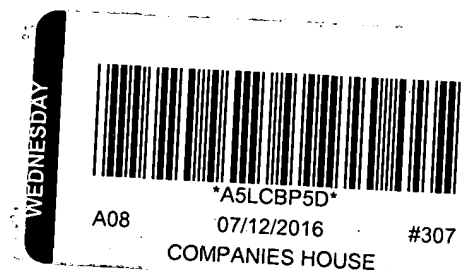


COMPANY REGISTRATION NUMBER 07066163

SEREN PHOTONICS LIMITED
FINANCIAL STATEMENTS
31 JULY 2016



SEREN PHOTONICS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2016

CONTENTS	PAGE
Directors' report	1
Statement of directors' responsibilities	3
Independent auditor's report to the members	4
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8

SEREN PHOTONICS LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 JULY 2016

The directors present their report and the financial statements of the company for the year ended 31 July 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company is principally engaged in nanoscience and fundamental physics to greatly increase the efficiency at which an LED converts energy into light.

The loss for the year amounted to £247,680 (2015: £1,340,826). The Directors have not recommended a dividend.

The trading results for the period and the company's financial position at the end of the period are shown in the attached financial statements.

DIRECTORS

The directors who served the company during the year and up to the date of signing this report were as follows:

A Nevinskiy

G Ainsworth

I Jenks

IP2IPO Services Limited

N Goddard

(Resigned 15 September 2016)

B Humphreys

(Appointed 25 November 2015)

C Griffiths

(Resigned 25 May 2016)

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 the directors have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Certain directors benefited from qualifying third party indemnity provisions in place during the period and at the date of this report.

AUDITOR

KPMG LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

SEREN PHOTONICS LIMITED

DIRECTORS' REPORT *(continued)*

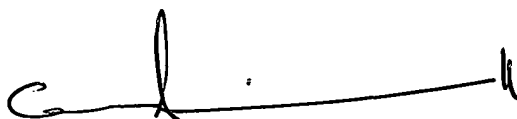
YEAR ENDED 31 JULY 2016

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

Registered office:
37B UK Technology Centre
Pencoed Technology Park
Pencoed
Bridgend
Mid Glamorgan
CF35 5HZ

Signed on behalf of the directors

A handwritten signature in black ink, appearing to be 'G Ainsworth', written over a horizontal line.

G Ainsworth
Director

Approved by the directors on 23rd November 2016

SEREN PHOTONICS LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
YEAR ENDED 31 JULY 2016

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 elected to prepare the financial statements in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015) and applicable law (UK Generally Accepted Accounting Practice applicable to Smaller Entities). 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 year.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

SEREN PHOTONICS LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEREN
PHOTONICS LIMITED
YEAR ENDED 31 JULY 2016

We have audited the financial statements of Seren Photonics Limited for the year ended 31 July 2016 on pages 7 to 18. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective January 2015) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 3, 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 (APB'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 company's affairs as at 31 July 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; 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 disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern in particular the uncertainty as to the availability of additional funding as required to continue with its research, development and commercialisation activities. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

SEREN PHOTONICS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEREN PHOTONICS LIMITED (continued)

YEAR ENDED 31 JULY 2016

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report.



DAVID MORRITT (Senior Statutory Auditor)

For and on behalf of
KPMG LLP
Chartered Accountants & Statutory Auditor
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

25 November 2016

SEREN PHOTONICS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 JULY 2016

	Note	2016 £	2015 £
TURNOVER		—	—
Administrative expenses		(477,539)	(1,559,390)
Other operating income	2	<u>31,741</u>	<u>78,866</u>
OPERATING LOSS	3	<u>(445,798)</u>	<u>(1,480,524)</u>
Interest receivable		3,383	4,782
Interest payable and similar charges	6	(72,865)	(5,956)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(515,280)</u>	<u>(1,481,698)</u>
Tax on loss on ordinary activities	7	267,600	140,872
LOSS FOR THE FINANCIAL YEAR		<u>(247,680)</u>	<u>(1,340,826)</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 8 to 17 form part of these financial statements.

SEREN PHOTONICS LIMITED

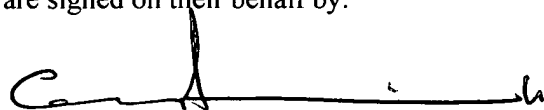
BALANCE SHEET

31 JULY 2016

	Note	2016 £	2015 £
FIXED ASSETS			
Intangible assets	8	11,561	14,394
Tangible assets	9	<u>94,597</u>	<u>41,395</u>
		<u>106,158</u>	<u>55,789</u>
CURRENT ASSETS			
Debtors	10	6,346	36,492
Cash at bank		<u>797,207</u>	<u>1,119,518</u>
		<u>803,553</u>	<u>1,156,010</u>
CREDITORS: Amounts falling due within one year	11	<u>(118,663)</u>	<u>(296,632)</u>
NET CURRENT ASSETS		<u>684,890</u>	<u>859,378</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>791,048</u>	<u>915,167</u>
CREDITORS: Amounts falling due after more than one year	12	<u>(954,517)</u>	<u>(830,956)</u>
NET (LIABILITIES)/ASSETS		<u>(163,469)</u>	<u>84,211</u>
CAPITAL AND RESERVES			
Called-up equity share capital	14	5,765	5,765
Share premium account	15	4,537,297	4,537,297
Profit and loss account	15	<u>(4,706,531)</u>	<u>(4,458,851)</u>
SHAREHOLDERS'(DEFICIT) / FUNDS	15	<u>(163,469)</u>	<u>84,211</u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and with the Financial Reporting Standard for Smaller Entities (effective January 2015).

These accounts were approved by the directors and authorised for issue on 23rd November 2016, and are signed on their behalf by:



.....
G Ainsworth

Company Registration Number: 07066163

The notes on pages 8 to 17 form part of these financial statements.

SEREN PHOTONICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JULY 2016

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015).

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

The company is engaged in the commercialisation of intellectual property and is currently in the research and development stage of its activities. As is usual in this industry, research projects must meet specific targets in order to demonstrate ongoing commercial viability and negotiate successfully for additional funding. Companies that cannot demonstrate ongoing technical or commercial viability would be wound down. New funding cycles are typically 12 to 18 months apart, although this varies between companies.

At 31 July 2016 the company was making significant progress with its continued research, development and commercialisation activities of its lead product and is projected to achieve the next key milestone in Q2 2017. The company held cash balances of £797,207 at 31 July 2016, and had £567,822 at the date of signing these accounts, with these funds currently expected to cover the working capital requirements of the company up to June 2017. The directors therefore forecast that further significant funding will need to be received before July 2017 if the company is to progress with its research and development activities to successfully commercialise the product and, through such progress ultimately become cash generative. Such funds are likely to come from existing investors, new investors or corporate partners in exchange for certain rights to the product and the directors have no reason to believe these funds will not become available when required.

However, there can be no certainty in relation to the company's abilities to raise additional funding as required to continue with its research, development and commercialisation activities, including the achievement of the milestone in Q2 2017 or whether, through such progress, the company will ultimately become cash generating. These matters represent a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. The company may, therefore, be unable to continue realising its assets and discharging its liabilities in the normal course of business. Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company will have adequate resources to continue in operation and existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the financial statements and the financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Research and development

Expenditure on research and development is accounted for in the profit and loss account in the period in which it is incurred.

Intangible assets

Intangible fixed assets purchased separately from a business are capitalised at their cost.

SEREN PHOTONICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JULY 2016

1. ACCOUNTING POLICIES *(continued)*

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

to nil by equal instalments over 10 years

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant & Machinery	- 20% per annum
Office Equipment	- 33.3% per annum

Deferred taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

SEREN PHOTONICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JULY 2016

1. ACCOUNTING POLICIES *(continued)*

Financial instruments

Following the adoption of FRS25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy) are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Grant income

Government income is recognised where there is reasonable assurance that the physical payment will be received and the attached conditions have been complied with. When the grant relates to an expense item, it is recognised as other operating income on a systematic basis over the time periods that the costs, which it is intended to compensate, are expensed.

Share options

No charge is recognised for share options issued, in accordance with the requirements of FRSSE 2008, the number of options issued and their principal vesting conditions are disclosed in note 13.

2. OTHER OPERATING INCOME

	2016	2015
	£	£
Grants receivable	<u>31,741</u>	<u>78,866</u>

SEREN PHOTONICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JULY 2016

3. OPERATING LOSS

Operating loss is stated after charging:

	2016	2015
	£	£
Amortisation of intangible assets	2,833	2,833
Research and development expenditure	124,855	1,206,174
Depreciation of owned fixed assets	17,361	27,617
Depreciation of assets held under hire purchase agreements	10,383	–
Auditor's fees	5,000	2,550
	<u>260,432</u>	<u>1,239,174</u>

4. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were:

	2016	2015
	£	£
Aggregate remuneration	229,918	151,007
Compensation for loss of office	38,769	–
	<u>268,687</u>	<u>151,007</u>

The aggregate remuneration of the highest paid director in the year was £74,945 (2015: £88,710)

5. EMPLOYEE BENEFITS

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £14,219 (2015: £18,395).

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2016	2015
	£	£
Interest payable on loan notes	70,125	5,956
Interest on hire purchase contracts	2,740	–
	<u>72,865</u>	<u>5,956</u>

7. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2016	2015
	£	£
Current tax:		
Research and development tax credit	(267,600)	(140,872)
Total current tax	<u>(267,600)</u>	<u>(140,872)</u>

SEREN PHOTONICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JULY 2016

7. TAXATION ON ORDINARY ACTIVITIES *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 20% (2015: 20%).

	2016 £	2015 £
Loss on ordinary activities before taxation	<u>(515,280)</u>	<u>(1,481,698)</u>
Loss on ordinary activities by rate of tax	(103,056)	(296,339)
Expenses not deductible for tax purposes	4,601	3,730
Capital allowances for period in excess of depreciation	2,151	2,151
Utilisation of tax losses	-	225,755
Unrelieved tax losses	226,106	-
Adjustments to tax charge in respect of previous periods	(129,802)	64,703
Research and Development tax credit	<u>(267,600)</u>	<u>(140,872)</u>
Total current tax (note 6(a))	<u>(267,600)</u>	<u>(140,872)</u>

(c) Factors that may affect future tax charges

Deferred taxation

The potential deferred tax asset has not be recognised on the grounds of uncertainty of future taxable profits from which the reversal of tax losses and timing differences can be deducted.

	Unrecognised 2016 £	Unrecognised 2015 £
Tax losses carried forward	<u>729,558</u>	<u>503,452</u>
	<u>729,558</u>	<u>503,452</u>

SEREN PHOTONICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JULY 2016

8. INTANGIBLE FIXED ASSETS

	IP Assignment £
COST	
At 1 August 2015 and 31 July 2016	<u>28,335</u>
AMORTISATION	
At 1 August 2015	13,941
Charge for the year	<u>2,833</u>
At 31 July 2016	<u>16,774</u>
NET BOOK VALUE	
At 31 July 2016	<u>11,561</u>
At 31 July 2015	<u>14,394</u>

9. TANGIBLE FIXED ASSETS

	Plant & Machinery £	Equipment £	Total £
COST			
At 1 August 2015	129,368	11,552	140,920
Additions	<u>80,100</u>	<u>846</u>	<u>80,946</u>
At 31 July 2016	<u>209,468</u>	<u>12,398</u>	<u>221,866</u>
DEPRECIATION			
At 1 August 2015	89,987	9,538	99,525
Charge for the year	<u>26,164</u>	<u>1,580</u>	<u>27,744</u>
At 31 July 2016	<u>116,151</u>	<u>11,118</u>	<u>127,269</u>
NET BOOK VALUE			
At 31 July 2016	<u>93,317</u>	<u>1,280</u>	<u>94,597</u>
At 31 July 2015	<u>39,381</u>	<u>2,014</u>	<u>41,395</u>

Hire purchase agreements

Included within the net book value of £94,597 is £78,617 (2015: £Nil) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £10,383 (2015: £Nil).

SEREN PHOTONICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JULY 2016

10. DEBTORS

	2016	2015
	£	£
VAT recoverable	–	31,242
Prepayments and accrued income	<u>6,346</u>	<u>5,250</u>
	<u>6,346</u>	<u>36,492</u>

11. CREDITORS: Amounts falling due within one year

	2016	2015
	£	£
Trade creditors	33,633	177,641
Other creditors including taxation and social security:		
PAYE and social security	3,775	7,783
VAT	14,020	–
Hire purchase agreements	35,564	–
Amounts owed to related parties	–	17,730
Other creditors	3,749	6,715
Accruals and deferred income	<u>27,922</u>	<u>86,763</u>
	<u>118,663</u>	<u>296,632</u>

12. CREDITORS: Amounts falling due after more than one year

	2016	2015
	£	£
Amounts owed to undertakings		
in which the company has a participating interest	901,081	830,956
Hire purchase agreements	<u>53,436</u>	–
	<u>954,517</u>	<u>830,956</u>

On 30 June 2015 shareholders provided loan funds totalling £825,000 to the company. At 31 July 2016 the loans had accrued interest of £76,081. The loans carry a fixed rate of interest of 8.5% per annum and have conversion rights attached.

In respect of a conversion of the Loan on the occurrence of a Sale which takes place on or after 1 June 2016, the Conversion Price shall be equal to an amount per share equivalent to seventy per cent (70%) of the price per share at which the Sale is completed. In respect of an automatic conversion of the Loan on a Fundraising which takes place on or after 1 June 2016, the Conversion Price shall be equal to an amount per share equivalent to seventy per cent (70%) of the price per share at which the Fundraising is completed.

SEREN PHOTONICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JULY 2016

13. RELATED PARTY TRANSACTIONS

During the year the company purchased consultancy services and was recharged expenses totalling £57,617 (2015: £51,623) from Horton Corporate Finance, a company for which G Ainsworth is a partner. At 31 July 2016 the company owed Horton Corporate Finance £7,635 (2015: £12,023).

During the year the company purchased consultancy services and was recharged expenses totalling £18,600 (2015: £Nil) from Spinetic Energy Limited, a company for which N Goddard is a director. At 31 July 2016 the company owed Spinetic Energy Limited £Nil (2015: £Nil).

During the year the company purchased consultancy services and was recharged expenses totalling £18,000 (2015: £12,000) from Ian Jenks Limited a company for which I Jenks is a director. At 31 July 2016 the company owed Ian Jenks Limited £Nil (2015: £1,800).

During the year the company purchased R&D Services totalling £1,412 (2015: £356,092) on an arms length basis from IQE, a shareholder in the company. At 31 July 2016 the company owed IQE £Nil (2015: £Nil).

Finance Wales Investments (6) Limited, a shareholder in the company, accrued monitoring fees to the company totalling £7,499 (2015: £5,207). At the year end the company owed Finance Wales Investments (6) Limited £13,206 (2015: £5,707).

On 30 June 2015 the shareholders IP2IPO Limited, Fusion IP Sheffield Limited, Finance Wales Investments (6) Limited and IQE Plc provided loans to the company of £206,769, £343,231, £250,000 and £25,000 respectively. As at 31 July 2016 interest had accrued on the principal loan amounts of £19,068, £31,653, £23,055 and £2,305 respectively.

14. SHARE CAPITAL

Allotted, called up and fully paid:

	2016		2015	
	No	£	No	£
Ordinary shares of £1 each	1,163	1,163	1,163	1,163
Ordinary A shares of £1 each	3,054	3,054	3,054	3,054
Non-voting Shares shares of £0.01 each	768	8	768	8
B Ordinary Shares shares of £1 each	761	761	761	761
C Ordinary Shares shares of £0.01 each	1,850	19	1,850	19
Deferred Shares shares of £0.01 each	76,032	760	76,032	760
	<u>83,628</u>	<u>5,765</u>	<u>83,628</u>	<u>5,765</u>

SEREN PHOTONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2016

14. SHARE CAPITAL *(continued)*

The Ordinary Shares have attached to them full voting rights. The shares rank third in priority in respect to dividends behind fixed preferential dividends payable in respect of the B and C ordinary shares and A ordinary shares and pari passu with the other classes of equity shares. On return of capital, following repayment of the original subscription price in respect of the A, B and C ordinary share and £0.000001 in respect of the deferred shares (if any) they shall rank pari passu with the other equity shares.

The A Ordinary Shares have attached to them full voting rights. In respect of income, the holders are entitled to a fixed cumulative net cash dividend of 8% of the original subscription price per annum in respect of each share (after the fixed preferential dividend payable in respect of the B and C ordinary shares) and share of any balance. On return of capital, following the repayment of the original subscription price in respect of the B ordinary and C ordinary shares, the holders shall be entitled to to repayment of the original subscription price per share & then pari passu with other equity shares.

The B Ordinary Shares have attached to them full voting rights. In respect of income, the holders are entitled to a fixed preferential cumulative net cash dividend of 8% of the original subscription price per annum in respect of each share (alongside the C ordinary shareholders) and a share of any balance. On a return of capital, following repayment of the original subscription price per share and then (following repayment of the subscription price on the A ordinary shares) a share of the balance pari passu with other equity shares.

The C Ordinary Shares have no voting rights attached to them. The holders of the shares (together with the B ordinary shares) have priority to receive preferential cumulative, net cash dividend of 8% of the original subscription price per annum in respect of each share. On capital distribution the shares (together with the B ordinary shares) hold priority to repayment of the original subscription price per share and (following repayment of the original subscription price in respect of the A ordinary shares), to a share of the balance pari passu with the other equity shares.

The Deferred Shares have no voting rights attached to them and shall not be entitled to any profits which the Company or the Board may determine to distribute. The Company also has the irrevocable authority at any time to purchase the Deferred Shares or reduce the issued share capital of the Company by cancelling and extinguishing the Deferred Shares for nil consideration.

2011 Option Scheme

On 9 March 2011 the company granted to 2 non employee options over 86 Ordinary shares at an exercise price of £1.00 per share all 86 of these share options have been vested.

No options were exercised during the year.

2014 Option Scheme

On 23 July 2014 the company granted 2 employees and 1 non employee options over a total of 420 Ordinary shares at an exercise price of £1.00 per share. 314 of these share options have been vested and 106 shall vest on 23 July 2017.

No options were exercised during the year.

SEREN PHOTONICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JULY 2016

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital	Share premium account	Profit and loss account	Total share- holders' funds
	£	£	£	£
Balance brought forward	5,765	4,537,297	(4,458,851)	84,211
Loss for the year	—	—	(247,680)	(247,680)
Balance carried forward	<u>5,765</u>	<u>4,537,297</u>	<u>(4,706,531)</u>	<u>(163,469)</u>