

Abbreviated Accounts Acal Energy Limited

For the year ended 31 March 2013



Registered number: 05209861

Abbreviated Accounts

Company Information

Directors	A M Creeth R M Pettigrew A Nevinskiy (appointed 30 July 2012) D Fyfe T Piret (appointed 31 July 2012) J B McCormick P B Francoisse (resigned 31 July 2012) M J Baunton G McCray (appointed 1 January 2013)
Company secretary	J Dunne
Registered number	05209861
Registered office	Grant Thornton UK LLP Royal Liver Building Liverpool L3 1PS
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Royal Liver Building Liverpool L3 1PS
Bankers	Royal Bank of Scotland Plc 1 Dale Street Liverpool L2 2PP The Co-operative Bank The Plaza 100 Old Hall Street Liverpool L3 9QJ
Solicitors	Taylor Wessing LLP 24 Hills Road Cambridge CB2 1JP

Acal Energy Limited

Contents

	Page
Chairman's statement	1
Independent auditor's report	2
Abbreviated balance sheet	3
Notes to the abbreviated accounts	4 - 11

Chairman's Statement

For the year ended 31 March 2013

2012 has seen ACAL Energy expediting its progress towards the application of its unique chemistry based technology FlowCath® for the clean energy sector with the achievement of ground-breaking technical and commercial milestones

In addition to the technical improvements and acceleration of progress with customers, the Company has completed an intensive strategic review of its business model, recruited a new CEO, and completed an internal funding round while beginning an external "commercialisation" round

Utilising the deep knowledge of the Directors, Management, investors and industry consultants, ACAL Energy has thoroughly reviewed the technology, markets, customer-sets, competition and financial impacts of various business models. This exercise concluded with the decision to pursue a licensing model while maintaining the revenue stream of selling the FlowCath® catalyst solution. This approach allows customers and partners to pay to license the technical architecture from ACAL Energy while they also purchase the required chemical solution from the Company via ACAL Energy's contracted chemical manufacturers. This model also results in less money required for capital while allowing the Company to reach profitability/cash flow positive earlier. While the ACAL Energy FlowCath® technology, which includes the chemical solution and mechanical system, is capable of providing power for almost any application using the same core design, the Company is targeting the automobile and stationary markets initially. Achieving the performance, durability, size and cost targets of these industries demonstrates the application of FlowCath® into most other industries.

In this period we also welcomed Greg McCray who joined as CEO and Board Director of ACAL Energy from Antenova Limited where he just completed a successful Asset Purchase/Exit. Prior to his time at Antenova, Mr McCray was the CEO of PipingHot Networks which had a successful exit to Motorola. Greg has held various international Senior Executive, Engineering, Operational, and Commercial roles with Lucent Technologies, AT&T, Bell Laboratories and IBM. He brings extensive experience and leadership in commercialisation, fund raising, organisational structuring, licensing and exit execution.

The Company completed its latest fund raising round in July 2012, raising £3.25M, providing sufficient financial resource to develop the technology and begin commercial activities through to mid-2013. This round was funded entirely by existing investors and allowed the Company to make significant changes to simplify its capital structure, laying the foundations for the next external fund raising round. The new "commercialisation" round is utilising an experienced advisor and pursuing strategic corporate equity funds as well as the traditional venture and private investment groups. This round is expected to be completed in autumn 2013 with enough investment to complete the current customer projects underway that will lead to licensing contracts.

Pursuant to the completion of the fund raising round in July 2012, there were a number of changes to the Board. Patrick Francoisse stepped down from the Board as the Non-Executive Director representing Solvay and we thank him for his contribution to the business over the years. We are very pleased to welcome Alexander Nevinsky and Thierry Piret as the Non-Executive Directors representing I2BF and Solvay respectively.

Going forward, ACAL Energy will aggressively contract with and complete projects with customers that will lead to licensing arrangements and demonstrate that FlowCath® technology will transform the PEM fuel cell market and enable it to become a major segment within the global energy generation market.



Name Bob Pettigrew
Non Executive Chairman

Date 3 September 2013

Independent Auditor's Report to Acal Energy Limited

Under section 449 of the Companies Act 2006

We have examined the abbreviated accounts, which comprise the Balance sheet and the related notes, together with the financial statements of Acal Energy Limited for the year ended 31 March 2013 prepared under section 396 of the Companies Act 2006

This report is made solely to the company in accordance with section 449 of the Companies Act 2006. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the abbreviated accounts in accordance with section 444 of the Companies Act 2006. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with the regulations made under that section and to report our opinion to you.

We conducted our work in accordance with Bulletin 2008/4 issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts are properly prepared.

Opinion on financial statements

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 444(3) of the Companies Act 2006, and the abbreviated accounts which comprise the Balance sheet and the related notes have been properly prepared in accordance with the regulations made under that section.



Kevin Engel (Senior statutory auditor)

for and on behalf of
Grant Thornton UK LLP

Chartered Accountants
Statutory Auditor

Liverpool
Date 6 September 2013

Abbreviated Balance Sheet

As at 31 March 2013

	Note	£	2013 £	£	2012 £
Fixed assets					
Tangible assets	2		771,540		797,175
Investments	3		76		76
			<u>771,616</u>		<u>797,251</u>
Current assets					
Debtors		778,499		403,857	
Cash at bank		1,889,507		1,025,285	
		<u>2,668,006</u>		<u>1,429,142</u>	
Creditors: amounts falling due within one year		(595,490)		(459,957)	
Net current assets			<u>2,072,516</u>		<u>969,185</u>
Total assets less current liabilities			<u>2,844,132</u>		<u>1,766,436</u>
Creditors. amounts falling due after more than one year			2,543,884		3,242,756
Capital and reserves					
Called up share capital	6	381,197		379,385	
Share premium account		14,009,914		10,809,128	
Ordinary shares equity adjustments	22	(1,175,686)		(760,560)	
Profit and loss account		<u>(12,915,177)</u>		<u>(11,904,273)</u>	
			<u>300,248</u>		<u>(1,476,320)</u>
			<u>2,844,132</u>		<u>1,766,436</u>

The abbreviated accounts, which have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006, were approved and authorised for issue by the board and were signed on its behalf on **3 September 2013**



R M Pettigrew
Director

The notes on pages 4 to 11 form part of these financial statements

Notes to the Abbreviated Accounts

For the year ended 31 March 2013

1. Accounting Policies

1.1 Basis of preparation of financial statements

The full financial statements, from which these abbreviated accounts have been extracted, have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

1.2 Basis of preparation - going concern

These financial statements have been prepared on a going concern basis which assumes the company will be able to pay its debts as they fall due for a period of at least 12 months from the approval of these financial statements. This assumption is supported by a number of cash flow forecasts prepared for the period to September 2014 and beyond which sensitise future funding requirements of the company based on a number of scenarios.

The cash flow forecast prepared demonstrates the company will need further funding income from external sources from June 2013 to pay its debts as they fall due. The directors are in discussions with potential new investors in respect of a "commercialisation" funding round to raise sufficient funds for the Company to complete the current customer projects underway which will lead to licensing contracts.

While discussions with potential new investors remain ongoing, the directors secured additional funding from existing investors in the form of convertible loans of £700k in July 2013. In addition the directors have been in discussions with two existing investors who have indicated they will continue to support the company and provide additional funding of up to £2.3m if required until the latest funding round is concluded. The additional funding offered of £2.3m and the convertible loans secured of £700k should allow the company to continue its operations, albeit on a reduced cost basis, until at least September 2014 as the nature of the expenditure incurred by the Company gives flexibility to delay spend if the latest investment round is not concluded.

The directors are also confident that the Company will continue to fulfil the conditions required to satisfy its continuing eligibility for grant funding from various sources throughout the period.

Whilst there is no certainty concerning the achievement of further funding or the receipt of grant income which is contingent on future events, based on the above the directors are satisfied the company can continue to pay its debts as they fall due. Therefore the going concern basis of preparation of these financial statements remains appropriate.

1.3 Consolidation

In the opinion of the directors, the company and its subsidiary undertakings comprise a small group. The company has therefore taken advantage of the exemption provided by Section 398 of the Companies Act 2006 not to prepare group accounts.

The financial statements present information about the company only and not other members of the group.

1.4 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Notes to the Abbreviated Accounts

For the year ended 31 March 2013

1. Accounting Policies (continued)

1.5 Research and development

Research and development expenditure including patent costs is written off in the year in which it is incurred

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Leasehold improvements	-	3 years straight line
Plant & machinery	-	20% straight line
Equipment	-	33% straight line

Assets under construction are not depreciated until they are put into use

1.7 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term

1.8 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the financial year

1.9 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

Notes to the Abbreviated Accounts

For the year ended 31 March 2013

1. Accounting Policies (continued)

1.10 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the Profit and loss account

1.11 Financial instruments

Classification as equity or financial liability

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classified as financial liabilities

Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves

Compound instruments

Compound instruments comprise both a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar debt instrument. The liability component is accounted for as a financial liability

The residual is the difference between the net proceeds of issue and the liability component (at time of issue). The residual is the equity component, which is accounted for as an equity instrument

The interest expense on the liability component is calculated applying the effective interest rate for the liability component of the instrument. The difference between this amount and any repayments is added to the carrying amount of the liability in the balance sheet

1.12 Investments

Investments held as fixed assets are shown at cost less provision for impairment

Notes to the Abbreviated Accounts

For the year ended 31 March 2013

1. Accounting Policies (continued)

1.13 Deferred government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account by equal annual instalments over the expected useful lives of the relevant assets

Government grants/assistance of a revenue nature are credited to the profit and loss account in the same period as the related expenditure

Certain grants are receivable based on the achievement of specific research milestones as determined by the grant-making body

Notes to the Abbreviated Accounts

For the year ended 31 March 2013

2. Tangible fixed assets

	£
Cost	
At 1 April 2012	1,161,858
Additions	194,767
Transfer between classes	-
At 31 March 2013	<u>1,356,625</u>
Depreciation	
At 1 April 2012	364,683
Charge for the year	220,402
At 31 March 2013	<u>585,085</u>
Net book value	
At 31 March 2013	<u>771,540</u>
At 31 March 2012	<u>797,175</u>

3. Fixed asset investments

	£
Cost or valuation	
At 1 April 2012 and 31 March 2013	<u>76</u>
Net book value	
At 31 March 2013	<u>76</u>
At 31 March 2012	<u>76</u>

Subsidiary undertakings

At 31 March 2013 the company held more than 20% of the share capital of the following undertaking incorporated in Japan

Name	Class of shares	Holding	Business	Capital & reserves	Loss for the year
ACAL Japan KK	Ordinary	100%	Provision of consultancy services	£ (3,393)	£ -

Notes to the Abbreviated Accounts

For the year ended 31 March 2013

4. Share-based payments

	Exercise price £	2013 No	2012 No
Tenth anniversary	1	400	400
Fifth anniversary	12	2,000	2,000
Tenth anniversary	6	1,700	1,700
Undated	6	1,800	1,800
Undated	14	9,330	6,330
Tenth anniversary	7	92,539	64,993
Granted in the year ended 31 March 2012	-	-	-
Undated	14	-	3,000
Tenth anniversary	7	117,900	76,589
Eighth anniversary	-	66,256	-
	-	<u>291,925</u>	<u>156,812</u>

Share options have been granted to 31 employees including two executive directors under an EMI approved scheme. Further options have been granted to ten non-executive directors and consultants under an unapproved scheme. In addition options/warrants have been granted to two other bodies. Grants have been made at various dates over the period 1 June 2006 to 28 February 2013. Options totalling 49,043 granted to 3 employees under the EMI approved scheme have lapsed in the year ended 31 March 2013 when the employees left the company.

Pursuant to the completion of the 2013 Investment Agreement on 31 July 2013, 4 1p Warrants for 'new' A ordinary shares were issued for each 10 'new' A ordinary shares purchased. In total 67,526 warrants were issued, of these 1,270 have been exercised in the year.

5. Government grants

	2013 £	2012 £
At 1 April 2012	306,739	160,878
Receivable during the year	30,850	145,861
At 31 March 2013	<u>337,589</u>	<u>306,739</u>
Amortisation		
At 1 April 2012	62,902	17,169
Credit to the profit and loss account	65,975	45,733
At 31 March 2013	<u>128,877</u>	<u>62,902</u>
Net balance at 31 March 2013	<u>208,712</u>	<u>243,837</u>

Notes to the Abbreviated Accounts

For the year ended 31 March 2013

6. Share capital

	2013 £	2012 £
Shares classified as capital		
Authorised, allotted, called up and fully paid		
91,665 Ordinary share shares of £0.01 each	916.65	916.65
133,332 A Ordinary shares of £0.01 each	-	1,333.32
274,559 B Ordinary shares of £0.01 each	-	2,745.59
424,640 C Ordinary shares of £0.01 each	-	4,246.40
37,000,000 Deferred shares of £0.01 each	370,000.00	370,000.00
14,285 C2 Ordinary shares of £0.01 each	-	142.85
664,089 New A Ordinary shares of £0.01 each	6,640.89	-
363,922 Preferred Ordinary shares of £0.01 each	3,639.22	-
	<hr/>	<hr/>
	381,197	379,385
	<hr/>	<hr/>

Notes to the Abbreviated Accounts

For the year ended 31 March 2013

6. Share capital (continued)

Shares classified as debt

On 27 July 2012 a written resolution was passed to re-designate the share capital in issue to new classes of share capital consisting of 'new' A ordinary shares, A1 ordinary shares, Preferred ordinary shares, Ordinary shares and Deferred shares according to participation in the investment round which completed on 31 July 2013

On completion of the Investment Agreement on 31 July 2012 shares were issued as follows

'New' A ordinary shares of £0.01 each

179,923 shares with an issue value of £18 each were issued for a total consideration of £3.25M. For each 10 'new' A ordinary shares purchased 4 1p warrants were issued for 'new' A ordinary shares (67,526 warrants issued in total)

Premium on issue amounted to £3,236,828 against which deal expenses of £36,050 were deducted leaving a net addition to the share premium account of £3,200,786

482,894 shares were issued as a result of converting original A, B and C ordinary shares to 'new' A ordinary shares. No consideration was received on conversion.

Preferred ordinary shares of £0.01 each

363,922 shares were issued as a result of converting A, B, C and C2 ordinary shares to Preferred ordinary shares. No consideration was received on conversion.

During the year 1,270 'new' A ordinary shares with an issue value of £0.01 each were issued following the exercise of warrants.

The A ordinary shareholders are entitled to a cumulative dividend of 8% from the respective date of issue, based on the total issue price of each share.

Conversion rights attach to the holders of A ordinary and Preferred ordinary shares for automatic conversion into fully paid ordinary shares immediately prior to and conditional upon a qualifying IPO at a rate determined in accordance with the Articles of Association.

The rights to a return of capital of the company on a liquidation or other return of capital (including a Total Sale) are that payment is made of liabilities and all dividends declared but unpaid, followed by repayment to the A ordinary, Preferred ordinary, ordinary and deferred shareholders (the latter an amount of £1 only) in that order, with any balance distributed to those shareholders proportionate to the numbers of shares held, as if all classes of shares constituted the same class.

In the event of a total sale to an existing shareholder, no payment is made to that shareholder as detailed above, and that acquiring shareholder is to be ignored in calculating payments in the order detailed above.

The holders of the deferred shares have no voting rights and the company may acquire the deferred shares at its discretion at any time for £1.

Subject to the above details, the rights attaching to the classes of shares are the same.