

Cella Energy Limited

**Report and consolidated financial
statements for the Year
1 April 2015 to 31 March 2016**

**Registered in England and Wales
number 9019506**



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Strategic report

Cella Energy Limited, the "Company" was incorporated on 30 April 2014.

Business Overviews and Principal activities

Cella Energy Limited, is an advanced material and hydrogen storage technology business. The principal activities are the research and development and manufacture of new materials and hydrogen gas generators for use with fuel-cells to provide clean and lightweight power used in a wide range of applications in military and commercial markets. The material that Cella produces is safe, compact and stable, and is able to store hydrogen without the need for high-pressures or cryogenic temperatures.

Business overview and key performance indicators

During the year to 31 March 2016 the Company continued to develop prototype power systems. The Cella systems provide a controlled supply of hydrogen from gas generators filled with the Cella material to fuel cells. These power systems are initially designed for Aerospace and UAV applications. Part of this work has continued to be funded by Airbus Safran Launchers S.A., a leading international high technology group, under an exclusive arrangement for Aerospace applications. The Company worked on a UAV collaboration Israel Aerospace Industries funded by a grant award from Space Florida.

Cella also partnered on joint development programs in the automotive sector for Hydrogen Long Range Electric Vehicles and Hydrogen Diesel Co-combustion; these programs are part funded by Innovate UK.

During the period the Company made improvements to material manufacturing techniques, production scale up and sourcing. Other research and development work included hydrogen filtration techniques, as well as the development of thermal management and control systems.

The Company continues to be based in dedicated premises in Harwell, Oxfordshire, UK. During the year the Company restructured its operations in Florida, US to establish an engineering centre of excellence.

The key performance indicators for the business are delivery of technology demonstrators and prototypes, improvements in the underlying material performance and manufacturability, generation of intellectual property rights, and establishing commercial relationships to deliver the longer term business plan.

The demonstrator for Safran (now Airbus Safran Launchers) was further developed with their technology team within the reporting period. Operation in the subsequent period is reported to have been in line with expectation. Cella Energy provided a number of components for the demonstrations, not least a considerable number of 'cartridges' of its proprietary material and the control equipment and methodology for their operation.

The flight demonstration for the Innovate UK "C-MU" project took place at Oban airport on 19th January 2016 and showed the system capable of powering a UAV in flight in cold conditions (0°C). A typical flight profile was delivered. Much publicity and interest ensued, including an article in the New Scientist journal of this world first.

Strategic report (continued)

Work on other Innovate programmes, allied to Cella Energy's own funded programmes, saw the scale up of production using freeze drying at a third party UK site, and Quality Control procedures associated with mass production determined and implemented as part of the routine delivery for project goals. The material has been shown to now evolve hydrogen by weight on a consistent basis as a result of this important work. Progress was also made in identifying a first generation of filter material for the hydrogen gas stream.

Patent applications continued to be actioned and progressed, with a number moving toward grant status.

There have been many interactions with organisations in a variety of relevant market sectors which has confirmed the interest in the basic technology and its Unique Selling Points. These resulted in a number of proposals for demonstrators and collaborations that were on-going discussions as the period came to a close. The longer term business plan has continued to be refined in light of these interactions.

Financial Results

The Company made a consolidated loss before taxation of £1,014,227

Principle Risks and Uncertainties

The Company is pre revenue and as such the principle risks and uncertainties relate to the Company's' ability to raise equity and development funding and match spending accordingly and the ultimate commercialisation of the unique Cella material and gas generators into identified markets.

The directors have concluded that whilst there is a material uncertainty of future available funding and revenues, there is good reason to believe the group's and the parent company's ability to continue as a going concern (see note 1).

By order of the board



Alex Sorokin
Director
21 February 2017

Building 148, Sixth Street
Thomson Avenue, Harwell Campus
Didcot, Oxfordshire
OX11 0TR

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2016.

Research and development

During the period research and development work included development of the gas generator from concept to demonstrators, material forming techniques, improvements in manufacturing techniques, and emission abatement.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors

The directors who held office during the period were as follows:

Mr Jay Lifton
Mr Alexander Sorokin
Mr Stephen Bennington
Mr Nicholas Brunero
Mr David Moard
Mr Francis Dibello (appointed 28 April 2015)

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Disclosure of information to auditor

The company made no political contributions or charitable donations during the period.

Auditor

KPMG LLP were appointed as auditors during the period. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board
21 February 2017



Alex Sorokin
Director

Building 148, Sixth Street
Thomson Avenue, Harwell Campus
Didcot, Oxfordshire
OX11 0TR

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

Arlington Business Park
Theale
Reading, RG7 4SD

Independent auditor's report to the members of Cella Energy Limited

We have audited the financial statements of Cella Energy Limited for the year ended 31 March 2016 set out on pages 7 to 28. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2016 and of the group's loss for the year ended 31 March 2016; have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's and parent company's ability to continue as a going concern. The group incurred a net loss before taxation of £1,014,227 during the year ended 31 March 2016. In particular, the uncertainty with respect to ongoing shareholder support and the securing of longer term customer funded projects as explained in note 1 to the financial statements indicates the existence of a material uncertainty that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the parent company were unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



KPMG LLP
Arlington Business Park
Theale
Reading, RG7 4SD

Independent auditor's report to the members of Cella Energy Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

James Ledward (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD

21 February 2017

Consolidated profit and loss and Other Comprehensive Income
For the year ended 31 March 2016

	<i>Note</i>	Year ended 31 March 2016	Period from 30 April 2014 to 31 March 2015
		£	£
Turnover	1	-	-
Administrative expenses	4-6	(1,927,912)	(1,180,178)
Other operating income	3	917,139	587,902
		<hr/>	<hr/>
Loss before interest and tax		(1,010,773)	(592,276)
Interest receivable and similar income		-	-
Interest payable and similar charges	7	(3,454)	(2,232)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(1,014,227)	(594,508)
Tax on loss on ordinary activities	8	137,794	115,014
		<hr/>	<hr/>
Loss for the year /period		(876,433)	(479,494)
Other Comprehensive Income		<hr/>	<hr/>
Exchange gain on translation of subsidiary results		3,313	2,141
Total Comprehensive Income		(873,120)	(477,353)
		<hr/> <hr/>	<hr/> <hr/>

All of the above transactions are from continuing activities. There were no recognised gains or losses for the year/period other than the results reported above.

Consolidated balance sheet
As at 31 March 2016

	Note	2016		2015	
		£	£	£	£
Fixed assets					
Intangible assets	9		8,187		10,706
Tangible assets	10		333,762		352,727
Current assets					
Debtors due with one year	13	176,669		249,650	
Cash at bank and in hand	14	59,967		544,033	
		<u>236,636</u>		<u>793,683</u>	
Creditors: amounts falling due within one year	15	(265,200)		(270,912)	
Net current (liabilities)/assets			(28,564)		522,771
Total assets less current liabilities		313,385		886,204	
Creditors: amounts falling due after more than one year	16,17	(77,675)		(69,524)	
Net assets			<u>235,710</u>		<u>816,680</u>
Capital and reserves					
Called up share capital	19		39,423		34,013
Share premium account			1,546,760		1,260,020
Profit and loss account			(1,350,473)		(477,353)
Shareholders' equity			<u>235,710</u>		<u>816,680</u>

These financial statements were approved by the board of directors on 21 February 2017 and were signed on its behalf by:



Alex Sorokin
Director

The notes on pages 13 to 28 form part of these financial statements

Company balance sheet
As at 31 March 2016

	Note	£	2016 £	£	2015 £
Fixed assets					
Intangible assets	9		8,187		10,706
Tangible assets	11		303,395		278,853
Investments	12		21,308		21,308
			<u>332,890</u>		<u>310,867</u>
Current assets					
Debtors due with one year	13	360,542		320,149	
Cash at bank and in hand		55,157		527,097	
			<u>415,699</u>		<u>847,246</u>
Creditors: amounts falling due within one year	15	(236,264)		(254,353)	
Net current assets			<u>179,435</u>		<u>592,893</u>
Net assets			<u>512,325</u>		<u>903,760</u>
Capital and reserves					
Called up share capital	19		39,423		34,013
Share premium account			1,546,760		1,260,020
Profit and loss account			(1,073,858)		(390,273)
Shareholders' equity			<u>512,325</u>		<u>903,760</u>

These financial statements were approved by the board of directors on 21 February 2017 and were signed on its behalf by:



Alex Sorokin
Director

The notes on pages 13 to 28 form part of these financial statements

Consolidated Statement of changes in Equity

For the year ended 31 March 2016

	Notes	Called up share capital £	Share Premium £	Profit and loss account £	Total Equity £
Balance as at 30 April 2014		-	-	-	-
Total comprehensive loss for the period					
Loss for the period		-	-	(479,494)	(479,494)
Exchange gain on translation of subsidiary results		-	-	2,141	2,141
Total comprehensive loss for the period		-	-	(477,353)	(477,353)
Transactions with owners, recorded directly in equity					
Issued share capital in the period	19	34,013	1,260,020	-	1,294,033
Balance as at 31 March 2015		34,013	1,260,020	(477,353)	816,680

	Notes	Called up share capital £	Share Premium £	Profit and loss account £	Total Equity £
Balance as at 1 April 2015		34,013	1,260,020	(477,353)	816,680
Total comprehensive loss for the year					
Loss for the year		-	-	(876,433)	(876,433)
Exchange gain on translation of subsidiary results		-	-	3,313	3,313
Total comprehensive loss for the year		-	-	(873,120)	(873,120)
Transactions with owners, recorded directly in equity					
Issued share capital in the year	19	5,410	286,740	-	292,150
Balance as at 31 March 2016		39,423	1,546,760	(1,350,473)	235,710

The notes on pages 13 to 28 form part of these financial statements

Company Statement of changes in Equity
For the year ended 31 March 2016

	Notes	Called up share capital £	Share Premium £	Profit and loss account £	Total Equity £
Balance as at 30 April 2014		-	-	-	-
Total comprehensive loss for the period					
Loss for the period		-	-	(390,273)	(390,273)
Total comprehensive loss for the period		-	-	(390,273)	(390,273)
Transactions with owners, recorded directly in equity					
Issued share capital in the period	19	34,013	1,260,020	-	1,294,033
Balance as at 31 March 2015		34,013	1,260,020	(390,273)	903,760
Balance as at 1 April 2015		34,013	1,260,020	(390,273)	903,760
Total comprehensive loss for the year					
Loss for the year		-	-	(683,585)	(683,585)
Total comprehensive loss for the year		-	-	(683,585)	(683,585)
Transactions with owners, recorded directly in equity					
Issued share capital in the year	19	5,410	286,740	-	292,150
Balance as at 31 March 2016		39,423	1,546,760	(1,073,858)	512,325

The notes on pages 13 to 28 form part of these financial statement

Consolidated cash flow statement
For the year ended 31 March 2016

	Year Ended 31 March 2016 £	Period 30 April 2014 To 31 March 2015 £
Cash flows from operating activities		
Loss before tax	(1,014,227)	(594,508)
<i>Adjustments for:</i>		
Depreciation and amortisation charges	151,334	44,371
Foreign exchange losses/ (gains) and sundry	(913)	4,265
Interest payable and similar charges	-	2,232
	<u>(863,806)</u>	<u>(543,640)</u>
(Increase)/decrease in trade and other debtors	210,775	(96,186)
(Decrease)/increase in trade and other creditors	(5,712)	109,581
(Decrease)/increase in provisions and employee benefits	-	7,496
	<u>(658,743)</u>	<u>(522,749)</u>
Tax paid	-	-
Net cash from operating activities	<u>(658,743)</u>	<u>(522,749)</u>
Cash from investing activities		
Acquisition of a business	-	(58,735)
Gain on disposal of Fixed Assets	1,827	-
Acquisition of tangible fixed assets	(127,451)	(174,597)
Net cash from investing activities	<u>(125,624)</u>	<u>(233,332)</u>
Cash flows from financing activities		
Draw down of Loan Notes including interest	8,151	-
Proceeds from the issue of share capital	292,150	1,294,033
Net cash from financing activities	<u>300,301</u>	<u>1,294,033</u>
Net increase/(decrease) in cash and cash equivalents	(484,066)	537,952
Cash and cash equivalents at 1 st April	544,033	6,081
Cash and cash equivalents at 31 March	<u>59,967</u>	<u>544,033</u>

The notes on pages 13 to 28 form part of these financial statement

Notes

Forming part of the financial statements

1 Accounting policies

Cella Energy Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*"). The presentation currency of these financial statements is sterling.

The directors consider that the accounting policies are suitable, have been consistently applied and are supported by reasonable and prudent judgements and estimates.

In the application of the company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

There are no judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year other than as described in the going concern paragraph.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The financial statements are prepared on the historical cost basis. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2016. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Notes (continued)

1 Accounting policies (continued)

Going concern

These Financial Statements have been prepared on a going concern basis notwithstanding the group's consolidated loss before taxation for the period under review of £1,014,227 and net current liabilities at the balance sheet date.

The group and Company have continued to trade post 31 March 2016 to the date of signing these financial statements mainly from additional \$310,000 funding from one of its investors, Persephone Capital Partners LLP to be drawn down through to April 2017, and work completed for Airbus Safran launchers S.A with a cash balance at the end of January 2017 of £58,000.

The Directors have prepared profit and cash flow forecasts for the Company from the date of approval of these accounts to 28 February 2018. These projections indicate that the Company will have adequate cash resources to meet its obligations as they fall due assuming that an R&D tax credit is received and the expected level of business is continued with its main programme customers. The Directors believe this will be the case, although there can be no absolute certainty.

If there is any delay in timing or amounts received in accordance with the Company's business plan and cash forecast, and subject to any material change in the Company's business condition or prospects, Persephone Capital Partners LLP have indicated that they will provide additional financial assistance and not request repayment of the \$310,000 loan to enable the Company to continue its business operations as a going concern for the foreseeable future being at least 12 months following the signing of these financial statements.

To enable longer term investment, beyond 12 months, the Directors are seeking additional equity investment of at least £1,000,000 during the financial year to 31 March 2018 and have entered into a number of positive discussions with existing and potential investors which the directors expect to result in additional investment.

The Directors have concluded that because ongoing shareholder support is required and longer term customer funded projects have not yet been secured this represents a material uncertainty that casts significant doubt upon the group's and the parent company's ability to continue as a going concern and may, therefore, be unable to continue realising its assets and discharging its liabilities in the normal course of business. Nevertheless after considering the uncertainties described above, the directors have a reasonable expectation that ongoing shareholder support will be forthcoming and that sufficient customer funded development will be secured to enable the group and parent company to have adequate resources to continue in operational existence for the foreseeable future. For these reasons, the directors continue to adopt the going concern basis in preparing the annual financial statements.

Notes *(continued)*

1 Accounting policies *(continued)*

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the period. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Notes (continued)

1 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Tangible fixed assets

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

All leases are classified as operating leases. Rental charges for operating leases are charged to the profit and loss account on a straight line basis over the life of the lease

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Computers & associated software licences	-	33.3% per annum
Office furniture & equipment	-	20% per annum
Laboratory equipment	-	25% per annum
Leasehold improvements	-	25% per annum

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Investments

In the Company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost.

Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the company. At the acquisition date, the company recognises goodwill at the acquisition date as: the sum of the fair value of the consideration transferred, contingent consideration, fair value of equity instruments issued and directly attributable transaction costs less the net recognised amount of the identifiable assets acquired and liabilities and contingent liabilities assumed.

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Amortisation

Goodwill is amortised on a straight line basis over its useful life and the goodwill has no residual value.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with FRS 102 Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

Notes *(continued)*

1 Accounting policies *(continued)*

Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Turnover

Turnover comprises revenue recognised by the Group in respect of goods and services supplied during the year, exclusive of VAT and other sales taxes and trade discounts.

Other operating income

The Company received Government grant funding from Innovate UK towards the costs of research and development projects. Income is recognised on a performance basis. The projects were ongoing at the period end.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes (continued)

2 Acquisitions of businesses

Acquisitions in the prior period

On 11 June 2014, the Company acquired the business and assets of Cella Energy Limited (company registration number 07492148) out of administration. All of the revenue and expenditure in the prior period relate wholly to the acquired business.

3. Other operating income

	Year ended 31 March 2016	11 months to 31 March 2015
	£	£
Customer funded research and development	565,823	494,997
Government grants	351,316	92,905
	<u>917,139</u>	<u>587,902</u>

4 Expenses and auditor's remuneration

	Year ended 31 March 2016	11 months to 31 March 2015
	£	£
<i>Including in the loss are the following:</i>		
Research and development expenditure	1,450,127	550,218
Auditor's remuneration for audit services	10,000	10,000
Auditor's remuneration for tax services	5,900	5,900
	<u>1,466,027</u>	<u>566,118</u>

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the period, analysed by category, was as follows:

	Year ended 31 March 2016	11 months to 31 March 2015
	£	£
Directors	1	1
UK Employees	11	7
US Employees	2	3
	<u>14</u>	<u>11</u>

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2016 £	11 months to 31 March 2015 £
Wages and salaries.	719,413	472,076
Social security costs	75,991	44,447
Contributions to defined benefit plans	32,414	7,067
	<u>827,818</u>	<u>523,590</u>

6 Remuneration of directors

	Year ended 31 March 2016 £	11 months to 31 March 2015 £
Directors' emoluments	128,339	101,963
Company contributions to money purchase pension schemes	7,000	2,000
	<u>135,339</u>	<u>103,963</u>

Only one director received any emoluments during the period which were in respect of management services and amounted to £135,339, including pension benefits of £7,000.

7 Interest payable and similar charges

	Year ended 31 March 2016 £	11 months to 31 March 2015 £
Interest payable	3,454	2,232
	<u>3,454</u>	<u>2,232</u>

Notes (continued)

8 Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	Year ended 31 March 2016	11 months to 31 March 2015
	£	£
<i>Current tax</i>		
Current tax on loss for the period	(127,958)	(115,114)
Prior year adjustment	(9,836)	-
Total current tax	(137,794)	(115,014)
<i>Deferred tax (see note 18)</i>		
Origination and reversal of timing differences	-	-
	<u> </u>	<u> </u>
Total tax	(137,794)	(115,014)
	<u> </u>	<u> </u>

Analysis of credit in the period

	Year ended 31 March 2016	11 months to 31 March 2015
	Total tax	Total tax
Recognised in Profit and loss account	(137,794)	(115,014)
Recognised in other comprehensive income	-	-
Recognised directly in equity	-	-
	<u> </u>	<u> </u>
Total tax	(137,794)	(115,014)
	<u> </u>	<u> </u>

	Year ended 31 March 2016	11 months to 31 March 2015
	£	£
UK corporation tax	(137,794)	(115,014)
Foreign tax	-	-
	<u> </u>	<u> </u>
Total current tax credit	(137,794)	(115,014)
	<u> </u>	<u> </u>

Notes (continued)

8 Total tax expense recognised in the profit and loss account, other comprehensive income and equity (continued)

Reconciliation of effective tax rate

	Year to 31 March 2016	11 months to 31 March 2015 £
Loss for the period	(876,433)	(479,494)
Current tax credit	(127,958)	(115,014)
Prior Period Adjustment	(9,836)	-
	<hr/>	<hr/>
Total tax Credit	(137,794)	(115,014)
	<hr/>	<hr/>
Loss excluding taxation	(1,014,227)	(594,508)
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 20 %	(202,845)	(124,847)
Expenses not deductible for tax purposes	1,056	286
Additional deduction for R&D expenditure	(88,421)	(92,540)
Surrender of tax losses for R&D credit refund	43,020	51,557
Depreciation in excess of capital allowances	1,488	2,412
Unutilised tax losses carried forward	117,744	48,118
Adjustment in respect of prior periods	(9,836)	-
	<hr/>	<hr/>
Total tax credit included in profit or loss	(137,794)	(115,014)
	<hr/>	<hr/>

As at 31 March 2016 tax losses amounted to approximately £175,032 in the UK and £40,047 in the US which are available to be relieved against future profits of the relevant entity.

Deferred tax assets and liabilities are not provided for in the financial statements and are set out in Note 18. Unprovided deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates in the relevant territory that have been enacted or substantively enacted at the balance sheet date.

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015.

An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

Notes (continued)

9 Intangible fixed assets: Goodwill

	Total £
Cost	
Balance at 1 April 2015	12,595
Acquisitions through business combinations	-
	12,595
At end of period	12,595
Amortization	
Balance at 1 April 2015	1,889
Charged in period	2,519
	4,408
At end of year	4,408
Net book value	
At 31 March 2016	8,187
	8,187
At 31 March 2015	10,706

The amortisation charge is recognised in administration costs in the profit and loss account.

Notes (continued)

10 Tangible fixed assets – Group

	Office Furniture & Equipment £	Laboratory Equipment £	Computer Equipment £	Leasehold Improve- ments £	Total £
Cost					
Balance at 1 April 2015	1,825	213,325	12,671	169,511	397,332
Additions	5,219	10,433	4,296	107,503	127,451
Disposals	-	-	(1,827)	-	(1,827)
Exchange adjustment	-	3,386	70	(2)	3,454
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2016	7,044	227,144	15,210	277,012	526,410
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
Balance at 1 April 2015	61	41,045	1,210	2,289	44,605
Depreciation charge for the year	1,148	74,691	5,240	67,736	148,815
Disposals	-	-	(1,827)	-	(1,827)
Exchange adjustment	-	1,039	16	-	1,055
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2016	1,209	116,775	4,639	70,025	192,648
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 March 2016	5,835	110,369	10,571	206,987	333,762
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2015	1,764	172,280	11,461	167,222	352,727
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

11 Tangible fixed assets – Company

	Office Furniture & Equipment £	Laboratory Equipment £	Computer Equipment £	Leasehold Improve- ments £	Total £
Cost					
Balance at 1 April 2015	1,825	109,117	10,541	169,510	290,993
Additions	5,219	10,433	3,690	107,502	126,844
Disposals	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2016	7,044	119,550	14,231	277,012	417,837
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
Balance at 1 April 2015	61	9,083	707	2,289	12,140
Depreciation charge for the period	1,148	28,933	4,485	67,736	102,302
Disposals	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2016	1,209	38,016	5,192	70,025	114,442
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 March 2016	5,835	81,534	9,039	206,987	303,395
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2015	1,764	100,034	9,834	167,221	278,853
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

12 Fixed Asset Investments – Company

	2016 £
Investment in Cella Energy U.S., Inc	21,308

Cella Energy U.S., Inc is a trading company carrying out research and development into hydrogen storage materials. There are no provisions against this investment and there were no other acquisitions or disposals during the period.

During the period Cella Energy U.S., Inc incurred a loss of £196,872 (2015: -£89,221) translated into the functional currency using average rates during the period and as at 31 March 2016 had aggregate negative capital and reserves of £292,172 (2015: -£86,792) translated using the balance sheet exchange rate at the reporting period end. Excluding amounts owed to the parent Company the adjusted net assets as at 31 March 2016 were -£60,694 (2015: £15,759). No provisions have been made to the carrying value of the investment.

13 Debtors

	Group 2016	Company 2016	Group 2015	Company 2015
	£	£	£	£
Amounts owed by group undertakings	-	194,613	-	81,530
Taxation and social security	165,929	165,929	220,806	220,806
Other debtors	-	-	10,700	12,997
Deferred tax assets	-	-	-	-
Prepayments and accrued income	10,740	-	18,144	4,816
	176,669	360,542	249,650	320,149
	176,669	360,542	249,650	320,149

All debtors are due within one year.

14 Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	59,967	544,033

Notes (continued)

15 Creditors: amounts falling due within one year

	Group 2016 £	Company 2016 £	Group 2015 £	Company 2015 £
Trade creditors	157,451	129,767	159,713	146,476
Taxation and social security	12,529	12,529	20,411	20,411
Other Creditors	15,631	15,408	15,395	15,395
Accruals	79,589	78,560	75,393	72,071
	<u>265,200</u>	<u>236,264</u>	<u>270,912</u>	<u>254,353</u>

16 Creditors: amounts falling due in more than one year

	Group 2016 £	Company 2016 £	Group 2015 £	Company 2015 £
Loan note (see note 17)	77,675	-	69,524	-
	<u>77,675</u>	<u>-</u>	<u>69,524</u>	<u>-</u>

17 Interest-bearing loans and borrowings

	Group 2016 £	Company 2016 £	Group 2015 £	Company 2015 £
Non-current				
Loan notes - 4% unsecured promissory note	77,675	-	69,524	-
	<u>77,675</u>	<u>-</u>	<u>69,524</u>	<u>-</u>

Space Florida, an Independent Special District of the State of Florida, is the holder of an unsecured promissory loan note issued by Cella Energy U.S., Inc prior to Cella Energy U.S., Inc being acquired by Cella Energy Limited. Space Florida are the landlord for facilities rented by the Cella Energy U.S., Inc a group company at Kennedy Space Centre and they are also shareholders in the Company. The note carries a 4% annual interest rate and a term of ten years at which time the principle and accrued interest are repayable. At 31 March 2016 the level of accrued interest was £5,892 (2015: £2,232). The Note has no recourse to the Parent, Cella Energy, Ltd.

Notes (continued)

18 Deferred tax

	£
At beginning and end of period	-
	<u> </u>

The amounts provided for deferred taxation, and the amounts not provided, are set out below:

	Group – 2016		Company – 2016	
	Provided £	Unprovided £	Provided £	Unprovided £
Depreciation in excess of capital allowances	-	36,323	-	24,423
Trading losses carried forward	-	215,089	-	175,032
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	-	251,412	-	199,455
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	Group – 2015		Company – 2015	
	Provided £	Unprovided £	Provided £	Unprovided £
Depreciation in excess of capital allowances	-	2,297	-	2,297
Trading losses carried forward	-	86,293	-	27,982
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	-	88,590	-	30,279
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

19 Called up share capital

	2016 £	2015 £
Allotted, called up and fully paid		
3,942,334 Ordinary shares of £0.01 each	39,423	34,013
	<u> </u>	<u> </u>

All shares are classified in shareholders' funds. During the year the Company issued 541,012 £0.01p Ordinary Shares for cash consideration of £313,787 less share issuance costs for net £292,150 received.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes (continued)

20 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2016	2015
	£	£
Less than one year	62,661	11,187
Between one and five years	91,874	143,348
More than five years	-	-

During the period £109,616, (2015: £115,099) was recognised as an expense in the profit and loss account in respect of operating leases

21 Commitments

The Company's contractual commitments as at 31 March 2016 are set out in note 20.

22 Related party disclosures

Related party transactions

During the period, Persephone Capital Partners LLP, a company wholly owned and controlled by two Directors of Cella Energy Limited, Mr Jaime Lifton and Mr Alexander Sorokin participated in the funding round and subscribed for 222,068 ordinary shares at a share price of £0.58 and received warrants to purchase an additional 222,068 shares at a share price of £0.58 which was subsequently reduced to £0.20 in July 2016 as part of a further capital raise.

Additionally, Mr. Lifton purchased 6,161 ordinary shares at a share price of £0.58 and received 6,161 warrants to purchase an additional 6,161 shares at a share price of £0.58 and Mr. Sorokin purchased 14,107 ordinary shares at a share price of £0.58 and received 14,107 warrants to purchase an additional 14,107 shares at a share price of £0.58 which subsequently reduced to £0.20 in July 2016 as part of a further capital raise. All shares were fully paid up as at 31 March 2015.

Mr. Nicholas Brunero purchased 62,403 ordinary shares at a share price of £0.58 and received 62,403 warrants to purchase an additional 62,403 shares at a share price of £0.58 which was subsequently reduced to £0.20 in July 2016 as part of a further capital raise.

Mr Francis Dibello, a Director of Cella Acquisition Limited, is also the President of Space Florida an Independent Special District of the State of Florida, created by Chapter 331, Part II, Florida Statutes, for the purposes of fostering the growth and development of a sustainable and world-leading space industry in Florida. As at 31 March 2016 £56,580 was owed by Cella Energy U.S., Inc in relation to rent charges to Space Florida as landlord for facilities rented by Cella Energy U.S., Inc., which has no recourse to the parent, Cella Energy Ltd.

The Directors consider there to be no one controlling shareholder of the Company.

Related party listing

Persephone Capital Partners LLP
Space Florida, an Independent Special District of the State of Florida

Total compensation of key management personnel

Total compensation of key management personnel (including the management services of one Director [the Managing Director]) in the period amounted to £290,250 (2015: £181,928). The other Directors did not receive any compensation for their services.