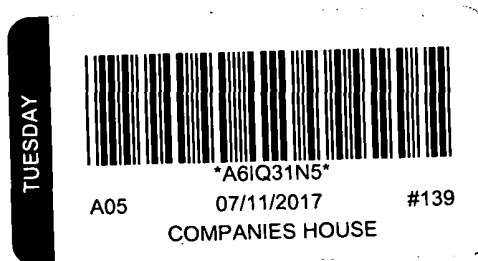


COMPANY REGISTRATION NUMBER: 07066163

**Seren Photonics Limited**  
**Financial Statements**  
**31 July 2017**



# **Seren Photonics Limited**

## **Financial Statements**

**Year ended 31 July 2017**

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# **Seren Photonics Limited**

## **Directors' report**

**Year ended 31 July 2017**

The directors present their report and the financial statements of the company for the year ended 31 July 2017.

### **Directors**

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

A Nevinskiy

G Ainsworth

I Jenks

B Humphreys

IP2IPO Services Limited

N Goddard

(Resigned 15 September 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 company made a loss of £666,183 for the year (2016: £247,680)

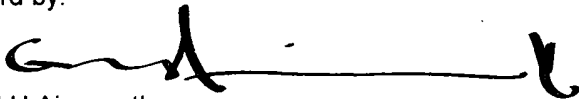
The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors do not recommend the payment of a dividend.

### **Small company provisions**

This report has been prepared in accordance with the provisions for small companies within part 15 of the Companies Act 2016.

This report was approved by the board of directors on 31<sup>st</sup> Oct 2017 and signed on behalf of the board by:



G H H Ainsworth  
Director

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

# **Seren Photonics Limited**

## **Statement of Directors' responsibilities in respect of the directors' report and the financial statements**

**Year ended 31 July 2017**

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 the directors have elected to prepare the financial statements in accordance with applicable law and Section 1A of FRS102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. (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 period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations; or to have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

# Seren Photonics Limited

## Profit and loss Account

Year ended 31 July 2017

	Note	2017 £	2016 £
Administrative expenses		(643,269)	(477,539)
Other operating income	3	<u>2,013</u>	<u>31,741</u>
<b>Operating loss</b>	4	<b>(641,256)</b>	<b>(445,798)</b>
Other interest receivable	8	725	3,383
Interest payable	9	<u>(75,869)</u>	<u>(72,865)</u>
<b>Loss on ordinary activities before taxation</b>		<b>(716,400)</b>	<b>(515,280)</b>
Tax on loss on ordinary activities	10	<u>50,217</u>	<u>267,600</u>
<b>Loss for the financial year</b>		<b><u>(666,183)</u></b>	<b><u>(247,680)</u></b>
<b>Balance brought forward</b>		<b>(4,706,531)</b>	<b>(4,458,851)</b>
<b>Balance carried forward</b>		<b><u>(5,372,714)</u></b>	<b><u>(4,706,531)</u></b>

The notes on pages 5 to 12 form part of these financial statements.

# Seren Photonics Limited

## Balance sheet

31 July 2017

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Intangible assets	11	8,728	11,561
Tangible assets	12	69,933	94,597
		<u>78,661</u>	<u>106,158</u>
<b>Current assets</b>			
Debtors	13	9,812	6,346
Cash at bank and in hand		168,673	797,207
		<u>178,485</u>	<u>803,553</u>
<b>Creditors: amounts falling due within one year</b>	14	(1,071,964)	(118,663)
<b>Net current liabilities / (assets)</b>		<u>(893,479)</u>	<u>684,890</u>
<b>Total assets less current liabilities</b>		<u>(814,818)</u>	<u>791,048</u>
<b>Creditors: amounts falling due after more than one year</b>	15	(14,834)	(954,517)
<b>Net liabilities</b>		<u>(829,652)</u>	<u>(163,469)</u>
<b>Capital and reserves</b>			
Called up share capital	16	5,765	5,765
Share premium account		4,537,297	4,537,297
Profit and loss account		(5,372,714)	(4,706,531)
<b>Shareholders deficit</b>		<u>(829,652)</u>	<u>(163,469)</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with FRS 102 Section 1A 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

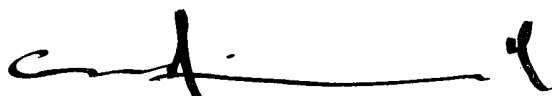
For the year ending 31 July 2017 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Directors responsibilities:

- The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476;
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

These financial statements were approved by the board of directors and authorised for issue on

~~31<sup>st</sup> October 2017~~, and are signed on behalf of the board by:



G H H Ainsworth  
Director

Company registration number: 07066163

The notes on pages 5 to 12 form part of these financial statements.

**Seren Photonics Limited**  
**Notes to the financial statements**  
**Year ended 31 July 2017**

**1. Statement of compliance**

These financial statements have been prepared in compliance with FRS 102 Section 1A, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' and under the historical cost convention.

**2. Accounting policies**

**Basis of preparation**

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 2017 the company was making significant progress with its continued research, development and commercialisation activities of its lead product. The company held cash balances of £168,673 at 31 July 2017, with these funds currently expected to cover the working capital requirements of the company up to November 2017. The directors therefore forecast that further funding will need to be received by December 2017 if the company is to progress with research and development activities. The company is at an advanced stage of discussions with existing and new investors to secure such further funding.

However, there can be no certainty in relation to these matters and the potential inability to raise additional funding, which is reliant on uncertain future events, represents 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.

**Transition to FRS 102**

The entity transitioned from previous UK GAAP to FRS102 Section 1A on 1<sup>st</sup> August 2015. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 19.

**Income tax**

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 102 Section 29.

# **Seren Photonics Limited**

## **Notes to the financial statements** *(continued)*

**Year ended 31 July 2017**

### **Amortisation**

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

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

### **Research and development**

Expenditure on research and development is written off to the profit and loss account in the period in which it is incurred.

### **Tangible assets**

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

### **Depreciation**

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

### **Impairment of fixed assets**

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.



# Seren Photonics Limited

## Notes to the Financial Statements *(continued)*

Year ended 31 July 2017

### Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

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.

No charge is recognised for share options issued, in accordance with the requirements of FRS 102 Section 1A, the number of options issued and their principal vesting conditions are disclosed in note 17.

### 3. Other operating income

	2017	2016
	£	£
Grants receivable	<u>2,013</u>	<u>31,741</u>

### 4. Operating loss

Operating loss is stated after charging:

	2017	2016
	£	£
Amortisation of intangible assets	2,833	2,833
Depreciation of tangible assets	24,664	27,744
Research and development expenditure	<u>242,710</u>	<u>124,855</u>

### 5. Auditor's remuneration

	2017	2016
	£	£
Fees payable for the audit of the financial statements	<u>5,500</u>	<u>5,000</u>

### 6. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to 3 (2016: 3).

### 7. Directors' remuneration

The directors aggregate remuneration in respect of qualifying services was:

	2017	2016
	£	£
Remuneration	190,548	268,687
Compensation for loss of office	<u>-</u>	<u>38,769</u>

The aggregate remuneration of the highest paid director in the year was £93,197 (2016: £74,945).

# Seren Photonics Limited

## Notes to the financial statements *(continued)*

Year ended 31 July 2017

### 8. Other interest receivable and similar income

	2017	2016
	£	£
Interest on cash and cash equivalents	<u>725</u>	<u>3,383</u>

### 9. Interest payable and similar charges

	2017	2016
	£	£
Other interest payable and similar charges	<u>75,869</u>	<u>72,865</u>

### 10. Tax on loss on ordinary activities

	2017	2016
	£	£
<b>Current tax:</b>		
Research & development tax credit	(50,217)	(267,600)
<b>Tax on loss on ordinary activities</b>	<u>(50,217)</u>	<u>(267,600)</u>

#### Reconciliation of tax credit

The tax credit on the loss on ordinary activities for the year is lower than (2016: higher than) the standard rate of corporation tax in the UK of 20% (2016: 20%).

	2017	2016
	£	£
Loss on ordinary activities before taxation	(716,400)	(515,280)
Loss on ordinary activities by rate of tax	(144,266)	(103,056)
Adjustment to tax charge in respect of prior periods	–	(129,802)
Effect of expenses not deductible for tax purposes	–	4,601
Effect of capital allowances and depreciation	–	2,151
Unused tax losses	144,266	226,106
Research and development tax credit	(50,217)	(267,600)
<b>Tax on loss on ordinary activities</b>	<u>(50,217)</u>	<u>(267,600)</u>

#### Factors that may affect future tax income

##### Deferred taxation

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

	Unrecognised 2017	Unrecognised 2016
	£	£
Tax losses carried forward	<u>873,824</u>	<u>729,558</u>

# Seren Photonics Limited

## Notes to the financial statements (continued)

Year ended 31 July 2017

### 11. Intangible assets

	Development costs £
<b>Cost</b>	
At 1 Aug 2016 and 31 Jul 2017	<u>28,335</u>
<b>Amortisation</b>	
At 1 August 2016	<u>16,774</u>
Charge for the year	<u>2,833</u>
At 31 July 2017	<u>19,607</u>
<b>Carrying amount</b>	
At 31 July 2017	<u>8,728</u>
At 31 July 2016	<u>11,561</u>

### 12. Tangible assets

	Plant and machinery £	Equipment £	Total £
<b>Cost</b>			
At 1 Aug 2016 and 31 Jul 2017	<u>209,468</u>	<u>12,398</u>	<u>221,866</u>
<b>Depreciation</b>			
At 1 August 2016	<u>116,151</u>	<u>11,118</u>	<u>127,269</u>
Charge for the year	<u>23,854</u>	<u>810</u>	<u>24,664</u>
At 31 July 2017	<u>140,005</u>	<u>11,928</u>	<u>151,933</u>
<b>Carrying amount</b>			
At 31 July 2017	<u>69,463</u>	<u>470</u>	<u>69,933</u>
At 31 July 2016	<u>93,317</u>	<u>1,280</u>	<u>94,597</u>

### 13. Debtors

	2017 £	2016 £
Prepayments and accrued income	<u>5,066</u>	<u>6,346</u>
Other debtors	<u>4,746</u>	<u>-</u>
	<u>9,812</u>	<u>6,346</u>

### 14. Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	<u>19,110</u>	<u>33,633</u>
Accruals and deferred income	<u>40,472</u>	<u>27,922</u>
Social security and other taxes	<u>3,738</u>	<u>17,795</u>
Shareholders loans	<u>971,014</u>	<u>-</u>
Obligations under finance leases and hire purchase contracts	<u>35,600</u>	<u>35,564</u>
Other creditors	<u>2,030</u>	<u>3,749</u>
	<u>1,071,964</u>	<u>118,663</u>

# Seren Photonics Limited

## Notes to the financial statements *(continued)*

Year ended 31 July 2017

### 15. Creditors: amounts falling due after more than one year

	2017	2016
	£	£
Shareholders loans	-	901,081
Obligations under finance leases and hire purchase contracts	14,834	53,436
	<u>14,834</u>	<u>954,517</u>

On 30 June 2015 shareholders provided loan funds totalling £825,000 to the company. At 31 July 2017 the loans had accrued interest of £146,014. The loans carry a fixed rate of interest of 8.5% per annum and have conversion rights attached. To the extent that the loans have not been converted prior to the repayment trigger date of 30 June 2018, the loans together with any interest or fee which has accrued thereon shall be repayable on 10 days' written demand by the Lenders.

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.

### 16. Called up share capital

#### Issued, called up and fully paid

	2017		2016	
	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 *(continued)***

### **Year ended 31 July 2017**

#### **17. Called up 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 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. 207 of these share options have been vested; 107 shall vest on 23 July 2016 and 106 shall vest on 23 July 2017.

No options were exercised during the year.

# **Seren Photonics Limited**

## **Notes to the financial statements** *(continued)*

### **Year ended 31 July 2017**

#### **18. Related party transactions**

During the year the company purchased consultancy services and was recharged expenses totalling £80,807 (2016: £57,617) from Horton Corporate Finance, a company for which G Ainsworth is a partner. At 31 July 2017 the company owed Horton Corporate Finance £Nil (2016: £7,635).

During the year the company purchased consultancy services and was recharged expenses totalling £3,000 (2016: £18,600) from Spinetic Energy Limited, a company for which N Goddard is a director. At 31 July 2017 the company owed Spinetic Energy Limited £Nil (2016: £Nil).

During the year the company purchased consultancy services and was recharged expenses totalling £18,000 (2016: £18,000) from Ian Jenks Limited a company for which I Jenks is a director. At 31 July 2017 the company owed Ian Jenks Limited £Nil (2016: £Nil).

During the year the company purchased R&D Services totalling £Nil (2016: £1,412) on an arms length basis from IQE, a shareholder in the company. At 31 July 2017 the company owed IQE £Nil (2016: £Nil).

Finance Wales Investments (6) Limited, a shareholder in the company, accrued monitoring fees to the company totalling £7,499 (2016: £7,499). At the year end the company owed Finance Wales Investments (6) Limited £21,662 (2016: £14,163).

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 2017 interest had accrued on the principal loan amounts of £36,595, £60,747, £44,247 and £4,425 respectively.

#### **19. Transition to FRS 102**

These are the first financial statements presented under FRS 102. The company transitioned to FRS 102 on 1<sup>st</sup> August 2015.

No transitional adjustments were required in equity or profit or loss for the current or prior year.