Ordinary Shares and intends to convert them into Ordinary Shares on Admission (the "Conversion"). John Gunn is part of the Concert Party and the Conversion is also conditional on the passing of the Whitewash Resolution.

At Admission, the whole of the £50,000 loan provided by Hebolux to KleenAir will automatically convert into 10,000,000 new Ordinary Shares.

**The purpose of this document is to explain the background to and reasons for the Acquisition.**

## 2. Background to, and benefits of, the Acquisition

The Company's sole investment is a 17.05 per cent. equity interest in the share capital of Inspirit.

The Independent Director is of the opinion that the acquisition of the remaining share capital of Inspirit will streamline the companies' corporate structures, potentially leading to a reduction in aggregate corporate overheads and will facilitate funding of the business plan of Inspirit going forward.

## 3. Information on the Concert Party

Certain shareholders of Inspirit, excluding the Company, are deemed to be acting in concert in respect of the Acquisition for the purposes of the City Code. The Concert Party members are John Gunn, Rothschild Nominees Limited, Rod MacClancy, Hebolux S.A., Sarah Pozner, Ian Sosso and Tita Carmen Byrne.

### *John Gunn*

John Gunn, the Executive Chairman of the Company, is based in the United Kingdom and France and is the beneficial holder of 9,240,160 Ordinary Shares in KleenAir, representing 12.6 per cent. of the voting rights in KleenAir at the date of this document. John Gunn holds his interests in Ordinary Shares through the following entities:

	<i>Number of Ordinary Shares</i>	<i>Percentage voting rights of KleenAir at the date of this document</i>
Hargreave Hale Nominees Limited	7,290,160	9.97
KAS Nominees Limited, on behalf of GIS*	1,500,000	2.05
Pinnacle Investment Management Limited*	400,000	0.55
GIS*	50,000	0.07

\*John Gunn owns approximately 88 per cent. of GIS and 100 per cent. of Pinnacle Investment Management Limited.

In addition, John Gunn owns 1,221,200 B Ordinary Shares which have the same economic rights as the Ordinary Shares but no voting rights and are convertible into Ordinary Shares on a one-for-one basis at the option of the holder. John Gunn intends to convert all of the B Ordinary Share into Ordinary Shares with effect from Admission.

Between July 2009 and June 2010, KleenAir entered into three convertible loan agreements with GIS for a total aggregate amount originally of £740,000. Subject to Admission, GIS has agreed to waive its conversion rights in relation to the 2009 Note and 2010 Note and KleenAir and GIS have agreed to extend the term of the notes to 22 December 2014. The outstanding aggregate amount of the loans is currently £207,111 with accrued aggregate interest of £41,433.18 (as at 30 April 2013) at an annual interest rate of five per cent. On 28 June 2013, KleenAir entered into a loan agreement with GIS for £350,000 to be drawn-down at KleenAir's discretion. The loan carried an interest rate of five per cent.

John Gunn holds 10,303,333 ordinary shares in Inspirit representing 67.7 per cent. of the issued share capital of Inspirit. Inspirit has entered into a number of loan agreements directly and indirectly with John Gunn and the aggregate principal outstanding amount of these loans is currently £439,805.73, with an annual interest rate of 7 per cent.

The business of Inspirit was originally owned by Disenco Limited, a wholly owned subsidiary of Disenco Energy PLC (a company previously listed on the TSX Venture Exchange (TSX-V) in Canada) ("Disenco"). The business and certain assets were acquired out of administration by Somemore Limited, funded through a finance agreement with John Gunn. In settlement of the finance provided by John Gunn, Somemore transferred its holdings in Inspirit to John Gunn on 12 January 2011. Since January 2011, John Gunn has transferred a number of his shares in Inspirit to certain of the original shareholders of Disenco and other associates for nil consideration in recognition of their

former investment in Disenco. John Gunn was a director and shareholder of Disenco when it was listed on the TSX-V in October 2006 but resigned as a director in November 2008.

John Gunn began his career in 1987 at Hoare Govett and has since worked at Carr Sheppards Crosthwaite, Merchant Securities and Williams de Broe, where he was a senior investment manager until 2002. From 2004, he has worked with renewable energy and cleantech businesses before becoming involved with Disenco in 2004. John Gunn is also a director and major shareholder in GIS, a stockbroking firm based in London.

#### *Rothschild Nominees Limited*

Rothschild Nominees Limited holds 11.4 per cent. of the voting rights in KleenAir and 3.9 per cent. of the voting rights in Inspirit in trust for Humphrey and Wilbur Hamilton. John Gunn has known their father, Alexander Hamilton, for 15 years and has had a number of business dealings with him.

In addition, at Admission, Rothschild Nominees Limited will subscribe for 5,000,000 new Ordinary Shares and will be granted 2,500,000 Warrants as part of the Subscription.

#### *Rod MacClancy*

Mr MacClancy is a lawyer based in the UK and is known in a professional capacity to John Gunn.

#### *Hebolux S.A.*

Hebolux S.A. is registered in the Grand Duchy of Luxembourg and is beneficially owned by John Jones. John Jones is a property developer and independent businessman known to John Gunn for 15 years. He is an investor in Kleenair, through the Hebolux Loan.

#### *Sarah Pozner*

Sarah Pozner is resident in the United Kingdom. She is a former director and legal counsel of both KleenAir and Inspirit and acquired her ordinary shares in Inspirit from John Gunn.

#### *Ian Sosso*

Ian Sosso is resident in Monaco and is a small investor in Inspirit. He has known John Gunn for over 20 years and has co-invested with him in the past.

#### *Tita Carmen Byrne*

Tita Carmen Byrne is resident in the United Kingdom and has been a family friend of John Gunn's for 15 years.

#### **4. Intentions of the Concert Party**

Other than the changes set out in this document, the Concert Party has confirmed that the business of the Company would be continued in substantially the same manner as at present, with no major changes, no likely redeployment of the Company's fixed assets and no likely repercussions on employment and the location of the Company's business. The Concert Party does not intend to seek any changes to the Board of Directors (other than as set out in this document) or to terminate the continued employment of or change the existing employment rights, including pension rights, of any of the employees of the Company.

**The Concert Party has no intention to cause the Company to cease to maintain any of the trading facilities in respect of the Ordinary Shares. The Concert Party has confirmed it has no intention of disposing of any interests in the Ordinary Shares outside the Concert Party.**

## **5. Effect of the Acquisition on the Enlarged Group**

The Acquisition will not have an immediate effect on the day-to-day business or the assets of either KleenAir or Inspirit. The business of KleenAir will continue as a holding company with Inspirit as its trading company subsidiary. KleenAir intends to change its name to Inspirit Energy Holdings plc.

The Directors believe the Acquisition will streamline the corporate structure of the two companies and facilitate capital-raising by giving the Inspirit business direct access to the capital markets.

## **6. Principal terms of the acquisition**

Under the terms of the Acquisition Agreement, KleenAir has conditionally agreed to acquire the entire issued share capital of Inspirit (not already owned by KleenAir). The consideration will be satisfied through the issue by KleenAir of the Consideration Shares (representing 73.2 per cent. of the Enlarged Issued Share Capital on Admission) to the shareholders of Inspirit (other than KleenAir). The Acquisition Agreement contains warranties from each of the Vendors confirming unencumbered title to the Inspirit shares held by them and also from John Gunn in relation to the business assets and affairs of Inspirit. The Acquisition is conditional, *inter alia*, on:

- i. Approval by the Shareholders of the Resolutions;
- ii. The monies for the Subscription being received by the Company prior to Admission; and
- iii. Admission having occurred no later than 30 September 2013.

Further details of the Acquisition Agreement are set out in paragraph 12.10 of Part VI of this document.

## **7. The market**

Legislation, both in the UK and globally, has increased the need to develop both more efficient and cleaner methods of energy generation. In 2011, Centrica plc, a major UK utility company, estimates the microgeneration market to be worth £4 billion per annum by 2020 across a range of technologies including mCHP. The Directors believe that Inspirit is well placed to take advantage of these changes and has an opportunity to develop a market for the Appliance, particularly in the UK, where they believe there are few competing technologies and where there are regulatory requirements to cut carbon output and financial incentives are available.

In recent years, the small commercial boiler sector has seen a move towards the introduction of smaller modular units and has moved away from large output boilers. The Directors believe that this should facilitate the acceptance by the market of the Appliance as a replacement for one of the units in a typical multi-boiler installation.

Once fully developed and commercialised, the Directors currently intend to market the Appliance and seek commercial opportunities within the small commercial sector whose premises require high heat and power (such as restaurants and nursing homes), as well as the larger residential market.

## **8. Directors, senior management and employees**

Immediately following Admission, the Board will be comprised of three executive and one non-executive directors, brief biographical details of which are set out below.

### **Board of the Company on Admission**

*John Gunn, Executive Chairman, Aged 43*

Mr Gunn has been associated with the Company since 2010 and became a director in November 2011. He is also the majority shareholder of Inspirit. Mr Gunn is the Chief Executive Officer and majority shareholder of GIS. A brief summary of his resumé is set out in paragraph 3 above.

*Neil Luke, Proposed Non-Executive Director, Aged 59*

Mr Luke is experienced in the gas heating industry. Having begun his career with Ideal Stelrad Group Ltd, developing the first condensing boiler to be manufactured by a UK company, he contributed to the comparative research for high efficiency that led to the introduction of the first government subsidies and the efficiency banding scheme. Mr Luke has held the position of Business Unit Manager for Baxi with full P&L responsibility before being appointed Engineering Director for the Baxi Air Management Group. Later appointments led to the position of Technical Director for Potterton Myson Ltd. with responsibility for both engineering projects and new product development.

*Jubeenh Nazhat, Proposed Executive Director, Aged 42*

Ms Nazhat is an experienced qualified solicitor, specialising in corporate law, having worked for Trowers & Hamblins LLP. Previously Ms Nazhat worked as in-house legal counsel for London Underground Limited.

Ms Nazhat is currently a Non-Executive Director of the Company.

*Nilesh Jagatia, Finance Director, Aged 45*

Nilesh is currently the Chief Financial Officer of Clear Leisure Plc, an AIM quoted public company that specialises in leisure related investments in Italy. Nilesh is also the Finance Director for Ascend Capital Plc, a specialist corporate finance broker that provides a variety of integrated funding solutions for smaller, fast growing companies. Prior to this, he was Group Finance Director of Media Corporation plc for a period of 5 years until July 2012. During his time at Media Corporation he was responsible for the group's accounting and worked on a number of corporate transactions. Nilesh has over 20 years' experience including senior financial roles in divisions of both Universal Music Group and Sanctuary Group Plc. He served as a Finance Director for an independent record label that expanded into the US. Nilesh is a qualified accountant and has a degree in finance.

The Board intends to identify and appoint an independent non-executive director shortly after Admission to chair the audit and remuneration committees.

## **9. Lock-in arrangements**

John Gunn, being the only Director holding shares in the Company at Admission, has agreed not to (and to procure that his respective Connected Persons do not) dispose of any interest in Ordinary Shares for a period of one year following Admission, except in certain restricted circumstances, in accordance with Rule 7 of the AIM Rules for Companies.

Each of the other members of the Concert Party has agreed not to (and to procure that their respective Connected Persons do not) dispose of any interest in Ordinary Shares for a period of one year following Admission, except in certain restricted circumstances.

## **10. Relationship Agreement**

John Gunn has agreed to exercise his votes as a Shareholder and to procure the same in respect of any Connected Person in accordance with certain restrictions set out in a Relationship Agreement entered into between the Company, Westhouse Securities and John Gunn. The restrictions seek to ensure that the Group is capable of carrying on its business and making decisions independently and in the best interests of the Group and that any transactions between any member of the Group and the Controlling Shareholder or any Connected Person are made on an arm's length basis.

The agreement shall terminate on John Gunn and any "associate" ceasing to hold Shares or instruments capable of converting into Ordinary Shares conferring in aggregate 30 per cent. or more of the rights to vote at general meetings of the Company.

## **11. Use of proceeds of the Subscription**

The proceeds from the Subscription will be used for general working capital purposes, including the further development of the Appliance.

## **12. Dividend policy**

The Board anticipates that any profits will be retained for the development of the Enlarged Group's business and are unlikely to be distributed for the foreseeable future. The Directors will consider the payment of a dividend, if they consider it appropriate to do so, subject to compliance with applicable laws.

## **13. Corporate Governance**

The Board has not adopted the UK Corporate Governance Code; this is only a requirement for premium listed companies and the Board does not consider it appropriate for a company of the size and nature of KleenAir. The Board has, however, adopted the requirements of the Corporate Governance Guidelines for Smaller Companies published by the Quoted Companies Alliance, although, until an independent non-executive director is appointed, Neil Luke will chair each of the committees.

### *Audit Committee*

The Audit Committee is currently chaired by Neil Luke and includes Jubeenh Nazhat and Nilesh Jagatia. The committee provides a forum for reporting by the Group's external auditors. The committee is also responsible for reviewing a wide range of matters, including half-year and annual results before their submission to the Board, and for monitoring the controls that are in force to ensure the integrity of information reported to shareholders. The Audit Committee will advise the Board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and will discuss the nature, scope and results of the audit with the external auditors. The committee will keep under review the cost effectiveness and the independence and objectivity of the external auditors.

The Audit Committee is responsible for ensuring the "right tone at the top" and that the ethical and compliance commitments of management and employees are understood throughout the Group.

### *Remuneration Committee*

The Remuneration Committee is chaired by Neil Luke and includes Jubeenh Nazhat and Nilesh Jagatia. The committee is responsible for making recommendations to the Board, within agreed terms of reference, on the Company's framework of executive remuneration and its cost. The Remuneration Committee determines the contract terms, remuneration and other benefits for the executive directors, including performance related bonus schemes and compensation payments. The Board itself determines the remuneration of the non-executive directors.

## **14. Share dealing code**

The Directors intend to comply with Rule 21 of the AIM Rules relating to Directors' and applicable employees' dealings in the Company's securities and to this end, the Company has adopted a share dealing code that the Board considers appropriate for a small AIM Company.

## **15. Financial information**

In accordance with Rule 28 of the AIM Rules for Companies and with Rule 24.15 of the City Code, this Admission Document does not contain historical financial information on the Company which would otherwise be required by Section 20 of Annex I of the Prospectus Rules. Audited historical financial information on the Company for the three years ended 30 June 2012 and unaudited financial

information on the Company for the six months ended 31 December 2012 is available from the Company's website at [www.kleenair-systems.com](http://www.kleenair-systems.com).

Shareholders or other recipients of this document may request a copy of the above information incorporated by reference from the Secretary of the Company, whose name and address is set out on page 4 of this document. A hard copy of the information incorporated by reference will not be sent to Shareholders or other recipients of this document unless requested.

Part V of this document contains audited special purpose IFRS financial information on Inspirit for the period from 17 August 2010 to 30 June 2012, unaudited historical financial information of Inspirit for the six months ended 31 December 2012 and PKF Littlejohn LLP's report on the special purpose IFRS financial information on Inspirit for the period from 17 August 2010 to 30 June 2012.

## **16. Waiver of Rule 9 of The City Code**

The City Code governs, amongst other things, transactions that may result in a change of control of a public company to which the City Code applies, including the Company. Under Rule 9, where a person acquires an interest (as such term is defined in the City Code) in shares which, when taken together with any shares in which he is already interested and in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company that is subject to the City Code, such person or group is normally required to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, when any person together with persons acting in concert with him is interested in shares which, in the aggregate, carry not less than 30 per cent. of the voting rights of such a company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interests in shares are acquired by any such person.

An offer under Rule 9 must be in cash and at the highest price paid during the preceding 12 months for any interest in shares of the Company by the person required to make the offer or any person acting in concert with him.

Persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control (as defined in the City Code) of, or frustrate the successful outcome of an offer for, the Company.

For the purposes of the City Code, all of the members of the Concert Party are deemed to be acting in concert, and their interests are to be aggregated. Further information about the Concert Party is set out in paragraph 7 of Part VI of this document.

**On Admission, the Concert Party will hold, in aggregate, 381,537,902 Ordinary Shares, representing approximately 79.8 per cent. of the Company's Enlarged Share Capital.**

Rothschild Nominees Limited, a member of the Concert Party has conditionally agreed to subscribe for 5,000,000 new Ordinary Shares and will be granted 2,500,000 Warrants. Shareholders should be aware that, upon full exercise by Rothschild Nominees Limited of the Warrants granted to it, assuming no exercise of any other Warrants and no other changes in the holding of the Concert Party in Ordinary Shares, the Concert Party would hold 79.9 per cent. of the issued share capital of the Company at Admission (as enlarged by the Ordinary Shares issued to Rothschild Nominees Limited upon exercise of all its Warrants).

Pursuant to the exercise by Rothschild Nominees Limited of the Warrants granted to it by the Company, the increase in the holding of the Concert Party could trigger the obligation to make a general offer to all other shareholders to acquire the balance of the shares not held by it at the highest price paid by any of the members of the Concert Party in the preceding 12 months.

In the absence of a waiver granted by the Panel, Rule 9 would require the Concert Party to make a general offer for the balance of the Shares in issue immediately following the Acquisition. The Panel has been consulted and has agreed, subject to the passing on a poll by Independent Shareholders of the Whitewash Resolution, to waive the obligation on the Concert Party that would otherwise arise under Rule 9, as a result of the issue of the Consideration Shares pursuant to the Acquisition, the issue of new Ordinary Shares to Rothschild Nominees Limited, both as part of the Subscription and upon exercise of its Warrants, the issue of the Hebolux Shares and the conversion of the B Ordinary Shares into Ordinary Shares, for a general offer to be made by the Concert Party for the balance of the issued Ordinary Shares not already held by the Concert Party. Accordingly, Resolution 1 is being proposed at the General Meeting and will be taken on a poll of Independent Shareholders.

**On Admission the Concert Party will between them hold Ordinary Shares carrying more than 50 per cent. of the voting rights of the Company's voting share capital and, for as long as they continue to be treated as acting in concert, may accordingly increase their aggregate interests in shares without incurring any obligation under Rule 9 to make a general offer. Individual members of the Concert Party, save for John Gunn who will carry more than 50 per cent. of the voting rights, will not be able to increase their percentage interests in shares through or between a Rule 9 threshold without Panel consent.**

## **17. General Meeting**

Set out at the end of this document is a notice convening the General Meeting to be held at the registered offices of KleenAir at 2 London Wall Buildings, London, EC2M 5PP at 11.00 a.m. on 23 July 2013. The full terms of the Resolutions are set out in that notice and are summarised below:

### *Resolution 1*

Resolution 1, which is an ordinary resolution and is conditional on the passing of Resolutions 2, 3, 4 and 5, is the Whitewash Resolution, pursuant to which the Independent Shareholders are being asked to approve the Panel's waiver of the Concert Party's obligation to make a general offer under Rule 9. This resolution requires approval by the Independent Shareholders on a poll (voting in person or by proxy at the General Meeting).

### *Resolution 2*

Resolution 2, which is an ordinary resolution and is conditional on the passing of Resolutions 1, 3, 4 and 5, seeks Existing Shareholders' approval of the Acquisition, which constitutes a "reverse takeover" for the purposes of Rule 14 of the AIM Rules for Companies. A summary of the principal terms of the Acquisition Agreement can be found in paragraph 12.10 in Part VI of this document.

### *Resolution 3*

Resolution 3, which is an ordinary resolution and is conditional on the passing of Resolutions 1, 2, 4 and 5, seeks Existing Shareholders' approval to grant authority to the Directors to allot Ordinary Shares up to an aggregate nominal value of £1,500,000, such authorities to expire on the conclusion of the Company's next annual general meeting.

### *Resolution 4*

Resolution 4, which is a special resolution and is conditional on the passing of Resolutions 1, 2, 3 and 5 seeks Existing Shareholders' approval to empower the Directors pursuant to section 570(1) to allot equity securities for cash as if section 561(1) of the Act did not apply to such allotments. Such empowerment is to expire on the conclusion of the Company's next annual general meeting.

## *Resolution 5*

Resolution 5, which is a special resolution and is conditional on the passing of Resolutions 1, 2, 3 and 4 seeks Existing Shareholders' approval to change the Company's name to Inspirit Energy Holdings plc in accordance with section 77(1)(a) of the Act.

### **18. Admission and dealings**

Application will be made to the London Stock Exchange for the Existing Ordinary Shares to be re-admitted, and the Subscription Shares, the Consideration Shares, the Hebolux Shares and the Conversion Shares to be admitted to trading on AIM, conditional upon, *inter alia*, the passing of the Resolutions.

It is expected that Admission will become effective and dealings will commence in the Enlarged Share Capital on 24 July 2013. The Directors anticipate that no application will be made for the Enlarged Share Capital to be admitted to trading or to be listed on any other stock exchange.

The Articles permit the Company to issue Ordinary Shares in uncertificated form in accordance with the CREST Regulations. CREST is a paperless settlement system enabling title to securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument, in accordance with the CREST Regulations.

Settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if Shareholders so wish. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

For more information concerning CREST, Shareholders should contact their brokers or Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL. Trading in the Company's Shares on AIM will require Shareholders to deal through a stockbroker or other intermediary who is a member of the London Stock Exchange.

### **19. Further information**

Existing Shareholders and potential investors should read the whole of this document which provides additional information on the Company, Inspirit and the Resolutions, and should not rely on summaries of, or individual parts only of this document. Investors' attention is drawn, in particular, to the Risk Factors set out in Part III of this document and the Additional Information set out in Part VI of this document.

### **20. Related party transactions**

The Acquisition involves the Company entering into the Acquisition Agreement with, among others, the Executive Chairman, John Gunn. Accordingly, the Acquisition is considered a related party transaction under the AIM Rules for Companies and John Gunn has refrained from taking part in the evaluation of the Acquisition by the Board and the Director's recommendations in connection with the Acquisition.

Additionally, the Company has agreed with GIS to extend the terms of the 2009 Note and 2010 Note to 22 December 2014 and to remove the right of conversion into Ordinary Shares. As John Gunn is the majority shareholder in GIS, such variations are considered to be related party transactions under the AIM Rules for Companies.

The Company has entered into a loan agreement with Inspirit in relation to a series of loans provided by the Company to Inspirit between 23 May 2011 and 31 January 2013 for an aggregate amount of £83,658.20. The Company has also entered into a loan agreement with GIS in relation to a £45,000.00

loan provided by GIS to the Company between 2 February 2012 and 13 February 2012. In addition, the Company has entered into a new loan agreement with GIS for £350,000 to be drawn-down at the discretion of the Company. As John Gunn is the controlling shareholder and a director of Inspirit and GIS, entering into the loan agreements are considered to be related party transactions under the AIM Rules.

The Independent Director considers, having consulted with the Company's Nominated Adviser, Westhouse Securities, that each of the Acquisition Agreement, the variation of the 2009 Note and the 2010 Note, and entering into the loan agreements with Inspirit and GIS is fair and reasonable insofar as Shareholders are concerned.

## **21. Action to be taken**

A form of proxy is enclosed for use by Existing Shareholders in connection with the General Meeting. Whether or not they intend to be present at the General Meeting, Existing Shareholders are asked to complete, sign and return the form of proxy to Share Registrars Ltd at 9 Lion and Lamb Yard, Farnham, Surrey, GU9 7LL, as soon as possible but in any event so as to arrive no later than 11.00 a.m. on 21 July 2013. The completion and return of a form of proxy will not preclude Existing Shareholders from attending the General Meeting and voting in person should they wish to do so. Accordingly, whether or not you intend to attend the General Meeting, you are urged to complete and return the form of proxy as soon as possible.

## **22. Recommendation**

The Independent Director who has been so advised by Westhouse Securities considers the Waiver and the Acquisition to be fair and reasonable and in the best interests of Independent Shareholders and the Company. In providing advice to the Independent Director, Westhouse Securities has taken into account the Independent Director's commercial assessments. Accordingly, the Independent Director recommends that Independent Shareholders vote in favour of the Whitewash Resolution.

The Directors, including John Gunn, who is prohibited from voting on Resolution 1, being the Whitewash Resolution, recommend that Shareholders vote in favour of Resolutions 2, 3, 4 and 5, as John Gunn has irrevocably committed to do in respect of his beneficial holding amounting to, in aggregate, 9,240,160 Existing Ordinary Shares, representing approximately 12.6 per cent. of the voting rights in KleenAir.

Yours faithfully,

**John Gunn**

## **PART II**

### **INFORMATION ON INSPIRIT**

#### **1. Inspirit's business**

Inspirit, a company based in Sheffield, is currently developing a micro combined heat and power appliance for the commercial and residential markets. The Appliance is powered by natural gas and designed to produce hot water (for tap water or central heating) and electrical output simultaneously. Once proven, Inspirit intends to explore opportunities to licence out the underlying technology.

A prototype of the Appliance has been independently tested and shown to be capable of simultaneous generation of up to 15kW thermal and up to 3kW electrical output. Once development of the Appliance has been completed and commercialised, the Directors expect that the Appliance will initially be marketed in the UK and Europe and eventually worldwide. Additional revenue streams may be possible through product licensing, sales of warranties and further development of the product.

#### **2. History of and ownership of Inspirit**

Inspirit was incorporated on 17 February 2010 as Start Trade Limited, subsequently changing its name on 16 June 2010 to Inspirit Energy Limited. Inspirit owns 100 per cent. of a non-trading subsidiary, Somemore, which was acquired on 12 January 2011.

The original development of the mCHP technology used in the Appliance was carried out by Disenco Limited ("Disenco"). Disenco entered into administration on 17 February 2010 and, on 17 March 2010, certain assets of Disenco (including the mCHP technology and some associated registered intellectual property rights) were purchased by Somemore.

The Company made an initial investment of £300,000 in Inspirit on 23 August 2010, to enable Inspirit to complete the due diligence process in relation to the acquisition of Somemore, following which the Company's holding in Inspirit represented approximately 10.6 per cent of Inspirit's enlarged issued share capital. On 6 January 2011, the Company made a further investment of £440,000 to increase its investment to 18.7 per cent. The Company's holding was diluted down to 17.05 per cent. following completion of the acquisition of Somemore on 12 January 2011.

Inspirit is currently owned as to 67.7 per cent. by John Gunn and as to 17.05 per cent. by KleenAir. Sarah Pozner holds approximately 2.0 per cent. and the remaining 6 shareholders each hold less than 5 per cent.

John Gunn and Suki Gunn are the current directors of Inspirit.

#### **3. The Stirling Engine technology**

Invented in 1816, the Stirling engine technology constitutes a heat engine operating by cyclic compression and expansion of a gas, the working fluid, at different temperature levels such that there is a net conversion of heat energy to mechanical work. Inspirit currently uses Helium as the working fluid in its prototype Appliance. Helium is contained within the system and uses an internal heat exchanger and thermal store, known as the regenerator.

The Stirling engine was originally conceived as an industrial engine and an alternative to the steam engine. The Directors believe its efficiency and noise levels make it particularly suitable for use in mCHP appliances.

#### **4. Intellectual Property**

The Inspirit Group currently holds the rights to two patents relating to the design of the Appliance.

The Inspirit Group also co-owns an additional patent in the United States which is not currently used in the Appliance.

The Directors believe that in some instances, the patents owned by the Inspirit Group may be also used in the development of products other than a mCHP appliance.

#### **5. Technology partners and key developments**

Prior to entering administration, Disenco carried out initial tests on its prototype of the Appliance sponsored by the Carbon Trust to prove the underlying technology. The Carbon Trust published its findings in 2011 and the full report can be found at:

[www.carbontrust.com/resources/reports/technology/micro-chp-accelerator](http://www.carbontrust.com/resources/reports/technology/micro-chp-accelerator)

The report found that by producing both heat and electricity locally, combined heat and power systems can potentially achieve lower overall carbon emissions than conventional heating systems and grid electricity. Inspirit has continued to develop the Appliance to address certain issues raised through the Carbon Trust trials and generally to improve the performance and reliability of the Appliance.

The Appliance has been developed with the assistance of three external engineering partners:

- Adigo A.S. were instrumental in taking the original Stirling Engine design and redeveloping it for the Appliance. This work has now moved in house at Inspirit, with all aspects of work relating to the power generation being carried out at Inspirit's premises in Sheffield.
- Sentec Ltd designed the control system, including the user interface, diagnostics and management of the supply to the Grid Tied Inverter.
- Enertek International Limited ("Enertek") designed the gas combustion system, heat recovery system and the appliance design.

Before being acquired by Somemore, Prodrive Ltd worked alongside Disenco to develop the crankcase and rhombic drive assembly that converts the heat energy into the motion required to generate the electrical output and is now the driving force in the development of the Appliance.

The Inspirit engineers contrive to test the product and develop a supply chain.

#### **6. The boiler market**

Legislation, both in the UK and globally, has increased demand for more efficient and greener methods of energy generation. The Directors believe that Inspirit is well placed to take advantage of these changes to demand, particularly in the UK, where they believe there are few competing products using mCHP.

In 2011, Centrica plc, a major UK utility company, estimated the micro generation market to be worth £4bn per annum by 2020, across a range of technologies including mCHP.

According to the Heating and Hot Water Council, approximately 1.5 million boilers are installed in the UK each year.

## **7. Prospective Commercialisation and opportunities for growth**

Inspirit has held discussions with several parties interested in partnering, licensing or purchasing the Appliance as well as with a number of the major boiler manufacturers.

Inspirit is currently focusing its development of the Appliance with a view to supplying the commercial (rather than residential) market as it believes that (i) commercial users (e.g. fast food restaurants, nursing homes, gyms and swimming pools, etc.) of boilers have higher thermal consumption than domestic customers thus shortening the payback of an investment in the appliance; (ii) many commercial user premises have multiple boiler installations, the Directors believe that this will make the decision to replace one of the boilers in a multi-boiler installation with an Appliance less risky and hence more likely to be implemented by early adopters; (iii) noise emissions are usually less of a consideration in a commercial installation environment where the appliances are often installed in a separate boiler room; and (iv) whilst the Appliance is approximately the size of a large washing machine, size and weight considerations are less of an issue in a commercial application environment compared to the domestic market which is dominated by wall mounted boilers.

The Directors believe there may be potential to produce a smaller version of the appliance (producing up to approximately 1kW of electrical output) to appeal to the larger domestic boiler market. Similarly, it may be possible to increase the electrical output of the Appliance to 5-6kW to make it suitable for larger commercial premises.

The Company may seek further capital injections if opportunities arise to accelerate growth and the development of the Appliance.

## **8. Distribution**

Distribution of the initial pre-production version of the Appliance is intended to be limited to a small number of large potential customers who have expressed interest in the Appliance, so that a strong supporting view of the technology can be gained and feedback used to complete the development of the production engineering and manufacturing process. This strategy will allow a controlled release of the production version of the product into the market that meets both Inspirit's initial market focus and the customer's adoption requirements.

## **PART III**

### **RISK FACTORS**

There are significant risks associated with the Company and, after Admission, the Enlarged Group. In particular, Existing Shareholders and prospective investors (as appropriate) should consider the following factors before making any decision to purchase Ordinary Shares or to vote in favour of the Resolutions, and should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser before making a final decision. An investment in the Company may not be suitable for all recipients of this document.

The following risks are the material risks of which the Directors are aware. Additional risks which are not presently known to the Directors, or that Directors deem immaterial, may also have an effect on the Company's and, after Admission, on the Enlarged Group's business or results of operations. The order in which the risks appear below does not reflect the relative importance of the risks, all of which must be considered individually.

There can be no assurances that the conditions to the Acquisition Agreement will be satisfied and that the Acquisition will be completed.

Completion is conditional upon, *inter alia*, the approval by Shareholders of the Resolutions to be proposed at the General Meeting. The Resolutions are interconditional and, in the event that Shareholders do not vote in favour of the Resolutions, the Acquisition will not be completed.

#### ***Risks relating to the business of the Company***

##### **Technical and development risks**

The mCHP unit is characterised by rapidly changing technology, evolving industry standards and frequent new product introductions, any of which could make the Enlarged Group's existing technology obsolete. The Enlarged Group's success depends upon its ability to enhance the existing technology and to introduce new technology to meet changing end-user requirements and emerging industry, regulatory and environmental standards. The Enlarged Group must devote continued efforts and financial resources to develop and enhance existing technology and conduct research to develop new technology. The development of new technology is a complex and uncertain process requiring high levels of innovation, as well as the accurate anticipation of technological and market trends. The Enlarged Group may not be able to identify, develop, manufacture, market or support new or enhanced technology successfully or on a timely basis and may not be able to respond effectively to technology changes, product announcements or emerging industry standards.

##### **Intellectual property risk**

Inspirit relies upon patents, copyrights, trade secrets, unpatented proprietary know-how and continuing technology innovation to protect the technology that it considers important to the development of its business. Inspirit relies on various methods to protect its proprietary rights, including confidentiality agreements with its employees, which contain terms and conditions prohibiting the unauthorised reproduction, disclosure or transfer of its products. These efforts may not provide meaningful protection or adequate remedies in the event of unauthorised use or disclosure of Inspirit's proprietary information. It is also possible that others could independently develop such know-how or obtain access to it or independently develop technologies that are substantially equivalent or superior to Inspirit's technology. If Inspirit's protective measures are not successful, its business, operating results and financial condition could be materially and adversely affected. The laws of certain foreign countries do not protect the Inspirit's intellectual property rights to the same extent as do the laws of the United Kingdom.

The patent position of technology is often uncertain and involves complex legal and factual questions. The Enlarged Group does not know whether any existing and future patent applications will result in the issuance of any patents. In addition, patents issued may be challenged, invalidated or circumvented. Any such patents may not provide a competitive advantage or afford protection against competitors with similar technology. Competitors or potential competitors may have filed applications for, or may have received patents and may obtain additional and proprietary rights to, technologies used by or competitive with those patents of Inspirit's.

The Enlarged Group's commercial success also depends significantly on its ability to operate without infringing the patents and other proprietary rights of others. Although the Enlarged Group believes that its products do not infringe on the proprietary rights of others and has not received any notice of claimed infringement, the business of Inspirit was bought out of administration and certain of the Enlarged Group's products could infringe on existing proprietary rights. Patent applications are, in many cases, maintained in secrecy until patents are issued. Consequently, the Enlarged Group cannot be certain that it is the first inventor of technologies covered by pending patent applications or that it is not infringing on the patents of others.

Litigation may be necessary to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement. If the Enlarged Group becomes involved in any litigation, interference or other administrative proceedings relating to their proprietary rights, it will incur substantial expenses and the efforts of its technical and management personnel will be significantly diverted. In addition, an adverse determination could subject the Enlarged Group to significant liabilities or require the Enlarged Group to seek licenses that may not be available on favourable terms, if at all. The Enlarged Group may be restricted or prevented from manufacturing and selling its products in the event of an adverse determination in a judicial or administrative proceeding or if it fails to obtain necessary licenses.

### **Pre-Cashflow**

Investing in the Company should be regarded as high risk given the current stage of development of the Company's technology, the current lack of commercial arrangements in place to commercialise the core technology and the likely need for further funding. In the event that delays occur in completing the development, testing and commercialisation of the Company's technology, this will have an adverse effect on the ability of the Company to reach profitability and positive cash flow and could adversely impact the ability of the Company to secure further funding.

### **The market for mCHP boilers**

As with any new technology, there is a substantial risk that the marketplace may not accept the Inspirit technology. Market acceptance of the Inspirit technology depends, in a large part, upon its ability to demonstrate the product's performance and cost-effectiveness over competing technologies. Inspirit may not be able to continue to market its technology successfully.

### **Sales and distribution**

The future revenue growth of the Enlarged Group will depend in large part on its ability to successfully establish a network of distributors as well as its ability to enter into strategic alliances with utility companies. The Enlarged Group may not be able to successfully manage such relationships. If the Enlarged Group is unable to attract such distributors and strategic partners, it may not be able to generate revenues to the extent necessary to achieve profitability. Even if the Enlarged Group is successful in creating relationships with distributors and strategic partners, the establishment of such relationships may not result in revenue growth.

## **Competition**

The mCHP industry is characterised by rapid technological change and new industry, regulatory and environmental standards. Inspirit competes with numerous types of companies, including companies which have been established for many years and have considerably greater financial, marketing, technical, human and other resources. Such competitors may have certain advantages over Inspirit. The Enlarged Group expects that other companies will also enter markets in which it competes. The Enlarged Group may not be able to compete successfully with existing or future competitors and may not assure that competitive pressures will not materially and adversely affect its business, operating results and financial condition.

## **Product liability**

The business of the Enlarged Group may expose it to potential product liability risks which are inherent in the research, development, manufacturing, marketing, sale and use of the Appliance. The current prototype of the Appliance has never been subject to any product liability in the past; however, it has not been fully tested in a commercial environment and the Enlarged Group intends to put product liability insurance in place following Admission.

Whilst the Company believes it can obtain levels of insurance cover that are sufficient for the Appliance, there can be no assurance that the level of insurance will be adequate to cover fully the financial damages resulting from a product liability claim or adverse judgement. Any product liability claim or adverse judgement could have a material adverse effect on the business or financial condition of the Enlarged Group.

Insurance coverage is increasingly expensive and the Enlarged Group may not have and may not be able to maintain adequate protection against potential liabilities. If the Enlarged Group is unable to maintain insurance at acceptable cost or otherwise protect against potential product liability claims, it may be exposed to significant liabilities, which may materially and adversely affect its business and financial position.

## **Key personnel**

The Enlarged Group is substantially dependent upon certain senior officers and key employees and other independent contractors. The loss of the services of any of these people could have a material adverse effect on its business. Additionally, the Enlarged Group's ability to develop, manufacture and market its technology and compete with current and future competitors depends, in large part, on its ability to attract and retain qualified personnel. Competition for qualified personnel in Inspirit's industry is intense, and the Enlarged Group must compete for personnel with companies that have substantially greater financial and other resources than it does. Failure to attract and retain qualified personnel could have a material adverse effect on the Enlarged Group's business, operating results and financial condition.

## **Limited trading history**

The Company has been a holding company whose main asset is a single minority investment and therefore has limited operating and trading history. Neither the Company nor Inspirit has generated revenues nor have the Directors experience in manufacturing and distributing Appliance on a commercial basis. There is, therefore, no previous performance upon which the prospects of the Enlarged Group can be evaluated.

## **Regulation**

The Enlarged Group may require approval from the relevant authorities before it can undertake commercialisation of the Appliance. The Enlarged Group will endeavour to ensure it obtains all material required consents, approvals and licences from any applicable regulatory agency or other third party. Failure to obtain such approval or failure to meet regulatory requirements, however, may prevent the Enlarged Group from carrying out its business activities.

## **Inspirit Options**

A number of share options over Inspirit ordinary shares have been granted to current and former directors and consultants of Inspirit. If these options are exercised, then new shares in Inspirit will be issued to the holders of the Inspirit options. This would result in a dilution of KleenAir's ownership of Inspirit and may reduce its level of control or influence over the running of Inspirit.

## **Inspirit Acquisition and limited funding**

In the event that the Acquisition and Subscription do not complete, the access to funding for the Company and Inspirit would be significantly reduced and the directors of the Company would need to consider the options available, which may include liquidation of the Company's assets.

## ***General risks***

### **Further issue of shares**

It may be necessary for the Enlarged Group to raise additional capital by way of the issue of further Ordinary Shares to enable the Enlarged Group to progress through further stages of development. There can be no assurance that such funding will be available. Furthermore, if such funding is available it may result in a dilution of the holding of Shareholders at the time of the issue, in the event that they do not participate in any such fundraisings.

### **General economic conditions**

Market conditions may affect the value of the Company's share price regardless of operating performance. The Enlarged Group could be affected by unforeseen events outside its control, including natural disasters, terrorist attacks, political unrest or government legislation or policy.

### **Additional capital**

The Enlarged Group may consider further research and development grant programs and additional public or private financing to fund all or a part of particular development programs. Such financing could include the incurring of debt and the issuance of additional equity securities, which could result in substantial dilution to shareholders. There can be no assurance that additional funding will be available or, if available, that it will be available on acceptable terms. If adequate funds are not available, the Enlarged Group may have to substantially reduce or eliminate expenditures for development, testing, production and marketing of its products or obtain funds through arrangements with corporate partners. There can be no assurance that the Enlarged Group will be able to raise additional capital.

### **Controlling shareholder**

Following Admission, the Concert Party will hold 79.8 per cent. of the Enlarged Issued Share Capital. The Concert Party will, therefore, be able to exercise significant influence over the Enlarged Group's corporate actions and activities and the outcome of general corporate matters. Should the Controlling Shareholder decide to disregard the interests of other holders of Ordinary Shares, this may have a material adverse effect on the value of the Ordinary Shares.

If the Concert Party were to seek to sell its holding of Ordinary Shares, a lack of liquidity in the market may cause the price of the Ordinary Shares to fall dramatically and Shareholders may not be able to sell their Ordinary Shares or Convertible Loan Notes at a price which reflects their actual or potential value. Any sale of Ordinary Shares for whatever reason may have a material adverse effect on the market price of the Ordinary Shares.

## **Substantial sales of Ordinary Shares by major shareholders including the Vendors, Hebolux and Subscribers could cause the price of Ordinary Shares to decline**

There can be no assurance that certain major shareholders including the Vendors, Hebolux and Subscribers will not elect to sell their Ordinary Shares in the Enlarged Group. The market price of the Ordinary Shares could decline as a result of any such sales of Ordinary Shares or as a result of the perception that these sales may occur. If these or any other sales were to occur, the Company may in the future have difficulty in offering or selling Ordinary Shares at a time or at a price it deems appropriate.

## **Share price volatility and liquidity**

The price of securities and the income from them (if any) may go down as well as up. The price at which the Ordinary Shares may trade and the price which Shareholders may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Company, and some which may affect quoted companies generally. These factors could include the performance of the Enlarged Group's operations, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory changes and general economic conditions.

## **AIM**

Application will be made for the Enlarged Share Capital to be admitted to AIM. An investment in shares quoted on AIM may be less liquid and may carry a higher degree of risk than an investment in shares admitted to the Official List.

## **AIM Rules**

The rules of AIM are less onerous than those of the Official List. Neither the FCA nor the London Stock Exchange has itself examined or approved the contents of this document. Shareholders and prospective investors (as appropriate) should be aware of the risks of investing in AIM quoted shares and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

**Investors should therefore consider carefully whether an investment in the Enlarged Group is suitable for them, in light of the risk factors outlined above, their personal circumstances and the financial resources available to them.**

## **PART IV**

### **FINANCIAL INFORMATION ON THE COMPANY**

In accordance with Rule 28 of the AIM Rules for Companies, this document does not contain historical financial information on the Company which would be required by Section 20 of Annex I of the Prospectus Rules.

Historical financial information is available via the Company's website, [www.kleenair-systems.com](http://www.kleenair-systems.com), up to Admission and [www.inspirit-energy.com](http://www.inspirit-energy.com) following Admission.

Shareholders or other recipients of this document may request a copy of the information incorporated by reference from the Secretary of the Company, who can be contacted at the below address or by telephone:

Jubeenh Nazhat  
2nd Floor  
Number 2  
London Wall Buildings  
London EC2M 5PP

+44 (0) 20 7048 9400

A hard copy of the information incorporated by reference will not be sent to Shareholders or other recipients of this document unless requested.

# **PART V**

## **FINANCIAL INFORMATION ON INSPIRIT**

### **SECTION A - ACCOUNTANT'S REPORT ON THE HISTORIC FINANCIAL INFORMATION OF INSPIRIT ENERGY LIMITED**



The Directors  
KleenAir Systems International Plc  
2nd Floor,  
2 London Wall Buildings  
London EC2M 5PP

The Directors  
Westhouse Securities Limited  
Heron Tower,  
110 Bishopsgate  
London  
EC2N 4AY

1 July 2013

Dear Sirs

**Inspirit Energy Limited (the “Company”, or “Inspirit”)**

#### **Introduction**

We report on the special purpose IFRS financial information set out in Part V Section B (the “Financial Information”) relating to Inspirit Energy Limited. This information has been prepared for inclusion in the AIM admission document dated 1 July 2013 (the “Admission Document”) relating to the proposed re-admission to AIM of KleenAir Systems International Plc and on the basis of the accounting policies set out in Note 2. This report is given for the purpose of complying with paragraph (a) of Schedule Two of the AIM Rules for Companies and for no other purpose.

#### **Responsibility**

The Directors of the Company are responsible for preparing the Financial Information on the basis of preparation set out in the notes to the Financial Information and in accordance with International Financial Reporting Standards (“IFRSs”).

It is our responsibility to form an opinion as to whether the Financial Information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under Schedule Two of the AIM Rules for Companies to any person as and to the extent provided, and save for any responsibility that we have expressly agreed in writing to assume, to the fullest extent permitted by law we do not assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

## **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the Financial Information and whether the accounting policies are appropriate to Inspirit consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

## **Opinion**

In our opinion, the Financial Information give, for the purpose of the Admission Document dated 1 July 2013, a true and fair view of the state of affairs of Inspirit as at the dates stated and of its results, cash flows and changes in equity for the periods then ended in accordance with the applicable financial reporting framework.

## **Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

**PKF Littlejohn LLP**  
**Reporting Accountants**

## SECTION B - SPECIAL PURPOSE IFRS FINANCIAL INFORMATION ON INSPIRIT ENERGY LIMITED FOR THE PERIOD FROM 17 AUGUST 2010 TO 30 JUNE 2012

The Directors have prepared the Special Purpose IFRS Financial Information on Inspirit Energy Limited, for the period from incorporation to 30 June 2012 on the basis set out in note 2.1 to the Special Purpose IFRS Financial Information, based on the unaudited UK GAAP financial statements of Inspirit Energy Limited and with adjustments made as necessary to translate the Special Purpose IFRS Financial Information so as to comply with IFRS.

The Special Purpose IFRS Financial Information contained in this Part V Section B, which has been prepared solely for the purposes of the Admission Document, does not constitute audited statutory accounts within the meaning of the Act.

The Directors are responsible for the Special Purpose IFRS Financial Information contained in this report and the contents of this Admission Document in which it is included.

The principal accounting policies are detailed in note 2 to the Special Purpose IFRS Financial Information.

### STATEMENT OF COMPREHENSIVE INCOME

	Note	Year Ended 30 June 2012 £	Period 18 August 2010 to 30 June 2011 £	Period 17 February 2010 to 17 August 2010 £
Administration expenses		(151,639)	(250,049)	(119,796)
<b>Operating Loss</b>	<b>19</b>	<b>(151,639)</b>	<b>(250,049)</b>	<b>(119,796)</b>
Finance costs	<b>20</b>	(29,691)	-	-
<b>Loss Before Income Tax</b>		<b>(181,330)</b>	<b>(250,049)</b>	<b>(119,796)</b>
Income tax credit	<b>17</b>	100,060	-	-
<b>Loss for the Year/Period</b>		<b>(81,270)</b>	<b>(250,049)</b>	<b>(119,796)</b>
<b>Total Comprehensive Income for the year / period attributable to Equity Shareholders</b>				
		<b>(81,270)</b>	<b>(250,049)</b>	<b>(119,796)</b>
<b>Earnings per share attributable to the equity owners of the Company during the year / period</b>				
Basic and Diluted Loss Per Share	<b>18</b>	<b>(0.5)p</b>	(1.6)p	(40.0)p

All costs relate to continuing operations

## STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2012 £	As at 30 June 2011 £	As at 17 August 2010 £
<b>Assets</b>				
<b>Non-Current Assets</b>				
Intangible assets	6	643,548	479,900	39,000
Property, plant and equipment	7	7,682	8,884	-
Investment in subsidiaries	8	1	1	-
		651,231	488,785	39,000
<b>Current Assets</b>				
Inventories	11	5,238	5,238	5,238
Trade and other receivables	9	15,678	47,184	-
Income taxes receivable		40,232	-	-
Cash and cash equivalents	10	50,346	64,715	-
		111,494	117,137	5,238
<b>Total Assets</b>		<b>762,725</b>	<b>605,922</b>	<b>44,238</b>
<b>Equity and Liabilities</b>				
<b>Capital and Reserves</b>				
<b>Attributable to Equity Shareholders of the Company</b>				
Ordinary shares	13	15,230	15,230	300
Share premium	13	737,403	737,403	-
Other reserves		22,500	22,500	-
Retained losses		(451,115)	(369,845)	(119,796)
<b>Total Equity</b>		<b>324,018</b>	<b>405,288</b>	<b>(119,496)</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Trade and other payables	12	438,707	200,634	163,734
<b>Total Liabilities</b>		<b>438,707</b>	<b>200,634</b>	<b>163,734</b>
<b>Total Equity and Liabilities</b>		<b>762,725</b>	<b>605,922</b>	<b>44,238</b>

## STATEMENT OF CHANGES IN EQUITY

	Share capital £	Share premium £	Other reserves £	Retained losses £	Total equity £
<b>As at 17 February 2010</b>	<b>300</b>	-	-	-	<b>300</b>
<b>Comprehensive income</b>					
Loss for the period	-	-	-	(119,796)	(119,796)
<b>Total comprehensive income for the period</b>	-	-	-	<b>(119,796)</b>	<b>(119,796)</b>
<b>As at 17 August 2010</b>	<b>300</b>	-	-	<b>(119,796)</b>	<b>(119,496)</b>
As at 18 August 2010	300	-	-	(119,796)	(119,496)
<b>Comprehensive income</b>					
Loss for the period	-	-	-	(250,049)	(250,049)
<b>Total comprehensive income for the period</b>	-	-	-	<b>(250,049)</b>	<b>(250,049)</b>
Issue of ordinary shares	14,930	737,403	-	-	752,333
Shares based payments	-	-	22,500	-	22,500
	<b>14,930</b>	<b>737,403</b>	<b>22,500</b>	-	<b>774,833</b>
<b>As at 30 June 2011</b>	<b>15,230</b>	<b>737,403</b>	<b>22,500</b>	<b>(369,845)</b>	<b>405,288</b>
As at 1 July 2011	15,230	737,403	22,500	(369,845)	405,288
<b>Comprehensive income</b>					
Loss for the year	-	-	-	(81,270)	(81,270)
<b>Total comprehensive income for the year</b>	-	-	-	<b>(81,270)</b>	<b>(81,270)</b>
<b>As at 30 June 2012</b>	<b>15,230</b>	<b>737,403</b>	<b>22,500</b>	<b>(451,115)</b>	<b>324,018</b>

## STATEMENT OF CASH FLOWS

	Year Ended 30 June 2012 £	Period 18 August 2010 to 30 June 2011 £	Period 17 February 2010 to 17 August 2010 £
<b>Cash flows from operating activities</b>			
Loss before taxation	(151,639)	(250,049)	(119,796)
Adjustments for:			
Depreciation	1,616	2,200	-
Share based payments	-	22,500	-
Changes in working capital:			
Decrease/(increase) in other receivables	31,506	(47,184)	-
Increase/(decrease) in trade and other payables	30,935	(53,088)	163,734
Increase in stock	-	-	(5,238)
Finance costs	(29,691)	-	-
Income tax credit received	59,828	-	-
<b>Net cash (used)/generated in operations</b>	<b>(57,445)</b>	<b>(325,621)</b>	<b>38,700</b>
<b>Cash flows from investing activities</b>			
Increase in intangible asset	(163,648)	(440,900)	(39,000)
Purchase of tangible fixed assets	(414)	(11,084)	-
Purchase of shares in subsidiary	-	(1)	-
<b>Net cash (used) in investing activities</b>	<b>(164,062)</b>	<b>(451,985)</b>	<b>(39,000)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	-	752,333	300
Proceeds from related parties	207,138	89,988	-
<b>Net cash generated from financing activities</b>	<b>207,138</b>	<b>842,321</b>	<b>300</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(14,369)</b>	<b>64,715</b>	
<b>Cash and cash equivalents at beginning of year/period</b>	<b>64,715</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at end of year/period</b>	<b>50,346</b>	<b>64,715</b>	<b>-</b>

## NOTES TO THE FINANCIAL INFORMATION

### 1. General information

Inspirit Energy Limited (“the Company”) is a limited company incorporated and domiciled in Great Britain and registered in England and Wales, company number is 07160673. The address of its registered office is Brook Point, 1412 High Road, London, N20 9BH, its principal place of business is Holbrook Industrial Estate, Sheffield.

The principal activity of the Company is that of development and preparation of the commercialisation and distribution of the Company’s micro combined heat and power (mCHP) technology.

### 2. Summary of Significant Accounting Policies

The principal Accounting Policies applied in the preparation of this Financial Information are set out below. These Policies have been consistently applied to all the periods presented, unless otherwise stated.

#### 2.1 Basis of Preparation of Financial Information

The Financial Information has been prepared in accordance with EU-adopted International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations and the parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Company has adopted IFRSs for this special purpose Financial Information and does not represent financial statements in accordance with the Companies Act 2006.

The Financial Information are presented in Pound Sterling rounded to the nearest pound and have been prepared under the historical cost convention.

The preparation of Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant in the Financial Information are disclosed in Note 4.

#### 2.2 New and Amended Standards

*(a) New and amended standards and interpretations mandatory for the first time for the financial year beginning 1 July 2011:*

The following standards and amendments to existing standards have been published and are mandatory for the Company’s accounting periods beginning on or after 1 July 2011 or later periods, but are not expected to have a significant effect on the Financial Information of the Company:

- A revised version of IAS 24 “Related Party Disclosures” simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. These revisions apply to annual periods beginning on or after 1 January 2011.
- Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” replace references to a fixed date of 1 January 2004 with “the date of transition to IFRSs”, thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs, and provide guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.
- Amendments to IFRS 7 “Financial Instruments: Disclosures” are designed to help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity’s financial position. These amendments apply to annual periods beginning on or after 1 July 2011.

*(b) New and amended standards issued but not yet effective:*

The Directors are assessing the possible impact of the following standards on the Company’s Financial Statements:

- IFRS 9 “Financial Instruments” specifies how an entity should classify and measure financial assets, including some hybrid contracts, with the aim of improving and simplifying the approach to classification and measurement compared with IAS 39. This standard is effective for periods beginning on or after 1 January 2015, subject to EU endorsement.

## 2.2 New and Amended Standards (continued)

- IFRS 10 “Consolidated Financial Statements” builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This standard is effective for periods beginning on or after 1 January 2013.
- IFRS 11 “Joint Arrangements” provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. This standard is effective for periods beginning on or after 1 January 2013.
- IFRS 12 “Disclosure of Interests in Other Entities” is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This standard is effective for periods beginning on or after 1 January 2013.
- IFRS 13 “Fair Value Measurement” improves consistency and reduces complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. It does not extend the use of fair value accounting, but provides guidance on how it should be applied where its use is already required or permitted by other standards. This standard is effective for periods beginning on or after 1 January 2013.
- Amendments to IAS 12 “Income Taxes” introduce a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 “Investment Property” will normally be through sale. The amendments are effective for periods beginning on or after 1 January 2012.
- IAS 27 “Separate Financial Statements” replaces the current version of IAS 27 “Consolidated and Separate Financial Statements” as a result of the issue of IFRS 10 (see above). This standard applies to annual periods beginning on or after 1 January 2013.
- IAS 28 “Investments in Associates and Joint Ventures” replaces the current version of IAS 28 “Investments in Associates” as a result of the issue of IFRS 11 (see above). This standard applies to annual periods beginning on or after 1 January 2013.
- Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” require that first-time adopters apply the requirements in IFRS 9 “Financial Instruments” and IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance” prospectively to government loans existing at the date of transition to IFRSs. The amendments are effective for periods beginning on or after 1 January 2013, subject to EU endorsement.
- Amendments to IFRS 7 “Financial Instruments: Disclosures” require disclosure of information that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity’s recognised financial assets and recognised financial liabilities, on the entity’s financial position. The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods, subject to EU endorsement.
- Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” require entities to apply IFRS 9 for annual periods beginning on or after 1 January 2015 instead of on or after 1 January 2013, subject to EU endorsement. The amendments also require additional disclosures on transition from IAS 39 “Financial Instruments: Recognition and Measurement” to IFRS 9.
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities” clarify the IASB’s intention when first issuing the transition guidance in IFRS 10, provide similar relief in IFRS 11 and IFRS 12 from the presentation or adjustment of comparative information for periods prior to the immediately preceding period, and provide additional transition relief by eliminating the requirement to present comparatives for the disclosures relating to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied. The amendments are effective for periods beginning on or after 1 January 2013, subject to EU endorsement.

## 2.2 New and Amended Standards (continued)

- Amendments to IAS 1 “Presentation of Financial Statements” require items that may be reclassified to the profit or loss section of the income statement to be grouped together within other comprehensive income (OCI). These amendments apply to annual periods beginning on or after 1 July 2012.
- “Annual Improvements 2009 – 2011 Cycle” sets out amendments to various IFRSs and provides a vehicle for making non-urgent but necessary amendments to IFRSs:
  - o An amendment to IFRS 1 “First-time Adoption of International Financial Reporting Standards” clarifies whether an entity may apply IFRS 1:
    - (a) if the entity meets the criteria for applying IFRS 1 and has applied IFRS 1 in a previous reporting period; or
    - (b) if the entity meets the criteria for applying IFRS 1 and has applied IFRSs in a previous reporting period when IFRS 1 did not exist.The amendment also addresses the transitional provisions for borrowing costs relating to qualifying assets for which the commencement date for capitalisation was before the date of transition to IFRSs.
  - o An amendment to IAS 1 “Presentation of Financial Statements” clarifies the requirements for providing comparative information:
    - (a) for the opening statement of financial position when an entity changes accounting policies, or makes retrospective restatements or reclassifications; and
    - (b) when an entity provides financial statements beyond the minimum comparative information requirements.
  - o An amendment to IAS 16 “Property, Plant and Equipment” addresses a perceived inconsistency in the classification requirements for servicing equipment.
  - o An amendment to IAS 32 “Financial Instruments: Presentation” addresses perceived inconsistencies between IAS 12 “Income Taxes” and IAS 32 with regard to recognising the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction.
  - o An amendment to IAS 34 “Interim Financial Reporting” clarifies the requirements on segment information for total assets and liabilities for each reportable segment.

The amendments are effective for periods beginning on or after 1 January 2013, subject to EU endorsement. There are no other IFRSs or IFRIC Interpretations that are not yet effective which would be expected to have a material impact on the Company.

## 2.3 Foreign Currencies

### (a) Functional and presentation currency

Items included in the Financial Information of the Company are measured in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the Financial Information, the results and financial position are expressed in Pounds Sterling, which is the functional and presentational currency of the Company.

### (b) Transactions and balances

In preparing the Financial Information, transactions in currencies other than the entity’s functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items at the Statement of Financial Position date, are included in the Income Statement for the period.

## 2.4 Intangible assets

### Development costs

Costs incurred in the development of the product have been capitalised, on the basis that the Company will have access to future economic benefits deriving from ownership of this new technology. These costs will be amortised over their future economic life. No amortisation has been charged during the periods ended 30 June 2012 as the product remains in its development phase.

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as intangible assets when the Company can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and its ability to use or sell the asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The Company's core platform is considered to have an indefinite useful life because there are no legal, contractual, regulatory, technological, or other factors that limit the useful life of that asset. Assets that have an indefinite useful life or are not ready to use are not subject to amortisation and are tested annually for impairment. At each year end date, the Company reviews the carrying amounts of its intangible assets to determine whether the carrying amount is recoverable. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value, less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense in the Income Statement immediately.

## **2.5 Property, plant and equipment**

Plant and equipment, fixtures and fittings and motor vehicles are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on all tangible assets to write down the cost less estimated residual value of each asset over its expected useful economic life on a straight line basis at the following annual rates:

Plant and machinery	15% reducing balance
Fixtures and fittings	20% reducing balance
Motor vehicles	20% straight line

Asset residual values and useful economic lives are reviewed and adjusted if appropriate at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the Income Statement.

## **2.6 Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods and work in progress comprise all direct expenditure and an appropriate proportion of fixed and variable overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

## **2.7 Impairment of non-financial assets**

Assets that have an indefinite useful life, for example, intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Tangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2.8 Financial Assets

### Classification

The Company classifies its financial assets in the following category: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### *(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Statement of Financial Position date. These are classified as non-current assets. The Company's loans and receivables comprise other receivables and cash and cash equivalents in the Statement of Financial Position.

### Recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred, and the Company has transferred substantially all of the risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

### Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset, or a group of financial assets, is impaired. A financial asset, or a group of financial assets, is impaired, and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset, or group of financial assets, that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal repayments;
- the disappearance of an active market for that financial asset because of financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio; or
- for assets classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost.

## 2.9 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, and are subject to an insignificant risk of changes in value.

## 2.10 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

## 2.11 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. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised at cost, which is considered to be their fair value, which is the agreed market price at the time goods or services are provided. The Company accrues for all goods and services consumed but as yet unbilled at amounts representing management's best estimate of fair value.

## 2.12 Current and deferred income tax

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

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

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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred income tax assets and liabilities are not discounted.

### **2.13 Operating leases**

Leases of assets under which a significant amount of the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments, net of any incentives received from the lessor, are charged to the income statement on a straight-line basis over the period of the respective leases.

### **2.14 Share-Based Payments**

The Company operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense if material. The total amount to be expensed is determined by reference to the fair value of the options granted:

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

Non-market vesting 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.

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

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

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

### **2.15 Finance costs**

Any finance costs are recognised in profit or loss in the period in which they are incurred.

## **3. Financial Risk Management**

### **3.1 Financial Risk Factors**

The Company's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

#### ***Credit Risk***

Credit risk arises from cash and cash equivalents as well as outstanding receivables. Management does not expect any losses from non-performance of these receivables.

The amount of exposure to any individual counter party is subject to a limit, which is assessed by the Board.

The Company considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk.

### ***Liquidity Risk***

In keeping with similar sized companies, the Company's continued future operations depend on the ability to raise sufficient working capital through the issue of equity share capital. The Directors are confident that adequate funding will be forthcoming with which to finance operations. Controls over expenditure are carefully managed.

### **3.2 Capital Risk Management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, in order to enable the Company to continue its activities and bring its products to market. The Company has secured amounts from related parties at 30 June 2012 and defines capital based on the total equity of the Company. The Company monitors its level of cash resources available against future planned activities and may issue new shares in order to raise further funds from time to time.

## **4. Critical Accounting Estimates and Judgements**

The preparation of the Financial Information in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the year. Actual results may vary from the estimates used to produce this Financial Information.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant items subject to such estimates and assumptions include, but are not limited to:

#### *Impairment of intangible assets*

The Company tests annually for impairment in its intangible assets, which have a carrying value as at 30 June 2012 of £643,548. There has been no impairment during the current financial period.

#### *Share options*

The value of the share option charge is calculated using the Black Scholes model with adjustments appropriate for the size of the Company and depends on a number of factors that are determined using a number of assumptions. The assumptions used in determining the net cost include the discount rate and risk free rate of return. Any changes in these assumptions will impact the carrying amount of the obligations.

The key assumptions and additional information is disclosed in Note 14.

## **5. Segment Information**

Management has determined the operating segments based on reports reviewed by the Board of Directors that are used to make strategic decisions. During the periods covered by the Company had no revenue, and as such the activities mainly administrative in nature occurred.

There is therefore no further disclosure to be noted in respect of segmental information.

## 6. Intangible Assets

	Development Costs £
<b>Cost</b>	
As at 17 February 2010	-
Additions	39,000
As at 17 August 2010	39,000
Additions	440,900
As at 30 June 2011	479,900
Additions	163,648
<b>As at 30 June 2012</b>	<b>643,548</b>
<b>Accumulated amortisation and impairment</b>	
<b>As at 17 August 2010, 30 June 2011 and 30 June 2012</b>	<b>-</b>
<b>Net book value as at 30 June 2012</b>	<b>643,548</b>
Net book value as at 30 June 2011	479,900
Net book value as at 17 August 2010	39,000

£126,073 (2011: £120,878, 2010: £Nil) of wages, salaries and other staff costs have been capitalised within Intangible Assets. There was no amortisation charge for the year (2011: £Nil, 2010: £Nil).

## 7. Property, plant and equipment

	Plant and Machinery £	Fixtures and Fittings £	Motor Vehicles £	Totals £
<b>Cost</b>				
As at 17 February 2010 and 17 August 2010	-	-	-	-
Additions	6,944	3,440	700	11,084
As at 30 June 2011	6,944	3,440	700	11,084
Additions	-	414	-	414
<b>As at 30 June 2012</b>	<b>6,944</b>	<b>3,854</b>	<b>700</b>	<b>11,498</b>
<b>Depreciation</b>				
As at 17 February 2010 and 17 August 2010	-	-	-	-
Charge for the period	1,419	621	160	2,200
As at 30 June 2011	1,419	621	160	2,200
Charge for the year	829	647	140	1,616
<b>As at 30 June 2012</b>	<b>2,248</b>	<b>1,268</b>	<b>300</b>	<b>3,816</b>
<b>Net book value as at 30 June 2012</b>	<b>4,696</b>	<b>2,586</b>	<b>400</b>	<b>7,682</b>
Net book value as at 30 June 2011	5,525	2,819	540	8,884
Net book value as at 17 August 2010	-	-	-	-

Depreciation expense of £1,616 (2011: £2,200, 2010: £Nil) has been charged in administrative expenses.

## 8. Investments

	Unlisted Investments £
<b>Cost</b>	
<b>As at 17 February and 17 August 2010</b>	<b>-</b>
Additions	1
<b>As at 30 June 2011 and 30 June 2012</b>	<b>1</b>
<b>Net book value as at 30 June 2011 and 30 June 2012</b>	<b>1</b>
Net book value as at 17 August 2010	-

The Company's investments at the Statement of Financial Position date include the share capital of companies as follows:

Name of Company	Place of establishment	Parent company	Registered capital	Share capital held	Principal activities
Somemore Limited	United Kingdom	Inspirit Energy Limited	£1 Ordinary Share Capital	100%	Dormant

Somemore Limited holds various patents used within the Company's products.

	Year Ended 30 June 2012 £	Period ended 30 June 2011 £	Period ended 17 August 2010 £
Aggregate capital and reserves	1	1	0

#### 9. Trade and Other Receivables

	As at 30 June 2012 £	As at 30 June 2011 £	As at 17 August 2010 £
Other receivables	15,678	12,041	-
Due from related parties	-	35,143	-
	<b>15,678</b>	<b>47,184</b>	<b>-</b>

Other receivables are all due within one year. The fair value of all receivables is the same as their carrying values stated above. Further details on the amount due from related parties can be found in Note 23.

#### 10. Cash and Cash Equivalents

	As at 30 June 2012 £	As at 30 June 2011 £	As at 17 August 2010 £
Cash at bank and in hand	50,346	64,715	-

All of the Company's cash at bank is held with institutions with an A+ credit rating.

#### 11. Inventories

	As at 30 June 2012 £	As at 30 June 2011 £	As at 17 August 2010 £
Supplies	5,238	5,238	5,238
	<b>5,238</b>	<b>5,238</b>	<b>5,238</b>

#### 12. Trade and Other Payables

	As at 30 June 2012 £	As at 30 June 2011 £	As at 17 August 2010 £
Trade payables	9,726	55,247	-
Taxation and social security	9,012	14,430	15,004
Due to related parties	414,969	125,957	147,224
Other payables	5,000	5,000	1,506
	<b>438,707</b>	<b>200,634</b>	<b>163,734</b>

Further details of the amounts due to related parties can be found in Note 23.

### 13. Share Capital

#### Authorised

<b>As at 30 June 2012</b>	<b>Number</b>	<b>£</b>
Ordinary shares of £0.001 each	15,230,000	15,230

  

<b>As at 30 June 2011</b>	<b>Number</b>	<b>£</b>
Ordinary shares of £0.001 each	15,230,000	15,230

  

<b>As at 17 August 2010</b>	<b>Number</b>	<b>£</b>
Ordinary shares of £0.001 each	300,001	300

#### Issued

	<b>Number of shares</b>	<b>Ordinary shares £</b>	<b>Share premium £</b>	<b>Total £</b>
<b>Issued and fully paid</b>				
<b>At incorporation</b>	<b>300,001</b>	<b>300</b>	<b>-</b>	<b>300</b>
<b>As at 17 August 2010</b>	<b>300,001</b>	<b>300</b>	<b>-</b>	<b>300</b>
Issue of new shares – 25 August 2010	1,333,333	1,333	298,667	300,000
Issue of new shares – 28 August 2010	11,000,000	11,000	-	11,000
Issue of new shares – 6 January 2011	1,263,333	1,264	438,736	440,000
Issue of new shares – 12 January 2011	1,333,333	1,333	-	1,333
<b>As at 30 June 2011</b>	<b>15,230,000</b>	<b>15,230</b>	<b>737,403</b>	<b>752,633</b>
<b>As at 30 June 2012</b>	<b>15,230,000</b>	<b>15,230</b>	<b>737,403</b>	<b>752,633</b>

On 25 August 2010 the Company issued 1,333,333 ordinary shares of £0.001 each fully paid, in consideration for the issue of equity in the Company and received £300,000 cash.

On 28 August 2010 the Company issued 11,000,000 ordinary shares of £0.001 each fully paid, in consideration for the issue of equity in the Company and received £11,000 cash.

On 6 January 2011 the Company issued 1,263,333 ordinary shares of £0.001 each fully paid, in consideration for the issue of equity in the Company and received £440,000 cash.

On 12 January 2011 the Company issued 1,333,333 ordinary shares of £0.001 each fully paid, in consideration for the issue of equity in the Company and received £1,333 cash.

### 14. Share based payments

On 18 April 2011 1,266,000 share options were granted to Directors, employees and consultants, with an exercise price set at between 1p and 35p per share and an expiry date of 18 April 2021. Of these options 516,000 were granted under an EMI option plan. The fair value of those options exercisable at 35p was calculated using the Black Scholes model at 3p per share and £22,500 has been debited to the income statement. The key assumptions included volatility of 5%, risk free return rate of 3.9% and a discount of 75% from a similar quoted equity instrument.

All options were exercisable from 18 April 2012. Movement in the number of share options outstanding and their weighted average exercise price are as follows:-

	Year 30 June 2012		Period 30 June 2011		Period 17 August 2010	
	No of options	Weighted average exercise price (pence)	No of options	Weighted average exercise price (pence)	No of options	Weighted average exercise price (pence)
Outstanding at the start of the year/period	1,266,000	21	-	-	-	-
Granted	-	-	1,266,000	21	-	-
Outstanding at the end of the year/period	1,266,000	21	1,266,000	21	-	-

## 15. Employees

The average number of employees, including Directors, employed by the Company was:

	2012 No.	2011 No.	2010 No.
Technology and product development	3	4	4
Administration	1	2	2
	4	6	6

Employees', including Directors', costs comprise:

	2012 £	2011 £	2010 £
Wages, salaries and other staff costs	16,993	88,100	81,841
Social security costs	1,630	7,285	10,248
Share options granted to Director and employees	-	22,500	-
	18,623	117,885	92,089

£126,073 (2011: £120,878, 2010: £Nil) of wages, salaries and other staff costs have been capitalised within Intangible Assets per Note 6.

## 16. Directors' Remuneration

The Directors' remuneration for the year ended 30 June 2012, the period 18 August 2010 to 30 June 2011, and the period 17 February 2010 to 17 August 2010 are as follows:

	Directors' Fees			Options Issued			Total		
	2012 £	2011 £	2010 £	2012 £	2011 £	2010 £	2012 £	2011 £	2010 £
<b>Executive Directors</b>									
J Gunn	-	-	-	-	11,250	-	-	11,250	-
A Dale	-	49,500	16,500	-	3,750	-	-	49,500	16,500
S Pozner	-	-	-	-	4,500	-	-	4,500	-
	-	49,500	16,500	-	19,500	-	-	65,250	16,500

## 17. Income tax

### Analysis of the tax credit

The tax credit on the loss on ordinary activities was as follows:

	Year Ended 30 June 2012 £	Period 18 August 2010 to 30 June 2011 £	Period 17 February 2010 to 17 August 2010 £
Current tax:			
UK Corporation tax	-	-	-
Research and development tax credit	(100,060)		
<b>Total income tax credit (to Statement of Comprehensive Income)</b>	<b>(100,060)</b>	-	-

### Factors affecting the tax credit for the year

The income tax credit for the year is lower (2011 and 2010 – lower) than the standard rate of corporation tax in the UK applied to the Company's loss before tax of 20% (2011 and 2010: 20 %). The difference is explained below:

	2012 £	2011 £	2010 £
Operating loss before tax	(151,639)	(250,049)	(119,796)
Credit on loss on ordinary activities at standard rate	(30,328)	(50,010)	(23,959)
Effect of:			
Tax losses for which no deferred tax is recognised	30,088	51,787	23,959
Depreciation in excess of capital allowances	240	(1,777)	-
	-	-	-

### Factors affecting the tax charge of future periods

Tax losses available to be carried forward by the Company at 30 June 2012 against future taxable profit are estimated to comprise excess trading losses of approximately £810,477 (2011: £620,248, 2010: £21,638) arising in the United Kingdom.

Deferred tax assets on unutilised losses have not been recognised in the Financial Information as the Director is uncertain as to when they will be utilised.

## 18. Earnings per Share

The calculation of the total basic earnings per share is as follows:

	2012 £	2011 £	2010 £
Loss attributable to ordinary shareholders	(81,270)	(250,049)	(119,796)
Weighted average number of ordinary shares	15,230,000	15,230,000	300,001
Loss per share	(0.5)p	(1.6)p	(40.0)p

£0.01 (2011: loss of £0.2, 2010: loss of £0.40) is based on the loss attributable to ordinary shareholders of £81,270 (2011: £250,049, 2010: £119,796) and on the weighted average number of ordinary shares of 1,523,000 (2011: 1,523,000, 2010: 300,001) in issue during the period.

In accordance with IAS 33, basic and diluted earnings per share are identical as the effect of the exercise of share options would be to decrease the loss per share.

## 19. Expenses by nature

	Year Ended 30 June 2012	Period 18 August 2010 to 30 June 2011	Period 17 February 2010 to 17 August 2010
	£	£	£
Establishment expenses	16,147	22,902	3,711
Wages	18,623	117,885	92,089
Operating lease payments	18,194	15,712	7,424
Accountancy fees	5,556	7,240	1,200
Advertising costs	79	1,090	-
Consultancy fees	64,985	28,329	-
Professional fees	7,469	20,141	-
Depreciation	1,616	2,200	-
Other expenses	18,970	34,550	15,372
<b>Total operating expenses</b>	<b>151,639</b>	<b>250,049</b>	<b>119,796</b>

## 20. Finance costs

	Year Ended 30 June 2012	Period 18 August 2010 to 30 June 2011	Period 17 February 2010 to 17 August 2010
	£	£	£
Finance costs:			
- interest on amounts due to related parties (Note 23)	29,691	-	-
<b>Total finance costs</b>	<b>29,691</b>	<b>-</b>	<b>-</b>

## 21. Contingencies

The Board does not consider that the Company has any material contingent liabilities.

## 22. Financial Commitments

### (a) Operating lease commitments

At 30 June 2012 the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows. Lease expenditure charged to profit or loss during the year is disclosed in Note 19.

The future aggregate minimum payments under non-cancellable operating leases are as follows:

	2012		2011		2010	
	Land and buildings £	Other £	Land and buildings £	Other £	Land and buildings £	Other £
Due within one year	16,650	940	16,650	-	16,650	-
Due within 2 – 5 years	-	-	-	1,880	-	2,820
	<b>16,650</b>	<b>940</b>	<b>16,650</b>	<b>1,880</b>	<b>16,650</b>	<b>2,820</b>

## 23. Related Party Transactions

Global Investment Strategy (UK) Limited, a company controlled by John Gunn, a Director of the Company, has paid expenses on behalf of and provided loans to, the Company. The balance owing to Global Investment Strategy (UK) Limited at the Statement of Financial Position date was £88,808 (2011: owed from £35,143, 2010: owed to £147,224). This balance is included within other payables and other receivables. Interest will accrue on the balance at a rate of 7% per annum and is due for repayment in April 2015.

Other payables also include a balance of £29,035 (2011: £35,969, 2010: £Nil) owing to KleenAir Systems International Plc, which has an interest in the share capital of this Company and where John Gunn is a director. This balance arose from a combination of loan balances and trading account. Interest will accrue on the balance at a rate of 7% per annum from 1 July 2013 and is due for repayment in May 2015.

At 30 June 2012, the Company owed to John Gunn, the Director, £297,128 (2011: £89,988, 2010: £Nil) which is also included within other payables. Interest will accrue on the balance at a rate of 7% per annum and is due for repayment in August 2015.

#### **24. Ultimate Controlling Party**

The Directors believe John Gunn, the Director to be the ultimate controlling party.

#### **25. Events after the reporting period**

In the period since 30 June 2012 there have been no events after the reporting period to disclose.

#### **26. Reconciliation of previous GAAP to IFRS**

The Company has adopted International Financial Reporting Standards for the first time in preparing this Financial Information.

Until the adoption of IFRS, Inspirit Energy Limited Financial Information was prepared using Financial Reporting Standards for Smaller Entities ("FRSSE") (effective April 2008). The impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows has not been set out below. The FRSSE figures are identical to those reported in the Financial Information except for the adoption of IFRS2 in respect of share options.

#### **27. Auditors**

The Company has taken the exemption under Section 477 of the Companies Act 2006 and the financial statements prepared under UK GAAP for the periods to 17 August 2010, 30 June 2011 and the year to 30 June 2012 have not been audited.

## **SECTION C - UNAUDITED INTERIM FINANCIAL INFORMATION ON INSPIRIT ENERGY LIMITED FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

The Directors have prepared the Interim Financial Statements on the activities of Inspirit Energy Limited for the six months ended 31 December 2012 on the basis set out in note 2 to the Interim Financial Statements, based on the UK GAAP financial statements of Inspirit Energy Limited and with adjustments made as necessary to translate the financial statements so as to comply with IFRS.

The Interim Financial Statements contained in this Part V Section C, which have been prepared solely for the purposes of the Admission Document, are unaudited. The Directors are responsible for the Interim Financial Statements contained in this Part V Section C.

**INSPIRIT ENERGY LIMITED**

**Comprehensive Income Statement  
for the six months ended 31 December 2012**

	<b>Six months to 31 December 2012 Unaudited £'000s</b>	<b>Six months to 31 December 2011 Unaudited £'000s</b>	<b>Year to 30 June 2012 Unaudited £'000s</b>
<b>Revenue</b>	-	-	-
Cost of sales	-	-	-
<b>Gross loss</b>	-	-	-
Administrative expenses	(45)	(118)	(151)
<b>Operating loss</b>	(45)	(118)	(151)
Finance income	-	-	-
Finance costs	(33)	-	(30)
<b>Loss before tax</b>	(78)	(118)	(181)
Income tax credit	-	-	100
<b>Loss for the period from continuing operations attributable to shareholders</b>	(78)	(118)	(81)
<b>Loss per share - Pence</b>			
Basic and diluted	(0.512)p	(0.775)p	(0.534)p

## INSPIRIT ENERGY LIMITED

### Statement of Financial Position as at 31 December 2012

	As at 31 December 2012 Unaudited £'000s	As at 31 December 2011 Unaudited £'000s	As at 30 June 2012 Unaudited £'000s
<b>Non-Current Assets</b>			
Intangible assets	712	575	644
Tangible assets	8	8	8
	720	583	652
<b>Current assets</b>			
Inventory	5	5	5
Trade and other receivables	55	75	56
Cash and cash equivalents	-	3	50
	60	83	111
<b>Current liabilities</b>			
Trade payables	(11)	(33)	(10)
Taxation and social security	(17)	-	(9)
Other payables	(507)	(346)	(420)
	(535)	(379)	(439)
<b>Net Current Liabilities</b>	(475)	(296)	(328)
<b>Non-Current Liabilities</b>			
Trade and other payables	-	-	-
	245	287	324
<b>Equity</b>			
Share capital	15	15	15
Share premium	737	737	737
Other reserves	23	23	23
Retained losses	(530)	(488)	(451)
<b>Total</b>	245	287	324

**INSPIRIT ENERGY LIMITED**

**Statement of Changes in Equity  
For the six months ended 31 December 2012**

	<b>Share Capital £'000s</b>	<b>Share Premium £'000s</b>	<b>Other Reserves £'000s</b>	<b>Retained Losses £'000s</b>	<b>Total Equity £'000s</b>
As at 30 June 2011	15	737	23	(370)	405
<b>Comprehensive income</b>					
Loss for the period	-	-	-	(118)	(118)
<b>Total comprehensive income</b>	-	-	-	(118)	(118)
<b>As at 31 December 2011</b>	<b>15</b>	<b>737</b>	<b>23</b>	<b>(488)</b>	<b>287</b>
As at 30 June 2012	15	737	23	(451)	324
<b>Comprehensive income</b>					
Loss for the period	-	-	-	(78)	(78)
<b>Total comprehensive income</b>	-	-	-	(78)	(78)
<b>As at 31 December 2012</b>	<b>15</b>	<b>737</b>	<b>23</b>	<b>(530)</b>	<b>245</b>

# INSPIRIT ENERGY LIMITED

## Statement of Cash Flow For the six months ended 31 December 2012

	Note	Six months to 31 December 2012 Unaudited £'000	Six months to 31 December 2011 Unaudited £'000	Year to 30 June 2012 Unaudited £'000
<b>Operating activities</b>	<b>7</b>	(34)	(216)	(88)
Interest paid		-	-	-
Net cash used in operating activities		(34)	(216)	(88)
<b>Financing activities</b>				
Net proceeds from related parties		53	249	207
Finance costs				(30)
Income tax credit				60
Investment in R&D capitalised		(69)	(95)	(164)
Net cash from financing activities		(16)	154	73
Net cash outflow		50	62	15
Cash and cash equivalents at the beginning of the period		50	65	65
Cash and cash equivalents at the end of the period		-	3	50

# INSPIRIT ENERGY LIMITED

## Notes to the Interim Financial Information

### 1. General Information

The principal activity of Inspirit Energy Limited (“the Company”) during the period was that of product development in disruptive technologies that are either proven or at the later stages of development. It owns or has exclusive licence to the relevant intellectual property and may benefit from feed-in tariffs or other renewable energy incentives.

Inspirit Energy Limited is a company incorporated and domiciled in England and Wales. The address of its registered office is Brook Point, 1412 High Road, London, N20 9BH, United Kingdom.

### 2. Basis of Preparation

The interim financial information set out above does not constitute statutory accounts within the meaning of the Companies Act 2006. It has been prepared on a going concern basis in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) as adopted by the European Union. Statutory financial statements for the year ended 30 June 2012 were approved by the Board of Directors on 18 December 2012 and delivered to the Registrar of Companies, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, required by the Companies Act 2006.

The interim financial information for the six months ended 31 December 2012 has not been reviewed or audited. The interim financial report has been approved by the Board on 2013.

#### *Going concern*

The Directors, having made appropriate enquiries, consider that adequate resources exist for the Company to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the interim financial statements for the period ended 31 December 2012.

### 3. Financial Risk Management

#### **Financial Risk Factors**

The Company’s activities expose it to a variety of financial risks: credit risk and liquidity risk. The Company’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company’s financial performance.

# INSPIRIT ENERGY LIMITED

## Notes to the Interim Financial Information

### **Credit Risk**

Credit risk arises from cash and cash equivalents.

The amount of exposure to any individual counter party is subject to a limit, which is assessed by the Board.

The Company considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk.

### **Liquidity Risk**

In keeping with similar sized companies, the Company's continued future operations depend on the ability to raise sufficient working capital through the issue of equity share capital. The Directors are confident that adequate funding will be forthcoming with which to finance operations. Controls over expenditure are carefully managed.

### **Capital Risk Management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, in order to enable the Company to continue its activities and bring its products to market. The Company has secured amounts from related parties at 31 December 2012 and defines capital based on the total equity of the Company. The Company monitors its level of cash resources available against future planned activities and may issue new shares in order to raise further funds from time to time.

### *Critical accounting estimates*

The preparation of interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the end of the reporting period. The nature and amounts of such estimates have not changed significantly during the interim period.

## **4. Significant Accounting Policies**

The accounting policies applied are consistent with those for the year ended 30 June 2012, adopted in Part V Section C of this Admission Document.

## **5. Basis of Preparation**

The Company's primary reporting format is business segments and its secondary format is geographical segments. The Company only operates in a single business and geographical segment. Accordingly no segmental information for business segment or geographical segment is required.

## INSPIRIT ENERGY LIMITED

### Notes to the Interim Financial Information

#### 6. Loss per Share

The loss per ordinary share is based on the Company's loss for the period of £78,000 (31 December 2011 – loss of £118,000; 30 June 2012 – loss of £81,000) and a basic and diluted weighted average number of ordinary shares of £0.001 each in issue of 15,229,999 (31 December 2011 – basic and diluted 15,229,999; 30 June 2012 - basic and diluted 15,229,999).

#### 7. Reconciliation of Operating Loss to Net Cash Outflow from Operating Activities

	Six months to 31 December 2012 Unaudited £'000s	Six months to 31 December 2011 Unaudited £'000s	Year to 30 June 2012 Audited £'000s
<b>Operating Loss for the period</b>	(45)	(118)	(151)
Adjustments for :			
(Increase)/decrease in receivables	1	(63)	32
Increase/(decrease) in payables	10	(35)	31
Issue of share warrants	-	-	-
	(34)	(216)	(88)
Net cash from operating activities	(34)	(216)	(88)

#### 8. Called up Share Capital

The issued share capital is as follows

	<b>Ordinary shares of £0.001</b>
31 December 2012	15,229,999
30 June 2012	15,229,999
31 December 2011	15,229,999

## **INSPIRIT ENERGY LIMITED**

### **Notes to the Interim Financial Information**

#### **9. Related Party Transactions**

Global Investment Strategy (UK) Limited, a company controlled by John Gunn, a Director of the Company, has paid expenses on behalf of and provided loans to, the Company. The balance owing to Global Investment Strategy (UK) Limited at the Statement of Financial Position date was £88,808 (31 December 2011 - £21,735, 30 June 2012 - £88,808). This balance is included within other payables. Interest will accrue on the balance at a rate of 7% per annum.

Other payables also include a balance of £81,941 (31 December 2011 - £24,465, 30 June 2012 - £29,035) owing to KleenAir Systems International Plc, which has an interest in the share capital of this Company and where John Gunn is a director. This balance arose from a combination of loan balances and trading account. Interest will accrue on the balance at a rate of 7% per annum.

At 31 December 2012, the Company owed to John Gunn, the Director, £312,784 (31 December 2011 - £294,241, 30 June 2012 - £297,128) which is also included within other payables. Interest will accrue on the balance at a rate of 7% per annum.

# **PART VI**

## **ADDITIONAL INFORMATION**

### **1. Responsibility statements**

- 1.1 The Company, its Existing Directors and the Proposed Director, whose names appear in paragraph 3 below, accept responsibility, both individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Existing Directors, the Proposed Director and the Company (who have each taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 PKF Littlejohn LLP of 1 Westferry Circus, Canary Wharf, London E14 4HD accepts responsibility for the information in its report on the audited historical financial information of Inspirit for the period from incorporation to 30 June 2012 set out in Part V of this document. To the best of the knowledge of PKF Littlejohn LLP (having taken all reasonable care to ensure that such is the case) the information contained in its report set out in Part V of this document is in accordance with the facts and contains no omission likely to affect its import.
- 1.3 The members of the Concert Party, whose names are set out in paragraph 3 of Part I each accepts responsibility individually for the information contained in this document relating to him/it and to the best of his/its knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this document for which he/it is responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

### **2. The Company**

- 2.1 The Company was incorporated and registered in England & Wales on 16 March 2004 under the Act with registered number 5075088 as a public company limited by shares with the name KleenAir Systems International plc.
- 2.2 The principal legislation under which the Company operates is the Act and the regulations made thereunder. The shares of the Company have been created pursuant to the Act.
- 2.3 The Company's registered office and principal place of business is at 2<sup>nd</sup> Floor, Number 2, London Wall Buildings, London EC2M 5PP, telephone number 020 7048 9400.
- 2.4 The Company's website is [www.kleenair-systems.com](http://www.kleenair-systems.com). Following Admission, the Enlarged Group's website will be [www.inspirit-energy.com](http://www.inspirit-energy.com).
- 2.5 The liability of the members of the Company is limited.
- 2.6 On Admission, the Company will be the holding company of the Enlarged Group and will directly or indirectly own the entire issued share capital of Inspirit and Somemore, other than any new shares in Inspirit issued as a result of the exercise of any existing options in Inspirit.

### 3. The Directors

The full names of the Directors are:

<i>Name</i>	<i>Function</i>	<i>Age</i>
John Gunn	Executive Chairman	43
Jubeenh Nazhat*	Non-Executive Director	42
Nilesh Jagatia	Chief Financial Officer	45

\*On Admission, Jubeenh Nazhat will become an Executive Director of the Company

The full name of the Proposed Director is:

<i>Name</i>	<i>Function</i>	<i>Age</i>
Neil Luke	Non-Executive Director	59

Further details are disclosed in paragraph 7 of this Part VI.

### 4. Share and loan capital

- 4.1 The Company was incorporated with an authorised share capital of £100,000 represented by 100,000 ordinary shares of £1 each of which two were issued to subscribers.
- 4.2 As at 31 July 2009, the authorised share capital of the Company was £1,000,000 divided into 87,788,000 ordinary shares of £1 each of which 27,881,238 were in issue, fully paid and 12,212,000 B ordinary shares of £1 each.
- 4.3 On 21 August 2009, the Company carried out a share reorganisation and consolidation. By ordinary resolution of the Company, the authorised share capital was increased from £1,000,000 to £1,900,000.
- 4.4 The effect of the reorganisation and consolidation was to consolidate every 100 existing ordinary shares of £0.01 each into one New Ordinary Share of £0.01 each; every 100 existing B ordinary shares into 1 new B ordinary share; and for each, the creation of one deferred share of £0.99 each.
- 4.5 Following the reorganisation and consolidation, the authorised share capital of the Company was divided into 150,185,574 Ordinary Shares, 122,120 B ordinary shares and 400,932 deferred shares. The issued share capital comprised 278,812 Ordinary Shares, 122,120 B ordinary shares and 400,932 deferred shares.
- 4.6 On 29 October 2010, 1,455,000 ordinary shares were issued at a price of £0.40 per share.
- 4.7 On 11 November 2010, 401,155 ordinary shares were issued under the terms of the CVA, and a further 5,000 shares to the administrators of the CVA. Following this issue, the issued share capital of the Company comprised 4,880,701 Ordinary Shares, 122,120 B ordinary shares and 400,932 deferred shares.
- 4.8 On 13 December 2010, by ordinary resolution, the Company carried out a subdivision of the Ordinary and B Ordinary Shares. Under the terms of the sub-division, each ordinary share and B ordinary share was subdivided into 10 ordinary shares of £0.001 each or B ordinary shares of £0.001 each. Following the subdivision, the issued share capital of the Company comprised 48,807,010 Ordinary Shares, 1,221,200 B Ordinary Shares and 400,932 Deferred Shares.

- 4.9 On 8 March 2011, 3,662,500 ordinary shares were issued at a price of £0.04 per share, increasing the issued share capital to 52,469,510 Ordinary Shares.
- 4.10 In June 2012, 412,982 ordinary shares were issued to WH Ireland Limited, the Company's former nominated adviser in satisfaction of fees.
- 4.11 On 13 September 2012, the Company entered into a warrant agreement with WH Ireland granting WH Ireland warrants to subscribe for an aggregate 646,620 Ordinary Shares at an exercise price of £0.03 per Ordinary Share.
- 4.12 On 19 September 2012, 200,000 ordinary shares were issued to WH Ireland Limited in satisfaction of fees.
- 4.13 On 9 July 2012, the Company entered into a convertible loan agreement with Hebolux S.A. for £50,000. The loan is convertible at the option of Hebolux into Ordinary Shares in the Company at the lower of £0.015 per share or 50 per cent. of the Subscription Price. Further details about this agreement are provided at paragraph 12.7 of this Part VI.
- 4.14 On 28 July 2009, KleenAir created an instrument for up to £220,000 convertible secured loan notes of £1 each. Interest at 5 per cent. per annum was payable in respect of amounts outstanding from time to time payable quarterly. The notes were convertible at the holder's election into Ordinary Shares at a price of £0.10 per share. GIS subscribed for all of the notes in instalments between November 2009 and May 2010 and has exercised its conversion rights in full in accordance with the terms of the notes. Consequently, at the date of this document, no outstanding amounts are due under the notes and the security granted under the notes released. The loan note was secured by deed of debenture dated 15 January 2010 by way of fixed and floating charges over the assets of the Company for the amount outstanding under the loan note.
- 4.15 On 23 November 2009, KleenAir created an instrument for up to £220,000 convertible secured loan notes of £1 each based on the same terms as the July 2009 loan note, which were subscribed in full by GIS. GIS has exercised its conversion rights to £88,030 of the loan notes in instalments between January 2010 and June 2012. Consequently, at the date of this document, £131,970 remains outstanding under the notes. On 28 June 2013 the terms of the loan notes were varied by agreement between the Company and GIS to remove the conversion right and to extend the repayment date to 22 December 2014. Further details relating to the variation of the notes can be found in paragraph 12.2 of Part VI. The loan note is secured by deed of debenture dated 15 January 2010 by way of fixed and floating charges over the assets of the Company for the amount outstanding under the loan note.
- 4.16 On 22 June 2010, KleenAir created an instrument for up to £1,000,000 convertible secured loan notes of £1 each. Interest at 5 per cent. per annum is payable in respect of amounts outstanding payable on redemption of the loan notes. The notes are convertible at the holder's election into Ordinary Shares at a price of £0.27 per share. On 29 June 2010 GIS subscribed for £300,000 of the notes. On 12 October 2011 GIS exercised its conversion rights to £224,859.37 of the notes. Consequently, at the date of this document, £75,140.62 remains outstanding under the notes. On 28 June 2013 the terms of the loan notes were varied by agreement between the Company and GIS to remove the conversion right and to extend the repayment date to 22 December 2014. Further details relating to the variation of the notes can be found in paragraph 12.3 of Part VI. The loan note is secured by deed of debenture dated 22 June 2010 by way of fixed and floating charges over the assets of the Company for the amount outstanding under the loan note.
- 4.17 Under the convertible loan notes dated 28 July 2009, 23 November 2009 and 22 June 2010, the Company has issued 19,341,125 ordinary shares in accordance with the terms of the loan notes.

4.18 On 4 October 2012, 3,333,333 ordinary shares were issued at a price of £0.015 per share.

4.19 On 20 December 2012, 5,000,000 ordinary shares were issued at a price of £0.01 per share.

4.19.1 As at 28 June 2013 (being the last practicable date prior to publication of this document), the issued and fully paid share capital of the Company is as shown below:

<i>Class of Shares</i>	<i>£</i>	<i>Number</i>
Ordinary Shares	73,139.51	73,139,505
B Ordinary Shares	1,221.20	1,221,200
Deferred Shares	396,922.68	400,932

4.19.2 The issued and fully paid share capital of the Company immediately following Admission will be as follows:

<i>Class of Shares</i>	<i>£</i>	<i>Number</i>
Ordinary Shares	477,860.71	477,860,705
B Ordinary Shares	0	0
Deferred Shares	396,922.68	400,932

4.19.3 The par value of the various classes of shares is as follows:

<i>Class of Shares</i>	<i>£</i>
Ordinary Shares	0.001
B Ordinary Shares	0.001
Deferred Shares	0.99

4.20 By ordinary resolution of the Company dated 31 December 2012, the directors were generally and unconditionally authorised in accordance with section 551 of the Act to: (i) allot shares and to make offers or agreements to allot shares or grant rights to subscribe for or convert any security into shares in the Company (together "Relevant Securities") up to an aggregate nominal amount of £1,500,000; and (ii) to exercise all the powers of the Company to allot equity securities (within the meaning of section 560 of the Act) up to an aggregate nominal amount of £1,500,000 provided that this authority may only be used in connection with a rights issue in favour of holders of Ordinary Shares and convertible loan notes and other persons entitled to participate therein.

The authority expires at the conclusion of the next annual general meeting of the Company after the passing of this resolution or if earlier on the date which is 15 months after the date of the annual general meeting.

The directors were also empowered, in accordance with section 570 of the Act, to allot equity securities (as defined in section 560(1) of the Act) for cash as if section 561(1) of the Act did not apply to any such allotment.

- 4.21 Subject to Admission:
- 4.21.1 41 million Ordinary Shares will be issued pursuant to the Subscription at a price of 1 pence per Ordinary Share, which price is payable in full on application, together with 20.5 million Warrants exercisable into Ordinary Shares at an exercise price of 1p per Ordinary Share;
  - 4.21.2 1,221,200 B Ordinary Shares will be converted into 1,221,200 Ordinary Shares;
  - 4.21.3 10,000,000 Ordinary Shares will be issued pursuant to the Hebolux Loan;
  - 4.21.4 350,000,000 Ordinary Shares will be issued pursuant to the Acquisition Agreement;
  - 4.21.5 2,500,000 Ordinary Shares will be issued pursuant to the Introduction Agreement
- 4.22 Save for the Options and Warrants, the Company has no securities in issue not representing share capital.
- 4.23 404,721,200 New Ordinary Shares will be issued pursuant to the transactions described in paragraph 4.21 above, which will represent approximately 84.7 per cent. of the Enlarged Share Capital following Admission.
- 4.24 Save as disclosed in this part VI:
- 4.24.1 there has been no change in the amount of the issued share or loan capital of the Company since 30 June 2009;
  - 4.24.2 no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company since 30 June 2009;
  - 4.24.3 no share or loan capital of the Company is under option or is agreed, conditionally or unconditionally, to be put under option;
  - 4.24.4 there are no shares of the Company held by or on behalf of itself;
  - 4.24.5 no person has any preferential subscription rights for any share capital in the Company and the Company has given no undertakings to any third party to increase the capital of the Company.
- 4.25 The Ordinary Shares are in registered form and, subject to the provisions of the Regulations, the Directors may permit the holding of shares of any class in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the Regulations). Where Ordinary Shares are held in certificated form, share certificates will be sent to the registered members by first class post. Where Ordinary Shares are held in CREST, the relevant CREST stock account of the registered members will be credited.

## 5. Options

### 5.1 KleenAir Options

As at the date of this document, the following options over Ordinary Shares (“**KleenAir Options**”) have been granted to former directors of KleenAir which are outstanding:

<i>Name</i>	<i>Date of Grant</i>	<i>Exercise Price</i>	<i>Shares under Option</i>	<i>Exercise Period</i>
Guy Saxton	26 April 2011	4.875 p	250,000	After 1 year from execution and prior to 26 April 2021
Sarah Pozner	26 April 2011	4.875 p	1,000,000	After 1 year from execution and prior to 26 April 2021
Miles Lewis	26 April 2011	4.875 p	250,000	After 1 year from execution and prior to 26 April 2021

There are no performance conditions attached to such options.

No Existing Directors or Proposed Directors hold any KleenAir Options.

### 5.2 Inspirit Options

#### *Director and Consultant Share Options*

As at the date of this document, the following unapproved director and consultant share options over Inspirit ordinary shares (“**Inspirit Director Options**”) have been granted to current and former directors and consultants of Inspirit.

<i>Name</i>	<i>Date of Grant</i>	<i>Exercise Price</i>	<i>Inspirit ordinary shares under option</i>	<i>Exercise Period</i>
John Gunn	18 April 2011	35 p	375,000	10 years from date of grant
Alan Dale	9 May 2011	35 p	125,000	10 years from date of grant
Sarah Pozner	18 April 2011	35 p	150,000	10 years from date of grant
Suki Gunn	18 April 2011	35 p	50,000	10 years from date of grant
Elizabeth Yong	18 April 2011	35 p	50,000	10 years from date of grant

### *EMI Share Options*

As at the date of this document, the following EMI share options over Inspirit ordinary shares (“**Inspirit EMI Options**”) have been granted to current and former employees of Inspirit.

<i>Name</i>	<i>Date of Grant</i>	<i>Exercise Price</i>	<i>Inspirit Ordinary shares under option</i>	<i>Exercise Period</i>
Anna Keogh	18 April 2011	1 p	50,000	After 1 year from execution and prior to 18 April 2021 (subject to earlier termination under the Rules)
Alan Parkin	18 April 2011	1 p	95,000	After 1 year from execution and prior to 18 April 2021 (subject to earlier termination under the Rules)
James Codling	18 April 2011	1 p	80,000	After 1 year from execution and prior to 18 April 2021 (subject to earlier termination under the Rules)
John Evans	18 April 2011	1 p	80,000	After 1 year from execution and prior to 18 April 2021 (subject to earlier termination under the Rules)
Michael Burnham	18 April 2011	1 p	131,000	After 1 year from execution and prior to 18 April 2021 (subject to earlier termination under the Rules)
Toni Hughes	18 April 2011	1 p	80,000	After 1 year from execution and prior to 18 April 2021 (subject to earlier termination under the Rules)

Inspirit currently has 15,229,999 ordinary shares in issue and the Inspirit Director Options and Inspirit EMI options therefore represent 7.7 per cent. of the Inspirit fully diluted share capital. The Inspirit Director Options and Inspirit EMI Options will remain exercisable in accordance with their terms prior to and following completion of the Acquisition.

- 6.1 In this paragraph 6 of this Part VI “Statutes” means the Act and every other statute or statutory instrument, rule, order or regulation from time to time in force concerning companies so far as they apply to the Company.
- 6.2 The Articles are available for inspection at the business address specified in paragraph 19 of this Part VI.
- 6.3 The Articles were adopted by special resolution passed on 3 August 2010. The Articles contain provisions, *inter alia*, to the following:

#### *Rights in respect of Ordinary Shares, B Ordinary Shares and Deferred Shares*

- 6.3.1 Ordinary Shareholders shall have the right to receive notice of, to attend and to vote at all general meetings of the Company. Save as otherwise provided in the Articles, on a show of hands each holder of an Ordinary Share present in person and entitled to vote shall have one vote and upon a poll each such holder who is present in person or by proxy and entitled to vote shall have one vote in respect of every share held by him.

- 6.3.2 B Ordinary Shareholders shall have the rights attaching from time to time to the Ordinary Shares save that holders of B Ordinary Shares shall be entitled to receive notice of and to attend at general meetings of the Company but shall not be entitled to vote on any resolution unless the resolution is one which varies, modifies, alters or abrogates any of the rights, privileges, limitations and/or restrictions attaching to the B Ordinary Shares.
- 6.3.3 Deferred Shareholders shall not have the right to receive notice of or to attend or speak at or vote at any general meetings of the Company.

#### *Conversion of B Ordinary Shares*

- 6.3.4 The holders of B Ordinary Shares shall have the right at any time and from time to time to convert their interests in B Ordinary Shares into fully paid Ordinary Shares on the basis of one Ordinary Share for each B Ordinary Share held by requesting the Company of the same in writing and depositing the request at the office of the Company, informing the Company of the number of B Ordinary Shares the subject of the proposed conversion (and if such shares are in certificated form, enclosing the share certificate therefore). Within 10 Business Days of the receipt by the Company of such a notice, the Company shall be deemed to have converted and re-designated the relevant number of B Ordinary Shares the subject of the request into the relative number of new fully paid Ordinary Shares. The certificates for the new Ordinary Shares arising on conversion of the relevant B Ordinary Shares (and where relevant for the remaining interests in B Ordinary Shares) shall be despatched by the Company within 10 Business Days of the date of conversion and redesignation of the relevant B Ordinary Shares and such certificates shall be despatched to the persons entitled to them at their own risk. The entitlement of each holder of a B Ordinary Share to a fraction of an Ordinary Share shall be rounded to the nearest whole number of Ordinary Shares which result from the conversion of the B Ordinary Shares.

#### *Restrictions on Deferred Shares*

- 6.3.5 Return of Capital

On the return of assets in a winding up of the Company, after the holders of the Ordinary Shares and of B Ordinary Shares have received the aggregate amount paid up thereon plus ten million pounds (£10,000,000) per such share, there shall be distributed amongst the holders of the Deferred Shares an amount equal to the nominal value of the Deferred Shares and thereafter any surplus shall be distributed amongst the holders of the Ordinary Shares and the B Ordinary Shares *pro rata* to the number of Ordinary Shares and B Ordinary Shares held by each of them respectively. Save as set out in this paragraph 6, the holders of the Deferred Shares have no interest or right to participate in the assets of the Company.

- 6.3.6 Dividends

The Deferred Shares shall not carry any entitlement to dividends or to participate in any way in the income or profits of the Company.

- 6.3.7 Acquisition

The Company may acquire, in accordance with the Statutes, all or any of the Deferred Shares in issue at any time for a consideration not exceeding £0.99 for each Deferred Share the subject of such acquisition. Pending such acquisition, each holder of the Deferred Shares shall be deemed to have irrevocably authorised the Company, at any time:

- 6.3.7.1 to appoint any person to execute (on behalf of the holder of the Deferred Shares) a transfer thereof and/or an agreement to transfer the same to the Company or to such person or persons as the Company may determine as custodian thereof; and
- 6.3.7.2 pending such transfer, to retain such holder's certificate (if any) for the Deferred Shares.
- 6.3.8 Other than as specified, the Deferred Shares shall not be capable of transfer at any time other than with the prior consent of each of the Directors, nor shall the holders of them be entitled to mortgage, pledge, charge or otherwise encumber them or create or dispose of or agree to create or dispose of any interest (within the meaning of section 820 of the Companies Act) whatsoever in any Deferred Shares.
- 6.3.9 The Company is irrevocably authorised to appoint any person on behalf of any holder of Deferred Shares to enter into an agreement to transfer and to execute a transfer of the Deferred Shares to such person as the Directors may determine and to execute any other documents which such person may consider necessary or desirable to effect such transfer (and pending such transfer, to retain such holder's certificate (if any) for the Deferred Shares) or to give instructions to transfer any Deferred Shares held in uncertificated form to such person as the Directors may determine, in each case without obtaining the sanction of the holder(s) of them and without any payment being made in respect of that transfer.

#### 6.4 Further Participation

Except as provided above, the Deferred Shares shall carry no right to participate in the profits or assets of the Company.

##### *Redeemable Shares*

The Company may issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or of the Member and the Directors may determine the terms, conditions and manner of redemption of any such shares.

##### *Variation of Class Rights*

- 6.4.1 Subject to the Statutes, the rights attached to any class of shares may, whether or not the Company is being wound up, be modified, varied or abrogated:
  - 6.4.1.1 in such manner (if any) as may be provided by those rights; or
  - 6.4.1.2 in the absence of any such provision, either with the consent in writing of the holders of at least three quarters in nominal value of the issued shares of the class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate meeting of the holders of that class and then only subject to section 633 of the Companies Act.
- 6.4.2 The rights attached to any class of share are not, unless otherwise expressly provided by the Articles or in the rights attaching to the shares of that class, deemed to be modified, varied or abrogated by the creation or issue of further shares ranking *pari passu* (save as to the date from which such further shares shall rank for dividend) with every other share of that class or subsequent to them or by the purchase or redemption by the Company of its own shares in accordance with the Statutes and the Articles.

- 6.4.3 The rights attaching to the Deferred Shares shall not be deemed to be varied or abrogated by the creation and/or allotment and/or issue of any further shares, the passing of any resolution of the Company reducing its share capital or cancelling the Deferred Shares and none of the rights or restrictions attached to the Deferred Shares shall be or deemed to be varied or abrogated in any way by the passing or coming into effect of any special resolution of the Company to reduce its share capital and/or reduce or cancel (as the case may be) its share premium account (including a special resolution to reduce the capital paid up or to cancel such Deferred Shares).

*Transfer of Shares*

- 6.4.4 Subject to the Articles, any Member may transfer all or any of his certificated shares by instrument of transfer in any usual form or in such other form as the Board may approve and the instrument must be executed by or on behalf of the transferor and (except in the case of a share which is fully paid up) by or on behalf of the transferee but need not be under seal. The transferor is deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect of it. Transfers of shares in uncertificated form shall be effected by means of the relevant system in accordance with the Statutes and the Articles.
- 6.4.5 Subject to the Articles, the Board may refuse to register a transfer of a certificated share unless the instrument of transfer:
- 6.4.5.1 is in respect of only one class of shares;
  - 6.4.5.2 is in favour of not more than four joint transferees;
  - 6.4.5.3 is duly stamped (if required);
  - 6.4.5.4 is not in favour of a minor, infant, bankrupt or person with mental disorder; and
  - 6.4.5.5 is lodged at the office of the Company or such other place as the Board may decide accompanied by the certificate for the shares to which it relates (save in the case of a transfer by a recognised person to whom no certificate was issued) and such other evidence (if any) as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so.
- 6.4.6 The Board may in its absolute discretion and without assigning any reasons therefor, refuse to register any transfer of a certificated share which is not fully paid, provided that this discretion may not be exercised in such a way as to prevent dealings in the shares from taking place on an open and proper basis.
- 6.4.7 The Board may, in circumstances permitted by the UKLA and the London Stock Exchange, disapprove the transfer of a certificated share provided that exercise of such powers does not disturb the market in the shares.
- 6.4.8 The Board may refuse to register the transfer of an uncertificated share in any circumstances permitted by the UKLA, the London Stock Exchange, the Uncertificated Securities Regulations and the rules and practices of the operator of the relevant system provided that exercise of such powers does not disturb the market in the shares.

6.4.9 If the Board refuses to register a transfer of any share it shall as soon as practicable and in any event within two months after the date on which the transfer was lodged with the Company or the operator instruction was received, as the case may be, send to the transferee notice of the refusal together with reasons for the refusal. The Directors shall send to the transferee such further information about the reasons for the refusal as the transferee may reasonably request.

#### *Alteration of Capital*

6.4.10 Subject to the Act, the Company may by ordinary resolution:

6.4.10.1 consolidate and divide all or any of its authorised share capital into shares of a larger amount than its existing shares; and

6.4.10.2 sub-divide all or any of its shares into shares of a smaller amount and may by the resolution determine that the shares resulting from such sub-division may have any preferred or other special rights or be subject to any restrictions, as compared with the others.

#### *Borrowing Powers*

6.4.11 The Board may exercise all the powers of the Company to borrow money. The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure (as regards subsidiary undertakings so far as by such exercise they can secure) that the aggregate principal amount (including any premium payable on final repayment) remaining undischarged of all moneys borrowed by the Group does not at any time without the previous sanction of an ordinary resolution exceed a sum equal to three times the aggregate of:

6.4.11.1.1 the amount paid up on the allotted or issued share capital of the Company; and

6.4.11.1.2 the amount standing to the credit of the consolidated capital and revenue reserves of the Group (including any share premium account and capital redemption reserve) plus or minus the credit or debit balance, as the case may be, of the consolidated profit and loss account all as shown in the then latest audited consolidated balance sheet of the Group, adjusted as specified in the Articles.

#### *General Meetings*

6.4.12 An annual general meeting and all other general meetings of the Company shall be called by at least such minimum period of notice as is prescribed for traded companies under the Companies Act. Notice shall be given to such Members as are, under the Articles, or the terms of issue of shares, entitled to receive such notices from the Company and to the Directors and the Auditors.

6.4.13 Subject to the Articles and the Statutes, the annual general meeting shall be held at such time and place as the Board shall decide and such meeting shall be specified as the annual general meeting.

6.4.14 Every notice of meeting shall specify the place, date and time of the meeting and the general nature of the business to be transacted and, if a meeting is convened to pass a special resolution, the intention to propose the resolution as a special resolution.

## *Directors*

- 6.4.15 Unless and until otherwise determined by the Company by ordinary resolution the total number of Directors may not exceed 15 and shall not be less than two. The Board may appoint a person who is willing to act to be a Director, either to fill a vacancy or as an addition to the Board. A Director so appointed shall hold office only until the dissolution of the annual general meeting following next after his appointment, unless he is reappointed during the meeting. A Director so retiring shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. At each annual general meeting, one-third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not greater than one-third, shall retire from office by rotation, but so that, if there are fewer than three Directors who are subject to retirement by rotation, one shall retire from office, provided that no Director holding office as managing or joint managing director or chief executive shall be subject to retirement by rotation or be taken into account in determining the number of Directors to retire.
- 6.4.16 The remuneration of a director appointed to hold employment or executive office in accordance with the Articles may be a fixed sum of money or in whole or in part by participation in profits or otherwise as the Board may determine and may be in addition to or instead of a fee payable to him for his services as director pursuant to the Articles.
- 6.4.17 The Directors are entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in the performance of their duties as Directors, including their expenses of travelling to and from meetings of the Board or committees of the Board or general meetings or separate meetings of the holders of a class of shares and any expenses incurred by them in obtaining independent professional advice.
- 6.4.18 The Board may establish, maintain, participate in or contribute to or procure the establishment or maintenance of, participation in or contribution to any pension, superannuation, benevolent or life assurance fund, scheme or arrangement (whether contributory or otherwise) for the benefit of, and give or procure the giving of donations, gratuities, pensions, allowances, benefits and emoluments to, any persons who are or were at any time in the employment or service of or who have at any time been Directors of the Company or of any company which is or was a member of the Group or any of their predecessors in business (and for any member of his family, including a spouse or civil partner or former spouse or former civil partner or a person who is or was dependent on him). Any Director or former Director shall be entitled to participate in and retain for his own benefit any such donations, gratuities, pensions, allowances, benefits or emoluments. The Board may arrange for this to be done by the Company either alone or in conjunction with any other person.
- 6.4.19 Without prejudice to the requirements of the Statutes, a director who is in any way, directly or indirectly, interested in a contract, arrangement, transaction or proposal with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract, arrangement, transaction or proposal is first taken into consideration, if he knows his interest then exists, or, in any other case, at the next meeting of the directors after he knows that he is or has become interested.
- 6.4.20 Except as provided in the Articles, a Director may not vote in respect of any contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he is, to his knowledge, materially interested, directly or indirectly, otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. This prohibition does not apply to any resolution concerning any of the following matters namely:

- 6.4.20.1 the giving to him of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its Subsidiary Undertakings;
- 6.4.20.2 the giving to a third party of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its Subsidiary Undertakings for which he himself has assumed responsibility, in whole or in part, under a guarantee or indemnity or by the giving of security;
- 6.4.20.3 a contract, arrangement, transaction or proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its Subsidiary Undertakings for subscription or purchase in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to participate;
- 6.4.20.4 a contract, arrangement, transaction or proposal to which the Company is or is to be a party concerning any other company in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise (“relevant company”), if he is not, directly or indirectly, the holder of or beneficially interested in one per cent. or more of a class of equity share capital of the relevant company (calculated exclusive of any shares of that class in that relevant company held as treasury shares) or of the voting rights available to members of the relevant company or able to cause one per cent. or more of those voting rights to be cast at his direction (and for the purposes of this Article, shares held by a Director as bare or custodian trustee and in which he has no beneficial interest, shares comprised in a trust and in which the Director’s interest is in reversion or is in remainder, if and so long as another person is entitled to receive the income from the trust, and shares comprised in an authorised unit trust scheme in which the Director is interested only as a unit holder are disregarded);
- 6.4.20.5 a contract, arrangement, transaction or proposal concerning the adoption, modification or operation of a pension, superannuation or similar scheme or retirement, death or disability benefits scheme or personal pension plan or employees’ share scheme under which he may benefit and which has been approved by or is subject to and conditional on approval by the Board of HM Revenue & Customs for taxation purposes or which does not accord to any Director as such any privilege or benefit not accorded to the employees to whom the scheme or fund relates;
- 6.4.20.6 a contract, arrangement, transaction or proposal for the benefit of employees of the Company or any of its Subsidiary Undertakings under which the Director benefits in a similar manner to the employees and which does not accord to any Director as such any privilege or benefit not accorded to the employees to whom it relates; or
- 6.4.20.7 a contract, arrangement, transaction or proposal concerning the maintenance or purchase of any insurance policy which the Company is empowered to purchase and/or maintain for the benefit of Directors or for the benefit of persons including Directors provided that “insurance” means only insurance against liability incurred by a Director in respect of any act or omission by him as referred to in Article 166 or any other insurance for the benefit of persons including Directors.

### *Director's Indemnity*

6.4.20.8 Subject to the provisions of the Act, the Company may:

- 6.4.20.8.1 indemnify any person who is or was a director, or a director of any associated company, directly or indirectly (including by funding any expenditure incurred or to be incurred by him), against any loss or liability, whether in connection with any proven or alleged negligence, default, breach of duty or breach of trust by him or otherwise, in relation to the Company or any associated company; and/or
- 6.4.20.8.2 indemnify to any extent any person who is or was a director of an associated company that is a trustee of an occupational pension scheme, directly or indirectly (including by funding any expenditure incurred or to be incurred by him) against any liability incurred by him in connection with the company's activities as trustee of an occupational pension scheme; and/or
- 6.4.20.8.3 purchase and maintain insurance for any person who is or was a director, or a director of any associated company, against any loss or liability or any expenditure he may incur, whether in connection with any proven or alleged negligence, default, breach of duty or breach of trust by him or otherwise, in relation to the Company or any associated company.

### *Dividends and distribution on liquidation to Shareholders*

- 6.4.21 Notwithstanding any other Article, but subject to the Statutes and any preferential or other special rights attached to shares, the Company or the Board may fix any date as the record date for a dividend, distribution, allotment or issue. The record date may be on or at any time within six months before or after a date on which the dividend, distribution, allotment or issue is declared, made or paid.
- 6.4.22 Except as otherwise provided by the Articles or the rights attaching to shares, all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is declared and paid. Dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. If any share is issued on terms that it shall rank for dividend as from a particular date then it shall rank for dividend as from that date. No amount paid up on a share in advance of the date on which a call is payable may be treated as paid up for the purpose of this Article.
- 6.4.23 Subject to the Statutes and the Articles, the Company may by ordinary resolution declare a dividend to be paid to the Members according to their respective rights and interests. No dividend shall exceed the amount recommended by the Board.
- 6.4.24 Subject to the Statutes, the Board may in its absolute discretion declare and pay to the Members such interim dividends (including a dividend payable at a fixed rate) as appear to the Board to be justified by the profits of the Company available for distribution and the Company's financial and trading position. If the share capital of the Company is divided into different classes, the Board may pay interim dividends in respect of shares which rank after shares conferring preferred rights, unless at the time of payment a preferential dividend is in arrears. If the Directors act in good faith they shall not incur any liability to the holders of shares conferring preferred rights for any loss that they may suffer by reason of the lawful payment of an interim dividend on any shares ranking after those with preferred rights.

- 6.4.25 The Board may, with the prior authority of an ordinary resolution of the Company, direct that dividends may be satisfied in whole or in part by the distribution of specific assets including paid up shares, debentures or other securities of any other company. The Board may make all such valuations, adjustments and arrangements and issue all certificates or documents of title as may seem to it to be expedient with a view to facilitating the distribution and may vest assets in trustees on trust for the persons entitled to the dividend as may seem to the Board to be expedient. Where any difficulty arises in respect of such distribution, the Board may settle it as it thinks expedient, and in particular may issue fractional certificates or authorise any person to sell and transfer any fractions or may ignore fractions altogether.
- 6.4.26 If a cheque, warrant or order in respect of a dividend, or other amount payable in respect of a share, is returned undelivered or left uncashed or transfer made by a bank or other funds transfer system is not accepted on:
- 6.4.26.1 two consecutive occasions; or
- 6.4.26.2 one occasion and the Board, on making reasonable enquiries, has failed to establish any new address or account of the person concerned,
- 6.4.27 then the Board may determine that the Company shall cease sending or transferring a dividend, or other amount payable in respect of that share, to the person concerned until he notifies the Company of an address or account to be used for that purpose.
- 6.4.28 No unpaid dividend, or other amount payable in respect of a share, bears interest as against the Company unless otherwise provided by the rights attached to the share.
- 6.4.29 The Board may deduct from any dividend or other amounts payable to a person in respect of a share, either alone or jointly with any other person, all amounts due from him, either alone or jointly with any other person, to the Company on account of calls or otherwise in respect of a share.
- 6.4.30 All unclaimed dividends, interest or other amounts payable by the Company in respect of a share may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the payment of any unclaimed dividend, interest or other amount payable by the Company in respect of a share into a separate account or the investment of it does not constitute the Company a trustee in respect of it. Any dividend which has remained unclaimed for a period of 12 years from the date it became due for payment is forfeited and ceases to remain owing by the Company.

*Non-United Kingdom Shareholders*

- 6.4.31 There are no limitations in the Articles on the rights of non-United Kingdom Shareholders to hold, or to exercise voting rights attached to the Shares of the Company. Non-United Kingdom Shareholders are not entitled to receive any notice or other document or information from the Company unless they have given an address in the United Kingdom to which such notices may be sent.

*Unlimited Objects*

- 6.4.32 The articles contain no restriction on the objects of the Company.

## 7. Interests and dealings

### 7.1 Definitions

For the purposes of this paragraph:

**acting in concert** has the meaning attributed to it in the City Code;

**arrangement** includes any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing;

**associate** of any company includes:

- (a) its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies (for this purpose, ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of “associated company” status);
- (b) its connected advisers and persons controlling, controlled by or under the same control as such connected advisers;
- (c) its directors and the directors of any company covered in (a) above (together in each case with their close relatives and related trusts);
- (d) its pension funds or the pension funds of a company covered in (a) above;
- (e) any investment company, unit trust or other person whose investments an associate manages on a discretionary basis, in respect of the relevant investment accounts;
- (f) its employee benefit trusts, or the employee benefit trust of a company covered in (a) above; and
- (g) a company having a material trading arrangement with the company;

**connected adviser** has the meaning attributed to it in the City Code;

**connected person** has the meaning attributed to it in section 252 of the Act;

**control** means an interest, or interests in shares carrying in aggregate 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a General Meeting, irrespective of whether such interest or interests give *de facto* control;

**dealing** or **dealt** includes the following:

- (a) the acquisition or disposal of securities, of the right (whether conditional or absolute) to exercise or direct the exercise of voting rights attached to securities or of general control of securities;
- (b) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any securities
- (c) subscribing or agreeing to subscribe for securities;

- (d) the exercise or conversion, whether in respect of new or existing securities, of any securities carrying conversion or subscription rights;
- (e) the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to securities; or
- (f) entering into, terminating or varying the terms of any agreement to purchase or sell securities; and any other action resulting, or which may result, in an increase or decrease in the number of securities in which a person is interested or in respect of which he has a short position;

**derivative** includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security;

**disclosure date** means 28 June 2013, being the latest practicable date prior to the posting of this document;

**disclosure period** means the period commencing on 28 June 2012, being the date 12 months prior to the date of the posting of this document and ending on the disclosure date;

**exempt fund manager** and **exempt principal trader** have the meanings attributed to them in the City Code;

being **interested** in securities (or having an **interest** in such securities) includes where a person:

- (a) owns them;
- (b) has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them;
- (c) by virtue of any agreement to purchase, option or derivative, has the right or option to acquire them or call for their delivery or is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or
- (d) is party to any derivative whose value is determined by reference to their price and which results, or may result, in his having a long position in them;

**paragraph 1 associate** means, in relation to a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies (for this purpose, ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of “associated company” status);

**relevant securities** means shares in the Company which carry voting rights (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof; and

**short position** means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery.

## 7.2 Directors' and Proposed Director's and other interests

7.2.1 The interests (all of which are beneficial unless stated otherwise) of the Directors and the Proposed Director and their immediate families and the persons connected with them (within the meaning of Section 252 of the Act) in the issued share capital of the Company and the existence of which is known to, or could with reasonable due diligence be ascertained by, any Director or the Proposed Director as at the disclosure date, as they are expected to be on Admission, together with the percentages which such interests represent of the Ordinary Shares in issue, are as follows:

	<i>Number of Ordinary Shares</i>		<i>Percentage of issued Ordinary Shares</i>	
	<i>as at the disclosure date</i>	<i>expected as at the date of Admission</i>	<i>as at the disclosure date</i>	<i>expected as at the date of Admission</i>
John Gunn	9,240,160	295,909,907	12.63	61.92

  

	<i>Number of B Ordinary Shares</i>		<i>Percentage of issued B Ordinary Shares</i>	
	<i>as at the disclosure date</i>	<i>expected as at the date of Admission</i>	<i>as at the disclosure date</i>	<i>expected as at the date of Admission</i>
John Gunn	1,221,200	0	100	0

7.2.2 No Director or member of a Director's family has a related financial product referenced to the Ordinary Shares being admitted.

7.2.3 Other than the Directors' interests set out above, or the Concert Party interests as set out below, the Company is only aware of the following persons who, as at the date of this document or immediately following Admission, directly or indirectly, jointly or severally, hold or will hold 3 per cent. or more (as required by Statutes) of the issued share capital of the Company (excluding non-Voting B Ordinary Shares) or exercise or could exercise control over the Company:

	<i>Before Admission</i>		<i>Following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
Lynchwood Nominees Limited	14,307,045	19.6	14,307,045	3.0
Rothschild Nominees	8,328,125	11.4	29,950,817	6.3
Challis International Limited	6,250,000	8.6	6,250,000	1.3
Entavo Trading AG Limited	5,750,000	7.9	10,750,000	2.2
Peel Hunt Holdings Limited	4,622,124	6.3	14,622,124	3.1
Anthony Miller	4,250,000*	5.8	8,351,583	1.7
Argus Group LLC	3,500,000	4.8	3,500,000	0.7
Otillia Investments Limited	3,437,500	4.7	3,437,500	0.7

\*shares held through Lynchwood Nominees Limited (3,750,000) and Redmayne Bentley (Nominees) Limited (500,000)

- 7.2.4 Save as disclosed in this document, the Directors are not aware of any person or persons who either alone or, if connected, jointly following Admission, will (directly or indirectly) exercise or could exercise control over the Company.
- 7.2.5 The Shareholders listed in paragraph 7.2.1 and paragraph 7.2.3 do not have different voting rights to other holders of Ordinary Shares.
- 7.2.6 Save as disclosed in this document, the Company is not aware of any arrangements which may at a subsequent date result in a change of control of the Company.
- 7.2.7 The Directors are not aware of any arrangements, including any contained in the Articles in place or under negotiation which may, at a subsequent date, result in a change of control of the Company, or have the effect of delaying, deferring or preventing a change of control of the Company.
- 7.2.8 Save as disclosed in this document, none of the Directors nor the Proposed Director have any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to, the Company and no contract or arrangement exists in which a Director or the Proposed Director is materially interested and which is significant in relation to the business of the Enlarged Group.
- 7.2.9 Dealing by Directors and the Proposed Director

No Director or Proposed Director dealt in relevant securities during the disclosure period.

7.2.10 Concert Party Interests

<i>(1) Concert member</i>	<i>Party</i>	<i>(2) Ordinary Shares and B Ordinary Shares held by Concert Party members and Connected Persons at the disclosure date</i>	<i>(3) Percentage of Existing Share Capital (including non-voting B Ordinary Shares) held by Concert Party Members and Connected Persons at the disclosure date</i>	<i>(4) Consideration Shares and Subscription Shares to be acquired following Admission</i>	<i>(5) Percentage of the Company's issued share capital to be held following Admission</i>
John Gunn		10,461,360	14.3	285,448,547	61.9
Rothschild Nominees Limited*		8,328,125	11.4	21,622,692	6.3
Rod MacClancy		Nil	Nil	16,622,692	3.5
Hebolux S.A.		Nil	Nil	23,852,243	5.0
Sarah Pozner		1,350,000	1.8	8,311,346	2.0
Ian Sosso		Nil	Nil	3,324,538	0.7
Tita Carmen Byrne		Nil	Nil	2,216,359	0.5

\*In addition, Rothschild Nominees limited will receive 2,500,000 Warrants pursuant to its participation in the Subscription and on conversion of the Warrants would hold 32,450,817 Ordinary Shares, representing 6.8 per cent. of the share capital of the company as enlarged by the conversion of the Warrants held by it, assuming that conversion of the warrants occurs at the date of Admission.

7.2.11 Save as disclosed in this document, there is no agreement, arrangement, or understanding (including any compensation arrangement) between the Concert Party and any person acting in concert with it and any of the Directors, recent directors, Shareholders or recent shareholders having any connection with or dependence upon the proposals set out in this document.

7.2.12 There are no arrangements currently in place whereby any securities acquired as a result of the Acquisition will be transferred to any other person.

7.2.13 Relationships, arrangements and understandings

John Gunn is a director of both KleenAir and Inspirit and holds 12.6 per cent. of the voting rights in KleenAir and 67.7 per cent. of the voting rights in Inspirit. The Directors are satisfied that the undertakings given by John Gunn in the relationship agreement entered into by him with the Company (as referred to at paragraph 12.13 of this Part VI) are adequate to ensure that any control John Gunn may have over the Company will not be abused.

Sarah Pozner is a personal friend of John Gunn and holds 1.8 per cent. of the voting rights in KleenAir and 2.0 per cent. of the voting rights in Inspirit.

Rothschild Nominees Limited holds 11.4 per cent. of the voting rights in KleenAir and 3.9 per cent. of the voting rights in Inspirit in trust for Humphrey and Wilbur Hamilton. John Gunn has known their father, Alexander Hamilton, for 15 years and has had a number of business dealings with him.

7.2.13.1 Relationships with Existing Directors

Save as disclosed in this document, no relationship (personal, financial or commercial), arrangements or understandings exist between any member of the Concert Party or any person acting in concert with them and any Existing Director (or any person who is, or is presumed to be, acting in concert with any such Existing Director).

7.2.13.2 Relationships with Shareholders

Save as disclosed in this document, no relationship (personal, financial or commercial), arrangements or understandings exist between any member of the Concert Party or any person acting in concert with them and any Shareholder (or any person who is, or is presumed to be, acting in concert with any such Shareholder).

7.2.13.3 Relationships with Rule 3 adviser

No relationship (personal, financial or commercial), arrangements or understandings exist between any member of the Concert Party or any person acting in concert with them and any adviser to the Company under Rule 3 of the City Code (or any person who is, or is presumed to be, acting in concert with any such persons).

#### 7.2.14 Middle market quotations for Existing Shares

The table below lists the closing middle market quotations for Existing Shares as derived from the AIM Appendix to the Daily Official List of the London Stock Exchange for the first dealing day in each of the six months before the date of this document and on 10 June 2013 (the day on which trading in the Ordinary Shares on AIM was suspended):

Date	Share price (p)
10 June 2013	2.375
3 June 2013	0.750
1 May 2013	1.000
2 April 2013	1.100
1 March 2013	1.150
1 February 2013	1.150
2 January 2013	1.175

- 7.3 No Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Company or the Enlarged Group and which were effected by any member of the Company or the Enlarged Group in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.
- 7.4 The table below states the names of all companies and partnerships of which the Directors and Proposed Directors have been a director or partner at any time during the period of five (5) years immediately preceding the date of this document.

	<i>Current directorships/ partnerships</i>	<i>Past directorships/ partnerships</i>
John Gunn	Global Investment Strategy UK Ltd Pinnacle Capital Management Limited Pinnacle Investment Management Limited Biomass Energy Developments Limited Inspirit Energy Limited Somemore Limited Giex (Nominees) Limited	Twenty-six Eaton Place (Management Company) Limited Solar Park 1 Limited Joyanatura Limited Snowgun Limited Disenco Energy PLC Real Management Limited
Jubeenh Nazhat	Montpelier Law Limited	None
Neil Luke	None	Great Stour Place Management Company Limited
Nilesh Jagatia	Ascend Capital plc Clear Leisure plc NKJ Associates Ltd Online Flightcomparison Ltd	Media Corporation plc* Flight Comparison Ltd Result On Line Ltd

\*Nilesh Jagatia was a director of Media Corporation plc from 24 October 2007 until 1 August 2012. On 23 July 2012, Media Corporation plc appointed liquidators in relation to its wholly owned subsidiary, Purple Lounge Limited, of which Media Corporation plc was also a corporate director. There was a shortfall to members of c. \$2.3m. Media Corporation plc was the only substantial creditor and represented 83% of the member shortfall.

- 7.5 None of the Directors has any unspent convictions.
- 7.6 None of the Directors has been the subject of any public criticism by any statutory or regulatory authority (including recognised professional bodies).
- 7.7 Save as disclosed in this document, none of the Directors has been a director of a company at the time of, or within the preceding twelve (12) months of, that company being the subject of a receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or where it has made any composition or arrangement with its creditors generally or any class of its creditors.
- 7.8 Save as disclosed in this document, none of the Directors has been a partner of a partnership at the time of, or within the preceding twelve (12) months of, the partnership being the subject of a compulsory liquidation, administration or partnership voluntary arrangement nor in that time have the assets of any such partnership been the subject of a receivership.
- 7.9 No asset of any Director has at any time been the subject of a receivership.
- 7.10 None of the Directors is or has been bankrupt, nor made at any time an individual voluntary arrangement.
- 7.11 None of the Directors is or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 7.12 There are no outstanding loans granted by the Company to any of the Directors nor has any guarantee been provided by the Company for their benefits.

## **8. Confirmatory statements with respect to Rule 9**

As at the close of business on the disclosure date, save as disclosed in this Part VI:

- 8.1 neither Inspirit, nor any of Inspirit's directors, nor any member of the Concert Party (nor any members of their respective immediate families, related trusts or Connected Persons), nor any person acting in concert with any of them, had any interest in or right to subscribe for, or had any short position in relation to, any relevant securities;
- 8.2 neither Inspirit, nor any of Inspirit's directors, nor any member of the Concert Party, nor any person acting in concert with any of them, has dealt in any relevant securities in the disclosure period;
- 8.3 no member of the Concert Party has borrowed or lent any relevant securities or relevant Inspirit securities, save for any borrowed shares which have either been on-lent or sold;
- 8.4 neither the Company nor any of the Existing Directors (nor any members of their respective immediate families, related trusts or, so far as the Directors are aware, Connected Persons) had any interest in or right to subscribe for, or had any short position in relation to, or during the disclosure period dealt in any relevant securities;
- 8.5 no paragraph 1 associate of, or anyone acting in concert with, the Company had any interest in or right to subscribe for, or had any short position in relation to, or during the disclosure period dealt in any relevant securities or relevant Inspirit securities;
- 8.6 neither the Company nor any person acting in concert with the Company has borrowed or lent any relevant securities or any relevant Inspirit securities, save for any borrowed shares which have either been on-lent or sold;

- 8.7 no agreement, arrangement or understanding (including any compensation arrangement) exists in relation to a transfer or otherwise between any member of the Concert Party or any person acting in concert with a member of the Concert Party and any of the Directors, recent directors, Shareholders or recent Shareholders in the Company or any person interested or recently interested in shares in the Company having any connection with or dependence upon the proposals set out in this document; and
- 8.8 there is no agreement, arrangement or understanding whereby the beneficial ownership of the New Ordinary Shares acquired by the Concert Party pursuant to the Acquisition will be transferred to any other person.

## 9. Directors' service agreements, Letters of Appointment and Consultancy Agreement

### 9.1 Current Directors

Details of the titles and dates of appointment of the Directors are set out below:

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
John Gunn	Executive Chairman	15 November 2011
Jubeenh Nazhat	Non-Executive Director	12 January 2011
Nilesh Jagatia	Finance Director	25 March 2013

John Gunn entered into a service agreement on 28 June 2013 in respect of his services as executive director of the Company. John Gunn is employed by the Company as executive chairman. John Gunn's appointment is for an initial term of one year commencing on Admission and is terminable by either party on three months' notice or in certain circumstances including misconduct or bankruptcy with immediate effect. Mr. Gunn is required to work a minimum of three days a week for the Company. Mr. Gunn will receive £5,000 gross per month, but has agreed to waive his entitlement to this fee until such time when KleenAir's cash flow position permits KleenAir incurring such cost.

Jubeenh Nazhat entered into an appointment letter dated 31 December 2011 in respect of services as non-executive director. Ms. Nazhat is entitled to a monthly fee of £2,700 including VAT. Ms. Nazhat is required to work a minimum of two days per week for the Company. Ms Nazhat's appointment is for an initial one year, commencing on 9 January 2012. The appointment is terminable by either party on three months' notice or in certain circumstances including misconduct or bankruptcy with immediate effect.

Ms. Nazhat entered into an appointment letter as executive director dated 28 June 2013 to replace her existing appointment letter effective on Admission. Ms. Nazhat is entitled to a monthly fee of £100, but has agreed to waive her entitlement to this fee until such time when KleenAir's cash flow position permits KleenAir incurring such cost. Ms. Nazhat is required to work a minimum of two days per week for the Company. Ms. Nazhat's appointment is for an initial term of one year, commencing on Admission. The appointment is terminable by either party on three months' notice or in certain circumstances including misconduct or bankruptcy with immediate effect.

Nilesh Jagatia entered into a contract of employment dated 28 June 2013 in respect of his services as Executive Director. The appointment is terminable by either party on three months' notice or in certain circumstances, including misconduct or bankruptcy, with immediate effect. Mr. Jagatia is entitled to an annual salary of £12,000. Mr. Jagatia is required to work a minimum of one day per week for the Company.

## 9.2 Proposed Director

Neil Luke has provided consultancy services to Inspirit by way of a consultancy agreement dated 10 August 2011. Under the terms of this agreement, Mr Luke received £300 for each day he provided services. On 31 August 2012, Mr Luke's payment terms of consultancy were amended to £1,000 per month on a retainer basis, with an additional £300 per day for significant instances of work for Inspirit. In the preceding 12 months to the date of this document, Mr Luke has charged £22,300 in fees for consultancy services.

The Proposed Director will be appointed to the board of directors of the Enlarged Group with effect from Admission. The proposed terms of the Proposed Director letter of appointment are summarised below:

Neil Luke entered into an appointment letter dated 28 June 2013 in respect of his services as Non-Executive Director effective from Admission. Mr. Luke's appointment is for an initial term of one year, commencing on Admission. The appointment is terminable by either party on three months' notice or in certain circumstances, including misconduct or bankruptcy, with immediate effect. Mr. Luke is entitled to a monthly fee of £1,000 gross. Mr. Luke is required to work a minimum of one day per week for the Company and is entitled to an additional fee of £300 per day in respect of any additional days worked.

9.3 For the year ended 30 June 2012 the aggregate remuneration (including benefits) paid to the Existing Directors by the Company was £30,306. The aggregate remuneration (including benefits) in respect of the year ended 30 June 2013 (under arrangements in force at the date of this document) will be approximately £25,500.

9.4 Save as disclosed in this paragraph 9 neither the Existing Directors nor the Proposed Director have entered into or amended a letter of appointment or service contract with the Company within six months of the date of this document.

## 10. The Company and its subsidiaries

10.1 Prior to Admission, the Company did not have any subsidiaries.

10.2 Following Admission, the Company will be the holding company of the Enlarged Group and will have the following principal subsidiaries:

10.2.1 Inspirit;

10.2.2 Somemore.

10.3 The subsidiaries will be directly or indirectly wholly-owned by the Company and have their registered offices at Brook Point, 1412 High Road, London N20 9BH and c/o Global Investment Strategy UK Ltd, No. 2 London Wall Buildings, London EC2M 5PP respectively. Details for Inspirit can be found at Part II of this document. Somemore (a wholly owned subsidiary of Inspirit) has an issued and paid-up share capital of £1 and is registered in England and Wales and operates principally within the United Kingdom.

## 11. UK taxation

The following paragraphs are intended as a general summary for individual Shareholders who are domiciled, resident and ordinarily resident in the United Kingdom for tax purposes and who hold Ordinary Shares in the Company as investments (rather than as dealing stock). The summary does not apply to shareholders who acquire Ordinary Shares following the exercise of a share option or otherwise in connection with their employment. This summary is based on existing tax legislation and current HM Revenue & Customs practice. Any person who is in any doubt as to his tax position, whether in the United Kingdom or in any other jurisdiction in which he may be liable to tax, and any person subject to tax in any other jurisdiction should consult, and rely upon, the advice of his own professional adviser in respect of the tax consequences of an investment in the Ordinary Shares.

### 11.1 Taxation of Dividends

11.1.1 Under current United Kingdom tax legislation, no taxation should be withheld at source from dividend payments made by the Company to its Shareholders.

11.1.2 For UK tax resident individuals, dividends are treated as income and taxed at the top slice of that income subject to and with the benefit of a tax credit equivalent to 1/9<sup>th</sup> of the dividend. The effect of the tax credit means that for tax year 2013/14 a basic rate tax payer has an effective tax rate of 10 per cent applying to the dividend but as this is met by the tax credit there is no further liability to tax. Higher rate tax payers are liable to pay tax at an effective tax rate of 32.5 per cent on that part of the dividend falling above the higher rate limit and an additional rate tax payer an effective tax rate of 37.5 per cent on that part of the dividend falling above the additional rate limit.

11.1.3 United Kingdom resident corporate Shareholders will generally not be subject to corporation tax in respect of dividends received from the Company unless the Shareholder is carrying on a trade of dealing in shares.

### 11.2 Taxation on chargeable gains

If an individual Shareholder who is resident and ordinarily resident for tax purposes in the United Kingdom disposes of some or all of his Ordinary Shares, such a disposal may give rise to a chargeable gain or an allowable loss for the purposes of capital gains tax. In computing a chargeable gain, the Shareholder should be entitled to deduct from the disposal proceeds the cost to him of acquiring the Ordinary Shares as well as utilising any available exemptions, allowances or reliefs. Capital gains tax is charged at a rate of 28 per cent for higher and additional rate earners and 18 per cent. for basic rate earners. United Kingdom resident corporate Shareholders may be subject to corporation tax on chargeable gains.

### 11.3 Stamp duty and stamp duty reserve tax

11.3.1 No stamp duty or stamp duty reserve tax (“SDRT”) will generally be payable on the issue by the Company of the Ordinary Shares.

11.3.2 Transfers of Ordinary Shares for value will give rise to a liability to ad valorem stamp duty or SDRT at the rate of 0.5 per cent. of the consideration (in the case of stamp duty, rounded up to the nearest £5 and subject to an exemption where the consideration payable is less than £1,000 and the transaction is not part of a larger transaction).

11.3.3 No stamp duty or SDRT should arise on the transfer of the Ordinary Shares to CREST for conversion into uncertificated form, unless the transfer is for consideration. Transfers under the CREST system for paperless transfers of shares will generally be liable to SDRT at the rate of 0.5 per cent. of the consideration. CREST is obliged to collect SDRT from the transferee in relation to transfers settled through the CREST system.

The above statements are intended as a general guide only to the current taxation regime in the United Kingdom and are not exhaustive. Any person who is in any doubt as to his taxation position, or is subject to tax in a jurisdiction other than the United Kingdom, should consult his own professional adviser.

## **12. Material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Enlarged Group in the two (2) years preceding the date of this document and are or may be material:

### **KleenAir**

- 12.1 The Company entered into a loan agreement on 28 June 2013 with Inspirit in relation to a series of loans provided by the Company to Inspirit between 23 May 2011 and 31 January 2013 for an aggregate amount of £83,658.20. Interest is payable on the loan amount at 7 per cent. but will not begin to accrue until 1 July 2013. The loan agreement terminates on 23 May 2015, when all outstanding monies under the loan agreement become payable.
- 12.2 The Company entered into a Deed of Variation with GIS dated 28 June 2013 in respect to a convertible loan note instrument entered into with GIS dated 23 November 2009. Under the terms of the 2009 Note, £131,970 remains payable and convertible. Under the terms of the deed of variation, the right to convert this debt into shares has been removed. Further, the term of the 2009 Note has been extended to 22 December 2014. Interest under the 2009 Note is payable at 5 per cent per annum.
- 12.3 The Company entered into a Deed of Variation with GIS dated 28 June 2013 in respect to a convertible loan note instrument entered into with GIS dated 22 June 2010. Under the terms of the 2010 Note, £75,140.63 remains payable and convertible. Under the terms of the deed of variation, the right to convert this debt into shares has been removed. Further, the term of the 2010 Note has been extended to 22 December 2014. Interest under the 2010 Note is payable at 5 per cent per annum.
- 12.4 The Company entered into a loan agreement on 28 June 2013 with GIS in relation to a £45,000 loan provided by GIS to the Company between 2 February 2012 and 13 February 2012. Interest is payable on the loan amount at 7 per cent. As at 30 April 2013, interest under the loan agreement amounted to £3,861.99. The loan agreement terminates on 31 July 2015, when all outstanding monies under the loan agreement become payable.
- 12.5 The Company entered into an unsecured loan facility on 28 June 2013 with GIS for an aggregate maximum amount of £350,000. Amounts may be drawdown at the discretion of the Company. Interest is payable on any drawdown at 5 per cent. above the base rate of HSBC Bank plc. Any amount drawdown under the loan facility shall be repayable 18 months from the date of the loan facility.

12.6 The Company entered into an equity discretionary drawdown facility with David Lenigas on 28 June 2013 for an aggregate maximum amount of £70,000 on the following terms:

- Mr. Lenigas provides the Company with an equity facility up to a maximum aggregate of £70,000 by way of Mr. Lenigas subscribing for new shares;
- Drawdown at the discretion of the Company once or in tranches, provided that any tranche shall not result in Mr. Lenigas holding 29.9 per cent. or more of the voting rights in KleenAir;
- price of new shares would be 85 per cent. of the rolling average closing mid-market price over a period of 5 dealing days, commencing 2 business days prior to a drawdown notice by KleenAir and ending 2 business days after such notice;
- termination on 17 May 2015; and
- commission of 6 per cent. payable to Mr. Lenigas on any amount received by the Company under the facility.

As at the date of this document, there has been no drawdown under this facility.

12.7 On 9 July 2012 Hebolux S.A and the Company entered into a £50,000 convertible loan agreement. The loan is convertible into Ordinary Shares in the Company on admission at a conversion price of the lesser of £0.015 per ordinary share and 50 per cent. to the Subscription Price. The conversion of the loan will mean the allotment of 10,000,000 ordinary shares in the Company to Hebolux in full and final settlement of the Hebolux Loan.

12.8 By an agreement between the Company and its former nominated advisor, W.H. Ireland, dated 13 September 2012, the Company granted W.H. Ireland with warrants to subscribe for an aggregate 646,620 Ordinary Shares at an exercise price of £0.03 per share, exercisable at any time until the third anniversary of the agreement (“Exercise Period”) provided that if the expiry of the Exercise Period falls within a Close Period (as defined under the AIM Rules), the Exercise Period shall be deemed to expire on three months after the end of the relation Close Period. In the event of an allotment of shares by way of capitalisation of profits or reserves to Shareholders, the number of Ordinary Shares under the warrant will increase or decrease in due proportion (and exercise price adjusted accordingly). In the event of an adjustment, the number of Ordinary Shares under the warrant will carry not less than the same proportion of voting rights and entitlement to participate in the profits and assets of the Company as if there was no adjustment. Holders of the warrant are entitled to participate in offers as if they had rights in the underlying shares. On a liquidation, the holder of the warrant is entitled to realise out of the assets available *pari passu* with ordinary shareholders such sum as it could have received had it exercised the warrants in full.

#### 12.9 Nomad Agreement

On 10 October 2012, the Company entered into a nominated adviser and broker agreement with Westhouse Securities pursuant to which the Company appointed Westhouse Securities to act as nominated adviser and broker to the Company for the purposes of the AIM Rules for Companies. The Company has agreed to pay Westhouse Securities an annual fee for its services as nominated adviser and broker.

## Reverse Takeover

### 12.10 Acquisition Agreement

The Acquisition Agreement pursuant to which the Company has agreed to acquire the entire issued share capital of Inspirit (not already owned by the Company), conditional on certain conditions precedent, including the passing of the Resolutions and Admission occurring no later than 30 September 2013. The total consideration payable to the Vendors on Admission is to be satisfied by the issue of the Consideration Shares.

John Gunn has given certain representations and warranties customary for a transaction of this type which concern the business, assets and affairs of Inspirit and Somemore. Claims for breach of warranty are subject to certain de minimis and threshold provisions, and a total aggregate cap of £3,500,000. Warranties relating to tax issues continue for the statutory limitation period from Completion of the Acquisition and the non-tax warranties continue for 24 months from Completion of the Acquisition.

Each of the Vendors has also confirmed their unencumbered title to the Inspirit shares held by them.

### 12.11 Lock-in Agreement

John Gunn, being the only Director holding shares in the Company at Admission has agreed not to (and to procure that his respective Connected Persons do not) dispose of any interest in Ordinary Shares for a period of one year following Admission, except in certain circumstances in accordance with Rule 7 of the AIM Rules for Companies.

Each of the other members of the Concert Party has agreed not to (and to procure that their respective Connected Persons do not) dispose of any interest in Ordinary Shares for a period of one year following Admission, except in certain restricted circumstances.

### 12.12 Introduction Agreement

On 28 June 2013, the Company, the Directors and Westhouse Securities entered into the Introduction Agreement. Pursuant to the terms of this agreement, Westhouse Securities has agreed to act as the Company's nominated advisor and broker in connection with Admission.

For its services in connection with Admission, Westhouse Securities will be paid a corporate finance fee of £150,000 (of which £25,000 shall be satisfied by the issue of the Westhouse Shares to Westhouse Securities).

The Introduction Agreement contains provisions entitling Westhouse Securities, in certain circumstances, to terminate the agreement at any time prior to Admission. If this right is exercised, the Admission will lapse. The agreement also contains warranties and indemnities to be given by the Company, together with warranties given by each of the Existing Directors and the Proposed Director, in favour of Westhouse Securities, which are customary in nature.

### 12.13 Relationship Agreement

On 28 June 2013, the Company, Westhouse Securities and John Gunn executed the Relationship Agreement, as John Gunn is the Controlling Shareholder in the Company. Pursuant to this agreement, John Gunn, amongst other things, agrees that all transactions and relationships between the Company or any of the Company's subsidiaries and himself or any

person connected to him will be at arm's length and on a normal commercial basis. John Gunn also undertakes that for so long as he is a holder of 30 per cent. of the shares in the Company he shall not enter into, terminate or in any way alter any commercial arrangements and/or relationships between the Company and any of its subsidiaries and himself or any person connected to him unless a resolution sanctioning such action has been unanimously approved by the Board. John Gunn or a person connected to him may not vote in this situation. In addition John Gunn has undertaken not to vote in favour of any resolution put to the Company's Shareholders to cancel the Company's admission to AIM pursuant to AIM Rule 41 for a period of two years from Admission.

## **Inspirit**

### **12.14 Loan Agreement with GIS**

Inspirit entered into a loan agreement on 28 June 2013 with GIS in relation to a series of loans provided by GIS to Inspirit between 30 April 2011 and 31 January 2013 for an aggregate amount of £73,863.53. Interest is payable on the loan amount at 7 per cent. As at 30 April 2013, interest under the loan agreement amounted to £7,107.87. The loan agreement terminates on 30 April 2015, when all outstanding monies under the loan agreement become payable.

### **12.15 Loan Agreement with John Gunn**

Inspirit entered into a loan agreement on 28 June 2013 with John Gunn in relation to a series of loans provided by John Gunn to Inspirit between 6 August 2010 and 31 January 2013 for an aggregate amount of £282,284. Interest is payable on the loan amount at 7 per cent. As at 30 April 2013, interest under the loan agreement amounted to £34,325.31. The loan agreement terminates on 6 August 2015, when all outstanding monies under the loan agreement become payable.

## **13. Working capital**

The Directors are of the opinion (having made due and careful enquiry and taking into account the net proceeds of the Subscription) that the Enlarged Group will have sufficient working capital for its present requirements, that is, for at least the period of twelve (12) months from the date of Admission.

## **14. Litigation**

- 14.1 No member of the Enlarged Group is or has been involved in any governmental, legal or arbitration proceedings which may have, or have had during the twelve (12) months preceding the date of this document, a significant effect on the Enlarged Group's financial position nor are the Directors aware of such proceedings pending or threatened against any member of the Enlarged Group.

## **15. Premises**

Inspirit is a tenant of Unit 4, Flockton Park, Holbrook Industrial Estate, Sheffield S20 3FF. The property consists of a 344 square metre industrial unit with an office. The annual rent of the property is £16,650.

The Company has an informal arrangement with GIS for the use of an office at 2<sup>nd</sup> Floor, Number 2 London Wall Buildings, London EC2M 5PP.

## **16. Employees**

As at the date of Admission, the Enlarged Group will have four employees (excluding directors or consultants) based at its office at 2<sup>nd</sup> Floor, Number 2 London Wall Buildings, London EC2M 5PP and Unit 4, Flockton Park, Holbrook Industrial Estate, Sheffield S20 3FF.

## **17. Squeeze-out and sell-out rules and takeover offers relating to the Ordinary Shares**

### 17.1 Squeeze-out

Under the Act, if an offeror were to acquire or contract to acquire 90 per cent. of the Ordinary Shares to which the offer relates within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

### 17.2 Sell-out

The Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares to which the offer relates, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

17.3 The Directors and the Company are not aware of the existence of any takeover offers by third parties in respect of the share capital of the Company.

## **18. Miscellaneous**

18.1 The accounting reference date of the Company is 30 June.

18.2 Save as set out in this document, there has been no significant or material change in the financial or trading position of the Company since 30 June 2012, the date to which the audited financial information for the Company was drawn up.

18.3 There has been no significant change in the financial or trading position of Inspirit since 30 June 2012, the date to which the last audited financial information for Inspirit contained in this document was drawn up.

18.4 PKF Littlejohn LLP is registered in England and Wales under number OC342572 and its registered office is at 1 Westferry Circus, Canary Wharf, London E14 4HD. PKF Littlejohn LLP, a member of the Institute of Chartered Accountants, were appointed as auditors of the Company on 27 July 2011. PKF Littlejohn LLP (formerly Littlejohn LLP) has audited the Company's accounts for the year ended 30 June 2012 and have given an unqualified audit report. Statutory accounts of the Company for the year ended 30 June 2012 have been delivered to the Registrar of Companies in England and Wales.

- 18.5 PKF Littlejohn LLP has given and has not withdrawn its written consent to the inclusion in this document of its accountant's report set out in Section A of Part V in the form and context in which it is included.
- 18.6 Westhouse Securities is registered in England and Wales under number 762818 and its registered office is at Heron Tower, 110 Bishopsgate, London, EC2N 4AY. Westhouse Securities is authorised and regulated by the Financial Conduct Authority.
- 18.7 Westhouse Securities has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.
- 18.8 Save as set out in this document, the Directors confirm that no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has either: received, directly or indirectly, from the Company within the twelve (12) months preceding the date of application for Admission; or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission, any of the following:
- 18.8.1 fees totalling £10,000 or more;
  - 18.8.2 securities in the Company with a value of £10,000 or more calculated by reference to the Subscription Price; or
  - 18.8.3 any other benefit with a value of £10,000 or more at the date of Admission.
- 18.9 The Existing Ordinary Shares, the Subscription Shares, the Conversion Shares, the Hebolux Shares and the Consideration Shares will be in registered form and capable of being held in uncertificated form.

## **19. Documents available**

Copies of the following documents will be available for inspection at the registered offices of the Company at 2<sup>nd</sup> Floor, Number 2 London Wall Buildings, London EC2M 5PP during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) from the date of this document until one month after Admission. The documents will also be available for inspection on the Company's website at [www.kleenair-systems.com](http://www.kleenair-systems.com) until Admission and [www.inspirit-energy.com](http://www.inspirit-energy.com) following Admission and at the General Meeting:

- 19.1 the Memorandum and Articles of Association of the Company and Inspirit;
- 19.2 the Accountants' Reports set out in of Part V of this document;
- 19.3 the audited accounts of the Company for the periods ended 30 June 2010, 30 June 2011 and 30 June 2012;
- 19.4 the unaudited interim accounts of the Company for the six months ended 31 December 2012;
- 19.5 the special purpose IFRS financial information on Inspirit for the period from 17 August 2010 to 30 June 2012 set out in Part V of this document;
- 19.6 the material contracts referred to in paragraph 12 of this Part VI of this document;

- 19.7 the consent letters referred to in paragraphs 18 of this Part VI of this document; and
- 19.8 this document.

Dated: 1 July 2013

## DEFINITIONS

“1985 Act”	the Companies Act 1985
“2009 Note”	the convertible loan note dated 23 November 2009
“2010 Note”	the convertible loan note dated 22 June 2010
“Act”	the Companies Act 2006 (as amended)
“Acquisition”	the proposed acquisition by the Company of the entire issued share capital of Inspirit
“Acquisition Agreement”	the agreement relating to the Acquisition, made between, <i>inter alia</i> , the Company and the Vendors, a summary of which is set out in paragraph 12.10 of Part VI of this document
“Admission”	the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with the AIM Rules for Companies
“AIM”	the market of that name operated by London Stock Exchange
“AIM Rules”	the AIM Rules for Companies and the AIM Rules for Nominated Advisers
“AIM Rules for Companies”	the AIM Rules for Companies published by the London Stock Exchange, as amended from time to time
“AIM Rules for Nominated Advisers”	the AIM Rules for Nominated Advisers published by the London Stock Exchange, as amended from time to time
“Articles”	the articles of association of the Company adopted by special resolution on 3 August 2010
“B Ordinary Shares”	B Ordinary Shares in the Company of £0.001 nominal value having the same economic rights as the Ordinary Shares but no voting rights as more fully described in the Articles
“Board” or “Directors”	the directors of the Company immediately following Admission including the Proposed Director, whose names are set out on page 4 of this document
“City Code”	the City Code on Takeovers and Mergers administered by the Panel
“Company” or “KleenAir”	KleenAir Systems International plc
“Completion”	completion of the proposed acquisition by the Company of the entire issued, and to be issued, share capital of Inspirit, pursuant to the Acquisition Agreement
“Concert Party”	John Gunn, Rothschild Nominees Limited, Rod MacClancy, Hebolux S.A., Sarah Pozner, Ian Sosso and Tita Carmen Byrne, all of whom are regarded for the purpose of the City Code as acting in concert (as defined in the City Code) in relation to the Company and its share capital

“Connected Person”	means any connected person of the Shareholder as defined in paragraph 2 of Part 1 of Schedule 11B of the Financial Services and Markets Act 2000, as amended from time to time
“Consideration Shares”	350,000,000 New Ordinary Shares to be issued on Admission to the Vendors
“Controlling Shareholder”	John Gunn
“Conversion”	the conversion by John Gunn of his entire holding of B Ordinary Shares into Ordinary Shares
“Conversion Shares”	the 1,221,200 New Ordinary Shares to be issued upon completion of the Conversion
“CREST Regulations”	the Uncertificated Securities Regulations 2001, including (i) any enactment or subordinate legislation which amends or supersedes those regulations; and (ii) any applicable rules made under those regulations or any such enactment or subordinate legislation for the time being in force
“Deferred Shares”	the deferred shares of £0.99 each in the Company
“Directors”	the Existing Directors and the Proposed Director
“Enlarged Group”	the enlarged group following the acquisition of Inspirit by the Company, comprising the Company, Somemore and Inspirit
“Enlarged Share Capital”	the 477,860,705 Ordinary Shares in issue immediately following Admission comprising the Existing Ordinary Shares, the Consideration Shares, the Subscription Shares, the Hebolux Shares, the Westhouse Shares and the Conversion Shares
“Euroclear”	Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales, the operator of CREST
“Existing Directors”	John Gunn, Jubeenh Nazhat and Nilesh Jagatia, being the directors of the Company as at the date of this document
“Existing Ordinary Shares”	the Ordinary Shares in issue at the date of this document
“Existing Share Capital”	the issued ordinary share capital of the Company at the date of this document
“Existing Shareholders”	holders of Existing Ordinary Shares
“FCA”	the Financial Conduct Authority
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“General Meeting”	the general meeting of the Company convened for 11.00 a.m. on 23 July 2013 (or any adjournment thereof), notice of which is set out at the end of this document;
“GIS”	Global Investment Strategy UK Limited
“Hebolux”	Hebolux S.A.
“Hebolux Loan”	the £50,000 loan made to KleenAir in July 2012, details of which are set out in paragraph 12.7 of Part VI of this document

“Hebolux Shares”	the 10,000,000 New Ordinary Shares to be issued to Hebolux pursuant to the conversion of the Hebolux Loan at Admission
“IFRS”	International Financial Reporting Standards
“Independent Director”	Nilesh Jagatia
“Independent Shareholders”	the Shareholders other than those who are participating in the Subscription and/or those who are also Vendors
“Inspirit”	Inspirit Energy Limited, a company incorporated under the laws of England and Wales
“Inspirit Group”	together Inspirit and its 100 per cent. owned subsidiary Somemore
“Introduction Agreement”	the agreement dated 28 June 2013, between the Company, the Directors and Westhouse Securities, details of which are set out at paragraph 12 of Part VI of this document
“PKF Littlejohn LLP”	PKF Littlejohn LLP (formerly Littlejohn LLP), the auditors of and reporting accountants to the Company
“Lock-In Agreement”	the agreement dated 28 June 2013, between the Company, Westhouse and John Gunn, details of which is set out in paragraph 12 of Part VI of this document
“London Stock Exchange”	London Stock Exchange plc
“mCHP”	micro combined heat and power
“New Ordinary Shares”	the new Ordinary Shares to be subscribed for by the Subscription under the Subscription or to be issued to the Vendors under the Acquisition Agreement or issued to Hebolux pursuant to the conversion of the Hebolux loan or issued to John Gunn upon conversion of the B Ordinary Shares, or issued to Westhouse Securities as the case may be
“Official List”	the Official List of the UK Listing Authority, a division of the FCA, acting as competent authority for the purposes of Part VI of FSMA
“Ordinary Shares”	the ordinary shares of 0.1 pence each in the capital of the Company and “Ordinary Share” shall be construed accordingly
“Panel”	the Panel on Takeovers and Mergers
“Proposed Director”	Neil Luke
“Prospectus Directive”	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC and any relevant implementing measure in each member state of the European Economic Area which has implemented the Prospectus Directive
“Prospectus Rules”	the prospectus rules of the UK Listing Authority, pursuant to the FSMA

“QCA Guidelines”	the Quoted Companies Alliance guidelines for AIM companies
“Registrars”	Share Registrars Ltd, the Company’s registrars
“Regulations”	the Uncertificated Securities Regulations 2001 including any modification or re-enactment of them for the time being in force
“Relationship Agreement”	the relationship agreement between John Gunn and the Company dated 28 June 2013
“Resolutions”	the resolutions to be proposed at the General Meeting, the full text of which is set out in the notice of General Meeting set out at the end of this document
“Shareholders”	holders of Ordinary Shares
“Somemore”	Somemore Limited, a company incorporated under the laws of England and Wales
“Subscribers”	the subscribers or purchasers of Subscription Shares pursuant to the Subscription
“Subscription”	the conditional subscription by the Subscribers on behalf of the Company of the Subscription Shares pursuant to the Subscription Letters
“Subscription Letters”	the conditional agreements between the Company, the Directors and the Subscribers relating to the Subscription
“Subscription Price”	1p per Subscription Share
“Subscription Shares”	the New Ordinary Shares which are the subject of the Subscription
“Substantial Shareholder”	any person who holds any legal or beneficial interest directly or indirectly in 10 per cent. or more of any class of AIM security, as defined in the AIM Rules for Companies
“Taxes Act”	the Income & Corporation Taxes Act 1988 (as amended)
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“Vendors”	John Gunn, Rothschild Nominees Limited, Rod MacClancy, Hebolux S.A., Sarah Pozner, Oceanside Overseas Group Limited, Ian Sosso and Tita Carmen Byrne, being the current shareholders of Inspirit, not including the Company, who will be selling their shares in Inspirit to the Company pursuant to the Acquisition Agreement
“Warrants”	warrants issued by the Company to Subscribers on the basis of one warrant for every two Subscription Shares exercisable into Ordinary Shares on a one-for-one basis at a price of 1p per Ordinary Share at any time within 12 months from the date of Admission

“Waiver”	the waiver of the obligations that would otherwise arise under Rule 9 of the City Code for the Concert Party to make a general cash offer for the whole of the Company’s Existing Share Capital
“Westhouse Securities”	Westhouse Securities Limited, the Company’s nominated adviser and broker
“Westhouse Shares”	the New Ordinary Shares to be issued to Westhouse Securities pursuant to the Introduction Agreement
“Whitewash Resolution”	the ordinary resolution concerning the Waiver to be proposed on a poll at the General Meeting and set out in the notice of the General Meeting as Resolution 1

**NOTICE OF GENERAL MEETING  
KLEENAIR SYSTEMS INTERNATIONAL PLC**

(Registered in England and Wales No. 05075088)

Notice is hereby given that a general meeting of KleenAir Systems International plc (the "**Company**") will be held at 11.00 a.m. on 23 July 2013 at the registered offices of KleenAir at 2 London Wall Buildings, London, EC2M 5PP to consider and, if thought fit, passing the following resolutions:

**Ordinary Resolutions**

1. **THAT**, subject to the passing of Resolutions numbered 2, 3, 4 and 5, the grant of the waiver by the Panel on Takeovers and Mergers described in the Circular of any obligation which would otherwise arise under Rule 9 of the City Code on Takeovers and Mergers for the Concert Party (as defined in the Circular) to make a general offer to shareholders of the Company as a result of the allotment and issue of the Consideration Shares (as defined in the Circular) under the Agreement, the issue of the Hebolux Shares (as defined in the Circular), the issue of the Subscription Shares (as defined in the Circular), the exercise of the Warrants (as defined in the Circular) and the issue of the Conversion Shares (as defined in the Circular), be and is hereby approved.
2. **THAT**, subject to the passing of Resolutions numbered 1, 3, 4 and 5, the proposed acquisition by the Company of the entire issued share capital (other than those shares already held by the Company) of Inspirit Energy Limited ("**Inspirit**") in accordance with the terms of the agreement as summarised in Part VI of the circular of the Company to its shareholders dated 1 July 2013 ("**Circular**") and a copy of which was produced to the Meeting and initialled by the Chairman for the purposes of identification only, be and is hereby approved for the purposes of Rule 14 of the AIM Rules for Companies published by London Stock Exchange plc and Section 190 of the Companies Act 2006 and the board of directors of the Company, be and is hereby authorised to effect such acquisition in accordance with the Agreement and waive, amend, vary or extend any of the conditions and terms as set out in the Agreement and to execute, sign and do all such other documents, deeds, acts and things as may be necessary or desirable to complete the acquisition;
3. **THAT**, subject to the passing of Resolutions numbered 1, 2, 4 and 5, in addition to all previous authorities to the extent unused, the directors of the Company ("**Directors**") be and are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 ("**Act**"), to exercise all the powers of the Company to allot shares in the Company and grant rights to subscribe for or convert any securities into shares in the Company up to an aggregate nominal amount (within the meaning of sections 551(3) and (6) of the said Act) of GBP£1.5 million, this authority to expire on the conclusion of the Company's next annual general meeting unless previously renewed, varied or revoked by the Company in a general meeting, save that the Company may before such expiry make any offer or agreement which would or might require shares in the Company to be allotted or rights to subscribe for or to convert any securities into shares in the Company to be granted after such expiry and the Directors may allot shares in the Company, or grant rights to subscribe for or to convert any securities into shares in the Company in pursuance of any such offer or agreement as if the authority conferred hereby had not expired;

**Special Resolutions**

4. **THAT**, subject to the passing of Resolutions numbered 1, 2, 3 and 5, in addition to all previous powers to the extent unused, the Directors be and are hereby and unconditionally empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) wholly for cash pursuant to the authority granted to the Directors pursuant to paragraph 3 above as if section 561 of the said Act did not apply to any such allotment, provided that this

power shall be limited to the allotment of equity securities up to an aggregate nominal amount of GBP£1.5 million, and this power shall expire on the conclusion of the Company's next annual general meeting unless previously renewed, varied or revoked by the Company in general meeting, save that the Company may before such expiry make any offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired;

5. **THAT**, subject to the passing of resolutions 1, 2, 3 and 4, the name of the Company be changed to Inspirit Energy Holdings plc;

By order of the Board

Jubeenh Nazhat  
Company Secretary

1 July 2013

Registered Office:  
2nd Floor,  
2 London Wall Buildings  
London  
EC2M 5PP

## NOTES:

1. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that in order to have the right to attend and vote at the General Meeting (and also for the purpose of determining how many votes a person entitled to attend and vote may cast), a person must be entered on the register of members of the Company no later than 6.00 p.m. on 21 July 2013 or, if the meeting is adjourned, 6.00 p.m. on the day which is two days before the time fixed for the adjourned meeting. Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
2. Only holders of Ordinary Shares are entitled to attend and only holders of Ordinary Shares vote at this meeting.

A member is entitled to appoint another person as his proxy to exercise all or any of his rights to attend, to speak and to vote at the General Meeting. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. A proxy need not be a member of the Company. A form of proxy for the meeting is enclosed.

To be valid any proxy form or other instrument appointing a proxy must be received by our registrar, Share Registrars Limited, in either of the following methods: in hard copy form by post or courier or by hand to the Company's registrars, Share Registrars Limited, 9 Lion & Lamb Yard, Farnham, Surrey, GU9 7LL or by fax to Share Registrars Limited on 01252 719232 or by scan and email to Share Registrars Limited at proxies@shareregistrars.uk.com. In each case no later than 48 hours before the time for the holding of the meeting or any adjournment of it, together with any power of attorney (or a duly certified copy of such power of attorney) under which it is signed.. If you are a CREST member, see note 3 below.

Completion of a form of proxy, or other instrument appointing a proxy or any CREST Proxy Instruction will not preclude a member attending and voting in person at the meeting if he/she wishes to do so.

3. Alternatively, if you are a member of CREST, you may register the appointment of a proxy by using the CREST electronic proxy appointment service. Further details are contained below.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by using the procedures, and to the address, described in the CREST Manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)) subject to the provisions of the Company's articles of association. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK and Ireland Limited's ("**Euroclear**") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (CREST ID: 7RA36) by the latest time(s) for receipt of proxy appointments specified in the notice of the General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

4. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
5. Any member attending the General Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.
6. A copy of the articles of association are available for inspection at the Company's registered office during normal business hours from the date of this notice until the close of the General Meeting (Saturdays, Sundays and public holidays excepted) and will be available for inspection at the place of the meeting for at least 15 minutes prior to and during the meeting. A copy of this notice can be found at [www.kleenair-systems.com](http://www.kleenair-systems.com)
7. As at 28 June 2013 (being the last practicable date prior to the publication of this notice) the Company's issued share capital consists of 73,139,505 Ordinary Shares, 1,221,200 B Ordinary Shares and 400,932 Deferred Shares. Only Ordinary Shares have voting rights at general meetings (B Ordinary Shares carry voting rights if a proposed resolution affects the rights and restrictions attaching to them) and carry one vote each. Therefore, the total voting rights in the Company as at that date are 73,139,505.
8. You may not use any electronic address (within the meaning of section 333(4) of the Companies Act 2006) provided in this Notice of Meeting (or in any related documents including the proxy form) to communicate with the Company for any purposes other than those expressly stated.