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Unaudited Abbreviated Accounts
Acal Energy Limited

For the year ended 31 March 2015

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COMPANIES HOUSE

Registered number: 05209861

Abbreviated Accounts

Company Information

Directors	A M Creeth R M Pettigrew A Nevinskiy T Piret K L Treco M J Baunton
Company secretary	J Dunne
Registered number	05209861
Registered office	4th Floor Royal Liver Building Liverpool L3 1PS
Accountants	Grant Thornton UK LLP Chartered Accountants 4 Hardman Square Spinningfields Manchester M3 3EB
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

Contents

Chairman's Statement

For the year ended 31 March 2015

In 2014 ACAL Energy continued to expedite progress towards the application of its unique patented chemistry based technology FlowCath® for the clean energy sector with the achievement of further ground-breaking technical milestones.

An in-depth business model review undertaken in 2013 concluded with the decision to pursue a licensing model while maintaining a potential revenue stream from selling the FlowCath® catalyst fluid. The model is flexible enough to allow customers and partners to pay for licenses to the technical architecture from ACAL Energy while they also purchase the required chemical solution from the Company via ACAL Energy's contracted chemical manufacturers. The model has the advantage of limiting the capital investment required for manufacturing while allowing the Company to reach profitability and become cash generative at an early stage.

The ACAL Energy FlowCath® technology, which includes the unique chemical solution and associated mechanical system, is capable of providing power for almost any electric power application using the same core design, but the Company is targeting initially the stationary, industrial and automotive markets.

We have demonstrated further progress towards demanding targets for performance, durability, size and cost when applied to these industries. It is recognised volume commercial application is still some years away but as less sophisticated technologies gain market acceptance and hydrogen supply infrastructures are established the market prospects are very encouraging.

In the challenging economic climate the Company has found it difficult to secure the "commercialization" financing it requires to pursue its commercial plan which extends over several years. Existing shareholders have however continued to support the Company during the year through the convertible loan completed in December 2013 and a further convertible loan completed in February 2015. The Carbon Trust used the convertible loans they had placed with the Company in March 2013 and March 2014 to fund their contribution to the December 2013 and February 2015 convertible loans. The remaining balance on the Carbon Trust 2014 convertible loan was repaid to the Carbon Trust in June 2015.

In early 2015, shareholders asked the Board to consider options for early value delivery for existing shareholders and to review the funding requirements of the Company. As a result the cost base of the Company has been restructured to provide a low cost route to achieve value delivery. Key to achieving this value delivery for shareholders is success in achieving a customer development project and we are in discussions with automotive OEM's about a number of such projects. The Directors are also continuing to pursue other options to provide additional sources of finance from external parties as well as pursuing the option of selling the Company or its Intellectual Property assets.

The Interim CEO David Pummell, left the Company in March 2015. The strategic and operational management of the Company has since then been led by the Chairman Michael Baunton supported by the Chief Financial Officer, Joanna Dunne.

There were a number of changes to the Board in the year. Joanna Dunne stepped down from the Board as Non-Executive Director (representing the Carbon Trust) in August 2014 and was replaced by Jonathan Bryers, who stepped down in March 2015 to be replaced by Kevin Treco of the Carbon Trust. David Fyfe stepped down as Non-Executive Director in February 2015. We thank Joanna Dunne, Jonathan Bryers and David Fyfe for their contribution during their time as Directors of the business. David Fyfe also stepped down as Non-Executive Chairman in February 2015 and I was appointed as Non-Executive Chairman to lead the Company through its next challenging phase of development. I thank David for his contribution to the Company during his time as Chairman.

Principal activities and Chief Executive Officer's review

The company's principal activity in operating as a general commercial company is to engage in the research and development, and creation of the associated intellectual property, of a novel cathode technology for membrane based fuel cells that lead to revenue and profit generating projects with customers.

Chairman's Statement
For the year ended 31 March 2015

Business Review
ACAL Energy has made tangible technology progress during the year. The Company has advanced to meet customer technical requirements, and has further strengthened its IP portfolio. Given the limited funds, the strategy has been to focus the programme on the core areas of chemistry, cell and regenerator developments, seeking partnerships with suppliers and customers for stack and system engineering, as well as working in collaboration with customers and partners for the development of prototype product systems. Key achievements have been demonstrating automotive customer-agreed volume targets for the regenerator and improved design of the cathode for high power density. Particular focus has demonstrated the achievement of a durability target of 500h at 110 C in a demanding stress-test. This durability is a key advantage to remove heat for transport applications and we believe it cannot be achieved by our competitors.

Whilst the Company has made very positive technical progress, commercial progress has been slower than previously envisaged and no commercial development contracts have been agreed in the period. During the year collaborative work has continued with potential customers and the Company continues to work with tier 1 automotive OEMs with the strategy of securing self-funding development programmes on a route to future licensing contracts.

The Company now has a strong core Intellectual Property portfolio of over 30 patent families across key unique product features of chemistry, regenerator, cell/stack and system control. It has also filed a joint patent on system control with BMW which published this year, marking a demonstrable customer commitment to the technology. The master chemistry patent has now been granted in Europe and the US, giving security to the company's position. Three new patent applications have been filed, two on the regenerator and one on a sensor for system control.

Finance Report
The net loss for the year is £3.3M (2013/14 £3.6M). The loss for the year has improved as a result of a movement in the liability for ordinary shares classed as debt by £462K. The underlying performance of the company has resulted in an increase in the loss which was driven by the lack of sales revenue in the current year, and from the level of investment which has continued to be made in the development and early commercialisation of the technology. The closing cash balance was £1.0M (2013/14 £1.8M).

The Company has continued to be funded during the year by a number of existing shareholders through convertible loans completed in December 2013 and February 2015. The convertible loan which the Carbon Trust placed with the Company in March 2014 has been used to fund their participation in the February 2015 convertible loan. The outstanding balance of £750K was repaid to the Carbon Trust in June 2015. Whilst these funds are shown in the cash balance at the 31 March 2015, they are not available to contribute to the general funding of the Company until the completion of a bridge loan or the commercialisation financing round.

Following the year end, the Company has significantly reduced its cost base and a further convertible loan was completed in early August 2015, which will fund the Company to the end of July 2016, providing sufficient financial resources to pursue the positive commercial prospects that the Company currently has and to enter into and commence delivery of commercial contracts.

The Company had no commercial revenue this year compared to £345K in 2013/14. Whilst the Company continued to discuss commercial contracts with major automotive OEM's during the year, no revenue resulted from them. Looking forwards we continue to pursue commercial revenue from development agreements with automotive OEM's and anticipate this will grow over the coming years until we are in a position to enter into licensing agreements in 2-3 years.

Name M Baunton
Chairman

Date 2 October 2015

Grant Thornton

Report to the directors on the preparation of the unaudited abbreviated financial statements of Acal Energy Limited for the year ended 31 March 2015

We have compiled the accompanying abbreviated financial statements of Acal Energy Limited based on the information you have provided. These abbreviated financial statements comprise the Abbreviated Balance Sheet of Acal Energy Limited as at 31 March 2015, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Board of Directors of Acal Energy Limited, as a body, in accordance with the terms of our engagement letter dated 25 August 2015. Our work has been undertaken solely to prepare for your approval the financial statements of Acal Energy Limited and state those matters that we have agreed to state to the Board of Directors of Acal Energy Limited, as a body, in this report in accordance with our engagement letter dated 25 August 2015. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Acal Energy Limited and its Board of Directors, as a body, for our work or for this report.

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements in accordance with section 444(3) of the Companies Act 2006, and the regulations under that section. As a member firm of the Institute of Chartered Accountants in England and Wales, we are subject to its ethical and other professional requirements which are detailed at www.icaew.com.

These financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with section 444(3) of the Companies Act 2006, and the regulations under that section.

Grant Thornton UK LLP

Grant Thornton UK LLP

Chartered Accountants

Manchester

5 October 2015

Abbreviated Balance Sheet
As at 31 March 2015

	Note	£	2015 £	£	2014 £
Fixed assets					
Tangible assets	2		**184,125**		590,235
Investments	3		**76**		76
			184,201		590,311
Current assets					
Debtors		**398,573**		682,654	
Cash at bank		**975,612**		1,813,860	
		1,374,185		2,496,514	
Creditors: amounts falling due within one year	4	**(4,786,324)**		(3,093,626)	
Net current liabilities			**(3,412,139)**		(597,112)
Total assets less current liabilities			**(3,227,938)**		(6,801)
Creditors: amounts falling due after more than one year	5		**3,367,866**		3,243,943
Capital and reserves					
Called up share capital	8	**381,743**		381,743	
Share premium account		**14,009,914**		14,009,914	
Ordinary shares equity adjustments	, 22	**(1,175,686)**		(1,175,686)	
Profit and loss account		**(19,811,775)**		(16,466,715)	
			(6,595,804)		(3,250,744)
			(3,227,938)		(6,801)

The directors consider that the company is entitled to exemption from the requirement to have an audit under the provisions of section 477 of the Companies Act 2006 ("the Act") and members have not required the company to obtain an audit for the year in question in accordance with section 476 of the Act.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and for preparing financial statements which give a true and fair view of the state of affairs of the company as at 31 March 2015 and of its loss for the year in accordance with the requirements of sections 394 and 395 of the Act and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

Abbreviated Balance Sheet (continued)

As at 31 March 2015

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 by:

M J Baunton
Director
Date: 2 October 2015

The notes on pages 6 to 13 form part of these financial statements.

Notes to the Abbreviated Accounts

For the year ended 31 March 2015

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.

As a result of the challenging economic climate, the company has found it difficult to secure the financing required to pursue its commercial plan which extends for several years. During the year it was apparent that the company needed additional funding to be able to continue its activities and in early 2015, the shareholders asked the Board to consider options for early value delivery for existing shareholders and to review the funding requirements of the Company. The Directors are continuing to pursue options to provide additional sources of finance from external parties as well as pursuing the option of selling the Company or its Intellectual Property assets.

To provide the Directors with time to continue to pursue these options, in August 2015 the company secured additional funding from existing investors in the form of secured convertible loan notes which will provide funding for the Company until the end of August 2016. At the date of approving these accounts, the cashflow forecast prepared by management demonstrates that the company will have sufficient funding to continue trading until August 2016 at which point additional investment will be required.

As part of the implementation of the new loan, the existing convertible loan note holders agreed that the repayment date of their existing loans be delayed until 31 August 2016 or such later date as the investor majority may agree. The cash flow forecasts prepared to August 2016 do not make provision for these loan notes to be repaid.

Given the risks that come in August 2016, in the event that additional funding is not forthcoming either via commercial contracts or through a potential sale of the Company's Intellectual Property assets, the business will be unable to pay its debts as they fall due. The directors have therefore been in discussions with four existing investors who have indicated through a letter of intent that they will continue to support the company and provide additional funding until October 2016 based on financial forecasts that indicate additional funding will be required within the next 12 month period. In addition the four investors have indicated their intention that if they are required to provide further additional funding to the company, they will not exercise their right to repayment of the loan notes that are detailed in notes 12 and 13 on the exercise date in August 2016 and will delay repayment until a future more appropriate date.

The directors have concluded that the combination of these circumstances represent a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern. Nevertheless after making enquiries, and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

Notes to the Abbreviated Accounts
For the year ended 31 March 2015

1. Accounting Policies (continued)

1.3 Consolidation

In the opinion of the directors, the company and its subsidiary undertaking 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. Revenue is recognised at the point the goods and services are supplied to the customer.

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, depreciation and impairment

Tangible fixed assets are stated at cost less impairment and depreciation.

Impairment losses are recognised in the profit and loss account.

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 year.

Notes to the Abbreviated Accounts

For the year ended 31 March 2015

1. Accounting Policies (continued)

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.

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.

Notes to the Abbreviated Accounts
For the year ended 31 March 2015

1. Accounting Policies (continued)

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 2015

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.

2. Tangible fixed assets

	£
Cost	
At 1 April 2014	**1,422,841**
Additions	**8,365**
Transfer between classes	-
At 31 March 2015	**1,431,206**
Depreciation	
At 1 April 2014	**832,606**
Charge for the year	**223,678**
Impairment charge	**190,797**
At 31 March 2015	**1,247,081**
Net book value	
At 31 March 2015	**184,125**
At 31 March 2014	590,235

Notes to the Abbreviated Accounts

For the year ended 31 March 2015

3. Fixed asset investments

	£
Cost or valuation	
At 1 April 2014 and 31 March 2015	**76**
Net book value	
At 31 March 2015	**76**
At 31 March 2014	76

Subsidiary undertakings

At 31 March 2015 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%	Dormant	(3,393)	-

4. Creditors: Amounts falling due within one year

Creditors: amounts falling due within one year include secured convertible loan notes amounting to £3,822,358 (2014: £2,453,234).

5. Creditors: Amounts falling due after more than one year

Creditors: amounts falling due after more than one year include secured convertible loan notes amounting to £875,000 (2014: £1,000,000).

Notes to the Abbreviated Accounts

For the year ended 31 March 2015

6. Share-based payments

	Exercise price £	2015 No	2014 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**	9,330
Tenth anniversary	**7**	**93,841**	127,139
Eighth anniversary	**-**	**11,661**	11,661
	46	**120,732**	154,030

Share options have been granted to 16 employees including one executive director under an EMI approved scheme. Further options have been granted to 6 non-executive directors and consultants under an unapproved scheme. In addition options/warrants have been granted to five other bodies. Grants have been made at various dates over the period 1 June 2006 to 28 February 2013. Options totalling 33,298, 7,910 granted to 12 employees under the EMI approved scheme, and 25,388 granted to 5 consulants under the unapproved scheme have lapsed during the year ended 31 March 2015 when individuals 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 none have been exercised in the year (2014: 54,595 exercised).

7. Government grants

	2015 £	2014 £
At 1 April 2014	**337,589**	337,589
Receivable during the year	**-**	-
At 31 March 2015	**337,589**	337,589
Amortisation: At 1 April 2014	**196,394**	128,877
Credit to the profit and loss account	**66,872**	67,517
At 31 March 2015	**263,266**	196,394
Net balance at 31 March 2015	**74,323**	141,195

Notes to the Abbreviated Accounts

For the year ended 31 March 2015

8. Share capital

	2015	2014
	£	£
Authorised		
Allotted, called up and fully paid		
91,665 Ordinary share shares of £0.01 each	**916.65**	916.65
37,000,000 Deferred shares of £0.01 each	**370,000.00**	370,000.00
718,678 New A Ordinary shares of £0.01 each	**7,186.78**	7,186.78
363,922 Preferred Ordinary shares of £0.01 each	**3,639.22**	3,639.22
	381,743	381,743

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 in the same order proportionate to the numbers of shares held.

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.

9. Ordinary shares equity adjustment

In accordance with the provisions of Financial Reporting Standard 25, the New "A" ordinary shares, which carry a contractual liability to a dividend, have been classified as compound instruments. The debt element has been calculated based on forecast future dividend cash flows, giving rise to an equity adjustment of £1,175,686 (2014: £1,175,686). The debt element has been calculated using rates of interest that would have been payable if the company had gone to market to raise similar levels of debt funding.